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DU CANADA

ANNEXES
ANNUAL
REPORT

DISRUPTION & RESILIENCE

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2020 SURVEY OF ENTREPRENEURS AND MSMES IN PERU:

BUILDING THE CAPACITY OF MSMES THROUGH SOCIAL ENTREPRENEURSHIP



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EXECUTIVE SUMMARY



The Asia Pacific Foundation of Canada's *2020 Survey of Entrepreneurs and MSMEs in Peru: Building the Capacity of MSMEs Through Social Entrepreneurship* report showcases survey results of 250 respondents involved in micro, small, and medium enterprises (MSMEs) in Peru. The report provides an analysis of business development in the economy with a specific focus on social entrepreneurship.

This report has three main sections: company and entrepreneur profiles of the survey population, an analysis of respondents' growth plans and the barriers they perceive to MSME growth, and an evaluation of the opportunities and challenges for social entrepreneurship in Peru. Each section identifies both general and specific trends, with disaggregated data by gender, age, industry, and business size.

Main findings include the following:

- More than half of survey respondents are unaware of several support initiatives available to assist their business;
- The two most cited barriers to MSME growth are the domestic government and financing;
- Very few entrepreneurs in the survey population have international experience;
- A third of surveyed entrepreneurs said that they considered themselves as working in a social enterprise or an MSME with a social mandate; and
- The most cited barrier to social enterprises' success is the domestic government, specifically insufficient state support for these enterprises.

This report's recommendations include:

- Reviewing the marketing and accessibility of support initiatives, to make more MSMEs aware of these available resources;

- Reviewing government policies that entrepreneurs have reported as being obstructive for their MSME, such as restrictive municipal bureaucracy;
- Encouraging international experience, through online training on platforms like Peruvian Entrepreneur (*Emprendedor Peruano*) from the Ministry of Production and through recognition for MSMEs who do business abroad; and
- Developing government-sponsored specialized support for social entrepreneurship, using existing initiatives and partners in this ecosystem.

ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA



The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development, and Asia Competency.

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, and a regular Asia Watch newsletter that together support these thematic areas.

APF Canada also works with business, government, and academic stakeholders to provide custom research, data, briefings and Asia Competency training for Canadian organizations. Consulting services are available by request. We would be pleased to work with you to meet your research and business intelligence needs.

Visit APF Canada at www.asiapacific.ca.

ABOUT THE APEC-CANADA GROWING BUSINESS PARTNERSHIP

The APEC-Canada Growing Business Partnership is a four-year initiative jointly implemented by APF Canada and the Asia-Pacific Economic Cooperation (APEC) Secretariat. Funded by Global Affairs Canada, this initiative helps build the potential of MSMEs to promote poverty reduction and sustainable economic growth in the APEC region.

The Partnership offers best practice tools, ideas, knowledge, and critical connections derived from Canadian experience, tailored to the local markets of APEC economies. The current economies of focus are Indonesia, Peru, the Philippines, and Vietnam. The focus areas of the Partnership aim to address key challenges faced by MSMEs and aspiring entrepreneurs from APEC developing economies in the areas of technology and innovation, market access, human capital, and social entrepreneurship, with an emphasis on the crosscutting themes of women, youth, governance, and the environment.

Visit the APEC-Canada Business Partnership at <https://apfcanada-msme.ca/>

ABOUT THE EVIDENCE NETWORK

The Evidence Network (TEN) was founded in 2009 by Dr. Brian Barge and Dr. Margaret Dalziel, and focuses on conducting impact assessments for innovation enablers, both large and small, across North America, Europe, and Asia. TEN has provided assessments to innovation-enabling organizations that range from business incubator programs and research and development organizations to innovation funding programs and economic development organizations.

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Methodology

SURVEY

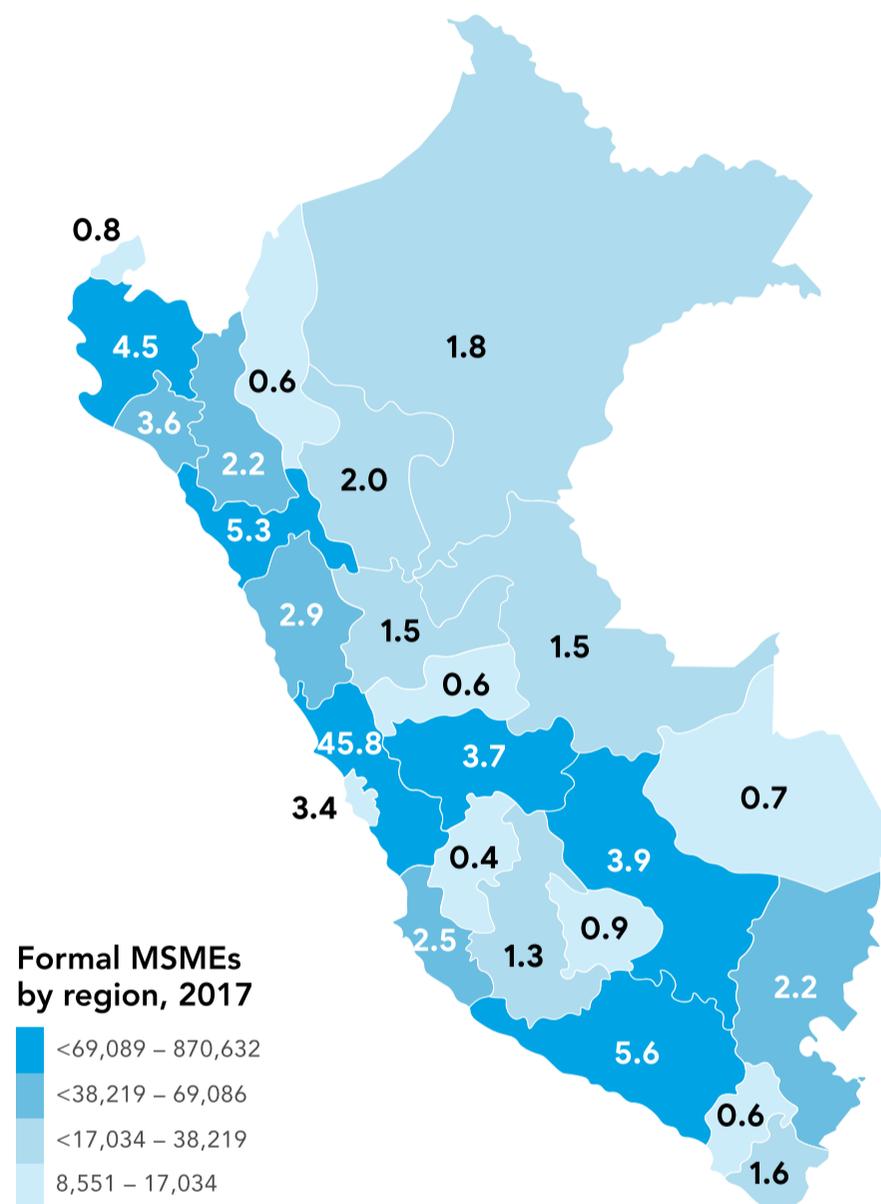
APF Canada commissioned The Evidence Network (TEN) to conduct a survey of 250 entrepreneurs (founders and non-founders working in an MSME) in Peru through in-person and telephone surveys from April to June 2019. The survey was conducted in Spanish and English and took approximately 12 to 15 minutes to complete.

The survey population was randomly selected through existing entrepreneurial networks identified by TEN, including networks of entrepreneurs identified by TEN's in-country partner in Peru. APF Canada also consulted with the Ministry of Foreign Affairs, the Ministry of Women and Vulnerable Populations, and Kunan Peru on the survey content and design.

Survey respondents are primarily based in cities within Lima province (49% of respondents). Another key portion of the survey population came from the Arequipa and La Libertad regions (24% of respondents each), while the remaining respondents came from the constitutional province of Callao (3%). The survey population reflects official data on the distribution of MSMEs across the economy, with 60% of Peru's MSMEs located in these four areas.¹

Formal MSMEs by region, 2017

The numbers in the legend represent the number of registered MSMEs in a given region. The numbers displayed over each region represent the region's percentage share of MSMEs throughout Peru.



Ministerio de la Produccion, "Estadística MIPYME: Concentracion sectorial y territorial de las mipymes 2017," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oee/estadisticas-mipyme>.

¹ Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.143.

While the survey population is primarily based in Peru's metropolitan areas, the sample attempts to cover a diverse range of businesses in terms of industry, leadership, and workforce. Gathering data from a variety of entrepreneurs ensures a level of representation of the attitudes, barriers, and opportunities facing the sample population in a variety of contexts within Peru.

Due to the nature of the study and the sample size, multivariate regression analysis of the data is largely unable to provide statistically significant results. However, we anticipate that the trends identified in this report could be explored further with a larger sample size. Any discrepancies in or between totals are due to rounding.

SECONDARY SOURCES AND RESEARCH

The survey data is supplemented by additional survey data collected from two events hosted by APF Canada in Lima in early 2019: the *APEC-Canada Growing Business Partnership MSME, Competitiveness, and Social Innovation Training Day* and *Change Makers: Supporting Social Entrepreneurs in Peru*.

The survey data has also been further contextualized in this report with official statistics from the Ministry of Production and other government bodies, background research on the economic and entrepreneurial context of Peru, and secondary resources from various international and regional organizations and experts.

Introduction

MSMES: THE BACKBONE OF APEC ECONOMIES

Micro, small, and medium sized enterprises (MSMEs) have consistently been the key drivers of economic growth and innovation within Asia-Pacific Economic Cooperation (APEC) economies. MSMEs represent more than 97% of businesses and employ more than 50% of the workforce in the APEC region, and can contribute up to 40% of national gross domestic product (GDP) in emerging economies.²

In Peru, MSMEs account for 99.6% of the formal private sector.³ They provide work for 60% of Peru's employed economically active population (*población económicamente active*, or PEA), and 10% of this group are founders of MSMEs.⁴ Peru's economically active population is defined as individuals who are 14 years old and above, and who are either working or are unemployed and actively seeking work.⁵ Locally, MSMEs are known as MIPYME (*micro, pequeña y mediana empresas*) and are defined by both their size and their tax bracket. This definition is set out in two main pieces of Peruvian legislation: Law N° 28015, Law for the Promotion of Competitiveness, Formalization, and Development of Micro and Small Enterprises and Access to Decent Employment, and Law N° 30056, Amendment to Facilitate Investment, Promote Productive Development and Business Growth.

Micro enterprises are defined as having 1 to 10 workers, and an annual sales limit of 150 UIT (a tax unit created by the Ministry of Economy and Finance wherein one UIT is equivalent to S/. 4,300 or approximately C\$1,600).⁶ Small enterprises employ between 1 and 100 workers, and have an annual sales limit of 1,700 UIT.⁷ Lastly, medium enterprises have an annual sales limit of 2,300 UIT.⁸

² Asia-Pacific Economic Cooperation, "Small and Medium Enterprises," Asia-Pacific Economic Cooperation, 2018, <https://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Small-and-Medium-Enterprises>; World Bank, "Small and Medium Enterprises (SMEs) Finance," World Bank, 2020, <https://www.worldbank.org/en/topic/sme/finance>.

³ Ministerio de la Producción, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Producción, 2018), p.134.

⁴ Ministerio de la Producción, "Estadística MIPYME," Ministerio de la Producción, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oee/estadisticas-mipyme>.

⁵ Instituto Nacional de Estadística e Informática, *Peru: Indicadores de Empleo e Ingreso por departamento, 2007-2017* (Lima, Peru: Instituto Nacional de Estadística e Informática, 2018), p.33.

⁶ Organization of American States, "LEY N° 30056," Organization of American States, 2013, http://www.sice.oas.org/SME_CH/PER/Ley_30056_s.pdf; Superintendencia Nacional de Aduanas y de Administración Tributaria, "Características de la Micro y Pequeñas Empresas," SUNAT, <http://www.sunat.gob.pe/orientacion/mypes/caracteristicas-microPequenaEmpresa.html>; Gobierno del Peru, "Valor de la UIT," Gobierno del Peru, 2020, <https://www.gob.pe/435-valor-de-la-uit>.

⁷ Superintendencia Nacional de Aduanas y de Administración Tributaria, "Características de la Micro y Pequeñas Empresas," SUNAT, <http://www.sunat.gob.pe/orientacion/mypes/caracteristicas-microPequenaEmpresa.html>.

⁸ Organization of American States, "LEY N° 30056," Organization of American States, 2013, http://www.sice.oas.org/SME_CH/PER/Ley_30056_s.pdf.

Overall, although Peru is known for its highly informal business sector, MSMEs make up the majority of the economy's formal business sector, and the vast majority are micro enterprises.⁹ Emerging research on social entrepreneurship in Peru, such as the work by [Kunan Peru](#),¹⁰ shows that many MSMEs also consider themselves to be social enterprises who face unique barriers in achieving their social mandate. Despite this, there is no current legislation that includes social enterprises, resulting in a lack of comprehensive statistics and targeted programs for such businesses in Peru.¹¹

MSMES IN THE CONTEXT OF PERU

Between 2008 to 2018, the number of Peruvian MSMEs has grown at an average annual rate of 8.1%.¹² This entrepreneurial sector growth aligns with the overall economic growth of Peru, which saw an average annual growth rate of 4.8% in the same period.¹³

TABLE 1. Breakdown of formally registered MSMEs in Peru¹⁴

Type of Enterprise	Distribution (% of Total Formal Enterprises)
Micro enterprise	95.9
Small enterprise	3.6
Medium enterprise	0.1
Large enterprise	0.4

As of 2018, the Ministry of Labor and Promotion of Employment registered 2,211,981 MSMEs.¹⁵ Approximately 98.4% of Peruvian MSMEs have up to five employees, while about 0.8% have six to ten employees.¹⁶ As outlined in Table 1, the 2.2 million formally registered MSMEs are predominantly made up of micro enterprises. There is a significant absence of small and medium enterprises, which denotes a weakness in the development of the private sector and the overall economy.¹⁷

⁹ Ministerio de la Produccion, "Estadística MIPYME," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

¹⁰ Kunan Peru, Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú (Lima, Peru: Kunan Peru, 2019).

¹¹ Kunan Peru, *The Existing Landscape of Social Entrepreneurship in Peru* (Vancouver, Canada: Kunan Peru, 2019).

¹² Ministerio de la Produccion, Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018 (Lima, Peru: Ministerio de la Produccion, 2018), p.134.

¹³ Ibid., p.134

¹⁴ Ibid., p.136

¹⁵ Ibid., p.134

¹⁶ Ibid., p.138

¹⁷ Ibid., p.134

According to the Ministry of Women and Vulnerable Populations, approximately 36% of Peruvian women are entrepreneurs who manage their own business.¹⁸ Moreover, 12% of exporting companies are women-led businesses.¹⁹ Peru has several examples of successful women entrepreneurs and women-led social enterprises that give back to their communities. One such example is Mónica Abarca, the founder of qAIRa, a social enterprise that focuses on the democratization of information on air quality with the use of drones and cutting-edge technology. Another success story is Laboratoria, a social business that focuses on spotlighting Latin American female tech talent on a global scale. Peru also has a considerable number of networks, organizations, and finance options that support women entrepreneurs, such as [NESsT Investments](#), [Mujeres Del Pacifico](#), [Kunan](#), and [Aequales](#). Supporting women entrepreneurs not only increases their impact, but also helps support Peru in achieving its targets for the UN's Sustainable Development Goals.

SOCIAL ENTREPRENEURSHIP: ACCESSIBLE FOR MSMES?

Social entrepreneurship has a variety of definitions employed by different economies and international organizations. The Global Entrepreneurship Monitor broadly defines social entrepreneurship as “any kind of activity, organisation or initiative that has a particularly social, environmental or community objective.”²⁰ In Peru, many social enterprises are born from entrepreneurs’ desire to transform their reality, a role and responsibility that few others are assuming. Local thought leader Javier Garcia Blazquez, the co-ordinator of the [Protagonists of Change award](#) at the Peruvian University of Applied Sciences, defines social enterprises as a series of initiatives that will generate a transformation in the community. These initiatives typically align with goals and missions related to health, education, social inclusion, and economic development. Kunan, an entrepreneurship network for social enterprises, has also put a definition forward wherein a business ideally has four characteristics: an explicit social or environmental mission, a sustainable business model, an innovative and systemic solution, and a method to measure its impact.²¹

¹⁸ El Peruano, “Cerca del 36% de Mujeres en el País son Emprendedoras,” El Peruano, 2018, <https://elperuano.pe/noticia-cerca-del-36-mujeres-el-pais-son-emprendedoras-64775.aspx>.

¹⁹ Ibid.

²⁰ Global Entrepreneurship Monitor, *Special Topic Report: Social Entrepreneurship* (London, United Kingdom: GEM, 2016), p.5.

²¹ Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019).

Some major challenges that entrepreneurs face in social entrepreneurship include a lack of training, financing, and internal opportunities. This is exemplified in a preliminary national survey of 80 social enterprises in Peru published by INCUBA (a social lab initiative by the LUCARIS Civil Association) where results show scalability, auto-sustainability, and strategic communication as the top three challenges.²² Moreover, this study found that the majority of social enterprises do not have relationships with key actors in the social entrepreneurship ecosystem, such as investment funders and accelerators.

This report defines a social enterprise as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.” It furthermore uses data disaggregated by gender, age, and industry to understand the barriers that entrepreneurs in Peru face to the growth of their MSMEs and specifically to social entrepreneurship.

Major findings of this survey report include:

- The most well-known support initiatives among the survey population are COFIDE, Innovate Peru, the Centres for Business Development, and the Peruvian Entrepreneur platform. However, aside from these four, more than half of survey respondents are unaware of other support programs available to them;
- Growth plans vary noticeably according to entrepreneurs’ age. Older entrepreneurs (35 years old and above) are more likely to have modest growth goals (revenue growth of less than 100% annually), whereas younger entrepreneurs pursue high growth goals (double revenue every year);
- The two most mentioned barriers to MSME growth are the domestic government and financing. These encompass issues such as restrictive municipal bureaucracy, high taxes, and the inability to acquire funding;
- Very few individuals among the survey population have international experience (study or work abroad). A low level of international experience among respondents may impede enterprises from expanding to international or regional markets;

²² INCUBA, “Diagnóstico preliminar del ecosistema social del Perú” (PowerPoint presentation, Lima, July 2016).

- A third of surveyed entrepreneurs said that they considered themselves as working in a social enterprise or an MSME with a social mandate. The most prevalent understanding of social enterprises is that these are for-profit businesses that actively enact a social mandate; and
- The most cited barrier to social enterprises' success is the domestic government, specifically insufficient state support for these enterprises.

In addition, this survey report proposes policy recommendations, such as the following:

- Review the marketing and accessibility of support initiatives, to ensure that more MSMEs are aware of the options they have. This could include an assessment of services that are popular among entrepreneurs and how MSMEs find out about them;
- Review government policies, such as those related to taxation and bureaucracy, to make these less restrictive on MSMEs. This could include a qualitative review of these policies through focus groups and interviews that gather entrepreneurs' perspectives on these issues;
- Encourage international experience, through online training on platforms like Peruvian Entrepreneur and awarding MSMEs who do business abroad. This includes giving MSMEs in Peru's more remote mountainous and jungle areas training as well, since the concentration of businesses in Peru's coastal regions (particularly Lima) gives these MSMEs an advantage over others in rural areas; and
- Develop government-sponsored specialized support for social entrepreneurship, using existing initiatives and partners in this ecosystem. This includes developing legislation for social enterprises as a specific category under MSMEs and gathering national data on these enterprises, building on existing work by Kunan, INCUBA, and other organizations.

Section 1: Company and Entrepreneur Profiles

FIGURE 1. Profile of Respondents²³

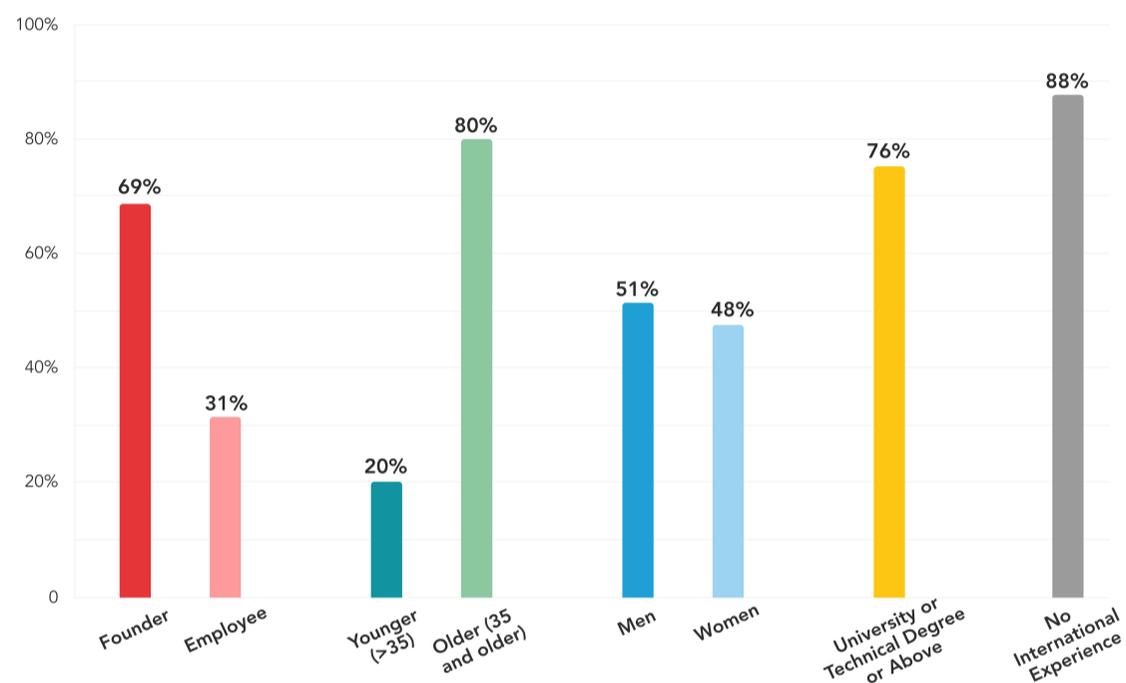
Question 1.1: Are you the founder of your company?

Question 1.2: What is your current age?

Question 1.4: Which gender do you identify with?

Question 1.5: What is your highest level of education?

Question 1.7: Have you studied, worked, or participated in skill-building training outside of Peru?



The *2020 Survey of Entrepreneurs and MSMEs in Peru* has a diverse survey population in terms of gender, age, work position, business size, and industry, in order to ensure a wide range of perspectives. Survey data in this report was collected in mid-2019, and features the perspectives and experiences of 250 entrepreneurs in Peru. The survey was developed with consultation from government and entrepreneurial partners, and was distributed by APF Canada's partner TEN. The following section explores the characteristics of the survey population and contextualizes it within Peru's entrepreneurial environment.

SMALL BUT MIGHTY

Overall, 69% of surveyed entrepreneurs identify as founders of MSMEs, while the remaining 31% are employees. In terms of business size, surveyed MSMEs are predominantly split between the micro and small MSME categorization: 72% of

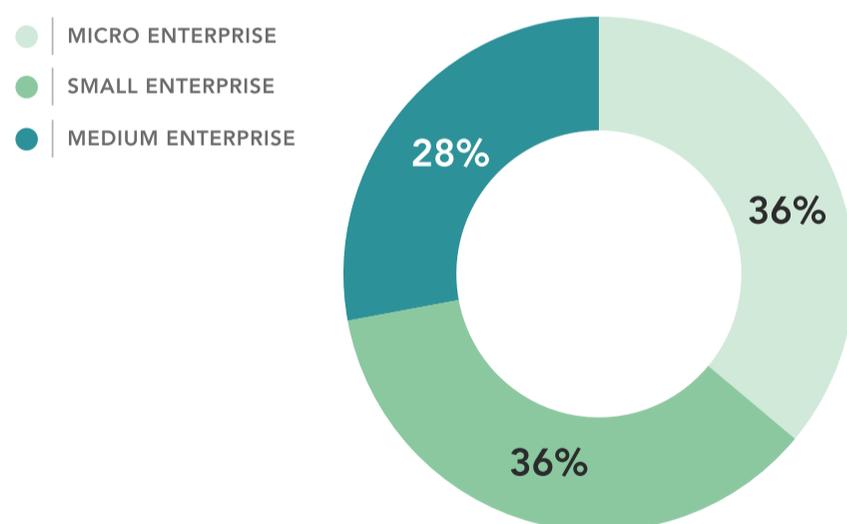
²³ Data table available in appendix.

respondents identify their business as either a micro enterprise (n=90) or a small company (n=90). In terms of revenue, 60% of the respondents reported annual business revenues of up to S/.1,999,999 (approximately C\$780,000), while over half of surveyed businesses have fewer than 10 full-time paid employees.

The majority of surveyed businesses (72% of respondents) were founded in the 2000s, of which half were started in the 2010s. Interestingly, almost a fifth (17%) of all surveyed businesses were founded in the last five years, from 2015 to 2019, which speaks to Peru's strong culture of entrepreneurship.

Concerning the industries that businesses operate in, over a third of respondents (37%) work in the wholesale and retail industry, with the second most populous industry being manufacturing (11%). This is followed by accommodation and food services (10%); professional, scientific, and technical activities (7%); and education (6%). This industrial distribution reflects national statistics, which show that the top activity of MSMEs is wholesale and retail (46.2% of registered MSMEs).²⁴ Moreover, these statistics show that the three largest MSME economic sectors are commerce (46.2% of registered MSMEs), services (40.6%), and manufacturing (8.4%).²⁵

FIGURE 2. Proportion of MSMEs

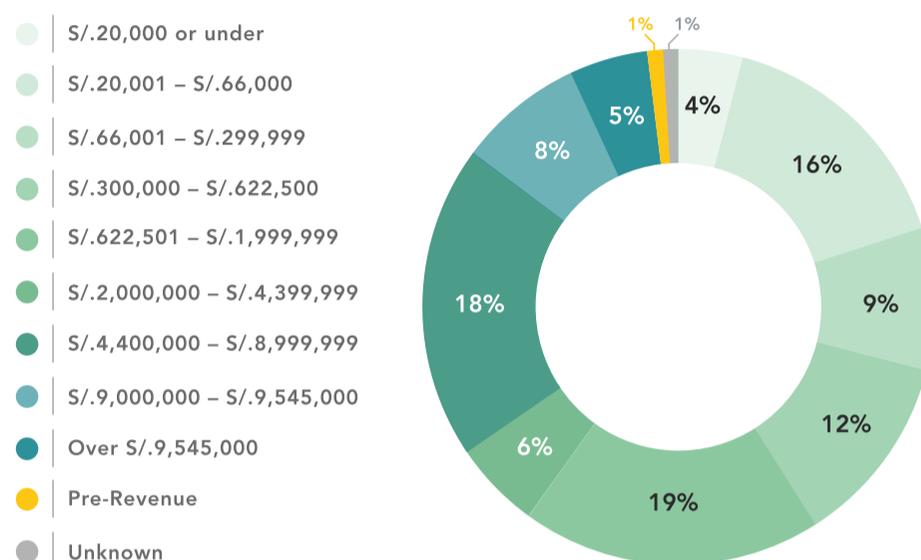


²⁴ Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.141.

²⁵ Ibid., p.140.

FIGURE 3. Annual Revenue

Question 2.14: What were your company's annual sales revenues for the past fiscal year?



DEMOGRAPHICS OF SURVEY RESPONDENTS

Considering the gender of survey respondents, there is an almost even proportion of women (48% of respondents, n=121) to men (51% of respondents, n=128).²⁶

Contextualized against Peru's levels of gender parity, the Latin American economy has had varying amounts of success in ensuring equality among women and men. According to the 2020 Global Gender Gap Report, while Peru ranks within the top 20 in the Latin America and the Caribbean region for gender parity, it also ranks 66th out of 153 economies in the global gender gap index.²⁷ Moreover, Peru ranks 90th internationally for women's economic participation and opportunity.²⁸

According to official statistics on the gender landscape in Peru's MSME ecosystem, 32% of business founders are women, while 68% are men.²⁹ In contrast, among the survey population, female respondents make up the majority of surveyed business founders (52%), while male respondents make up the majority of employees (60%). However, despite this encouraging result, a third of the survey population said that their business did not have a female founder.

²⁶ One respondent chose not to specify their gender.

²⁷ World Economic Forum, *Global Gender Gap Report 2020* (Geneva, Switzerland: WEF, 2019), p.26 & p.285.

²⁸ Ibid., p.285.

²⁹ Ministerio de la Produccion, "Estadística MIPYME: Perfil de la Mujer Emprendedora 2017," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

Looking more in depth, 45% of surveyed entrepreneurs said that their business has more male founders, compared to 21% of respondents who noted having more female founders. Furthermore, only 28% of respondents reported having an equal number of female and male founders. Together, these results highlight the gender disparity within Peru's MSME landscape.

In terms of the age of entrepreneurs, Peru overall has a relatively young national population, with its median age at 29 years old and 43% of its population below 25 years old.³⁰ However, official MSME statistics show that most entrepreneurs are older: the average age for business founders is 46 years old among women and 49 years old among men.³¹

The same gap between older and younger entrepreneurs can be seen in the survey population. Survey respondents are largely older entrepreneurs who are 35 years old and above (80% of respondents, n=199), while just one-fifth of respondents are 34 years old and below (n=49). As for representation among business founders, 71% of older respondents are founders, compared to 59% of younger respondents. Overall, most surveyed companies (73%) are majority led by individuals who were 35 years old or older at the time of their founding.

Finally, there is also an important urban-rural dimension in the survey population. Almost all surveyed businesses are headquartered in Peru's urban coastal areas, specifically in Lima province (49% of the survey population), Arequipa city in the Arequipa region (24%), and Trujillo city in the La Libertad region (24%). The geographic distribution of the survey population reflects Peru's national statistics, which show that over half (56.7%) of Peru's MSMEs are located in these three places.³² As a result, the survey population does not capture MSMEs in Peru's rural, mountainous, and jungle areas.

This result highlights the need to address the varying circumstances for Peru's MSMEs according to their geographic location. During the *Change Makers: Supporting Social Entrepreneurs in Peru* workshop hosted in May 2019 by APF

30 Central Intelligence Agency, "The World Factbook: Peru," CIA, 2020, <https://www.cia.gov/library/publications/the-world-factbook/geos/pe.html>.

31 Ministerio de la Produccion, "Estadística MIPYME: Perfil de la Mujer Emprendedora 2017," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

32 Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.143.

Canada and its Peruvian partners,³³ many participants spoke to the importance of addressing differing needs for MSMEs located in Peru's coastal area as opposed to its more remote mountainous and jungle areas. The Ministry of Production has also stated that the concentration of MSMEs in the coastal area gives businesses there more access to local and international markets through their proximity to Peru's ports.³⁴ This geographic divide thus serves as a defining aspect of MSME experiences in Peru, and it warrants attention in national MSME policies as well as future research.

EDUCATION AND INTERNATIONAL EXPERIENCE OF MSME EMPLOYEES

As a whole, the survey population boasts a high level of education among respondents. In fact, 76% of all survey respondents have a college degree or above,³⁵ with founders representing 65% of that total. Almost half of respondents (45%) have completed an undergraduate degree, while 24% have completed a technical degree. Surveyed businesses also indicated that 84% of their workforce, including founders, are technical professionals and that 88% hold a university degree.³⁶

When disaggregated by type of business, survey results show that 57% of surveyed entrepreneurs working in a micro enterprise have a college degree or above. Of respondents in a small enterprise, 81% have the same level of education, while 94% of those in a medium-sized enterprise do. Broken down by gender and age, the same proportion of women and men have a college degree or above (76% each), while similar numbers of younger and older entrepreneurs have the same level of education (80% and 75%, respectively).

Regarding the level of international experience within the survey population, about a third of the entrepreneurs surveyed (35%) said that members of their workforce, including founders, have worked or studied abroad.³⁷ However, almost half of the total survey population (47%) said that none of their workforce has international experience. Moreover, while founders have marginally more international

³³ APF Canada's partners for this event included the Ministry of Foreign Affairs, Kunan Peru, and the Lima Chamber of Commerce. APF Canada contracted [STATO SAC](#) to run the workshop.

³⁴ Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.135.

³⁵ This is defined as survey respondents having completed vocational/technical school with a certificate, a bachelor's degree, or postgraduate studies.

³⁶ Taken from Question 2.13: How many employees (including founders) in your company are technical professionals, are college or university graduates, or hold trade certificates?; Contextually, Peru has a 69.2% enrolment ratio in post-secondary education. (UNESCO, 2016)

³⁷ Taken from Question 2.12: What percentage of your company's employees (including founders) have studied or worked outside of Peru?

experience than non-founders, as a group, only 12% of all survey respondents said that they have had international experience of some kind.³⁸ Across the board, there is a significant gap in the amount of international experience within the survey population.

When comparing levels of international experience between micro, small, and medium enterprises, the majority of surveyed entrepreneurs in each type of business do not have this experience. Of respondents in a micro enterprise, 93% do not have any international experience, compared to 87% in a small enterprise and 84% in a medium enterprise. Disaggregated by gender and age, 89% of women and 88% of men do not have this experience, while 82% of younger entrepreneurs and 90% of older entrepreneurs also lack this experience.

There is also a positive correlation between respondents' level of education and their international experience. In other words, the more educated a survey respondent is, the more likely they are to gain international experience.

In the context of social entrepreneurship, the lack of international experience among entrepreneurs in Peru is a significant barrier to reaching broader international markets. Insertion into new markets is one of the strategic objectives of Peru's 2011-2021 National Plan for Competitiveness and Productivity of MSMEs.³⁹ Being able to consolidate international exposure of MSMEs into new niches in domestic and international markets with competitiveness and partnerships is a key pillar for policy intervention for government support services (under the Ministry of Production) moving forward. Beyond linking MSMEs to larger companies and governments as a policy strategy, MSMEs should make use of the established framework provided by the Peruvian state to strengthen their capacities and assistance to export or import products and services, as well as the possibility of partnerships with other MSMEs linked by economic sectors or production chains.⁴⁰

38 Taken from Question 1.7: Have you studied, worked, or participated in skill-building training outside of Peru?

39 Ministerio de la Produccion, *Plan Nacional para la Productividad y Competitividad de las MYPE 2011-2021* (Lima, Peru: Ministerio de la Produccion, 2009).

40 Ibid.

FOUNDERS' MOTIVATIONS FOR ESTABLISHING MSMES

Peru continues to have one of the highest rates of total early-stage entrepreneurial activity⁴¹ in the world, as reported by the 2018/2019 Global Entrepreneurship Monitor (GEM) report. Currently, this number sits at 22.4%.⁴² GEM attributes this high level of entrepreneurial activity to several significant factors, such as a social environment that encourages entrepreneurship and a population that has a high level of confidence in their ability to start a business.⁴³

This high level of confidence is reflected in survey results that describe founders' motivations for starting MSMEs. The two most popular rationales stated by surveyed business founders are seeking the independence that came with being an entrepreneur (24% of respondents) and the desire to achieve personal well-being (22%). This result is evidence of the strong entrepreneurial culture reported in Peru, showing that founders are aware of the personal benefits of establishing their own businesses.

When disaggregating this data by age, statistically significant differences are found between the views of younger and older respondents on two statements. First, for the rationale of seeing an opportunity to meet a market need, 48% of younger founders indicated this option, whereas 27% of older founders said the same. Second, for the rationale of wanting to achieve personal prosperity, 17% of younger founders reported this motivation, while 35% of older founders said the same. Notably, the statistical difference between entrepreneurs' views on these two statements is small. Nevertheless, this points to a trend that could become more evident in a larger study.

Considering entrepreneurs' intentions to begin a social enterprise, only a few founders said that they intended to have a social impact when they initially founded their MSME. Only 8% of founders said they started their business with an intention to improve their community, while 4% said they wanted to effect social change. Lastly, just 1% of founders said they wanted to effect environmental change with their MSME.

41 Defined as the percentage of population aged 18-64 who are either a nascent entrepreneur or owner-manager of a new business.

42 Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019), p.95.

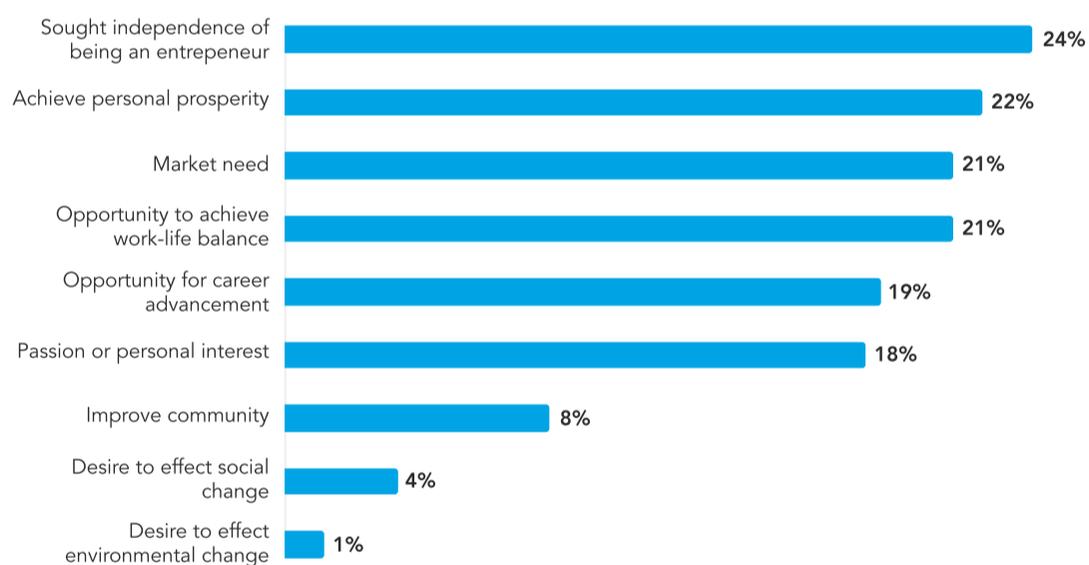
43 Ibid.

These results contrast with the number of respondents (both founders and employees) who self-identified their MSME as a social enterprise. Almost a third of the survey population (31%) said that their business is a social enterprise or is seeking to address social issues. This result potentially points to entrepreneurs' evolving interest in social entrepreneurship, as well as their changing understanding of this concept.

Overall, despite this evidence of Peru's strong entrepreneurial culture, there remains low levels of innovation in Peruvian ventures, and many early-stage startups do not end up becoming established businesses. The GEM 2018/2019 report asserts that strengthening the Peruvian MSME ecosystem, such as government entrepreneurship policies and MSME financing, is essential to improve the situation.⁴⁴

FIGURE 4. Rationale for founding an MSME

Question 2.8: Why did you create your company? Please select all that apply.



⁴⁴ Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019).

Section 2: Growth Plans and Barriers to MSME Growth

Peru's MSMEs make a significant contribution to the national economy. In addition to providing employment for more than half of Peru's working population, MSMEs contributed 19% of the national GDP in 2018.⁴⁵ Peruvian MSMEs are also important exporters. In the 2025 National Strategic Export Plan (PENX), the Ministry of Foreign Trade and Tourism noted that from 2003 to 2013, 86% of exporting businesses were micro and small enterprises.⁴⁶ In 2018 alone, the proportion of MSMEs participating in export was recorded at 94%.⁴⁷ However, despite the fact that a vast number of exporting companies are MSMEs, these make up only a tenth of annual export values generated from international trade. In 2018, just 9% of Peru's total export value came from MSMEs, while large enterprises generated the lion's share of this amount.⁴⁸

Given the varying position of MSMEs in Peru's domestic economy and international trade, several questions arise. How do entrepreneurs envision the growth of their MSMEs moving forward? What factors hinder MSME growth? Taking these barriers into account, what support services can MSMEs access, and how have entrepreneurs perceived existing programs led by the Peruvian state and other organizations?

This section will analyze survey respondents' views on these questions by looking at responses in five areas related to MSME growth:

- Respondents' growth plans for their business;
- The barriers that respondents identified to their MSME's growth;
- Respondents' views on the importance of environmental sustainability in their business operations;
- Respondents' access to business support services; and
- Respondents' perceptions of Peru's support programs and initiatives.

⁴⁵ El Peruano, "Ventas de las mypes representan 19% del PBI," El Peruano, 2019, <https://elperuano.pe/noticia-ventas-de-mypes-representan-19-del-pbi-82195.aspx>.

⁴⁶ Ministra de Comercio Exterior y Turismo, *Plan Estratégico Nacional Exportador 2025* (Lima, Peru: Ministra de Comercio Exterior y Turismo, 2020), p.25.

⁴⁷ Gestion, "Mipymes representan solo el 9% de las exportaciones peruanas, alerta Mincetur," Gestion, 2019, <https://gestion.pe/peru/mipymes-representan-solo-el-9-de-las-exportaciones-peruanas-alerta-mincetur-noticia/?ref=gesr>.

⁴⁸ Ibid.

MODEST MSME GROWTH PLANS

As a whole, most survey respondents (88%) said that they had a growth plan for their MSME. Almost half (46%) of the survey population said they aim for modest growth (revenue growth of less than 100% annually), while 42% said they aim for high growth (double revenues every year). These results provide evidence of the confidence and the ambitious spirit of Peru's entrepreneurs, who are encouraged by a strong entrepreneurial culture to scale up their business.

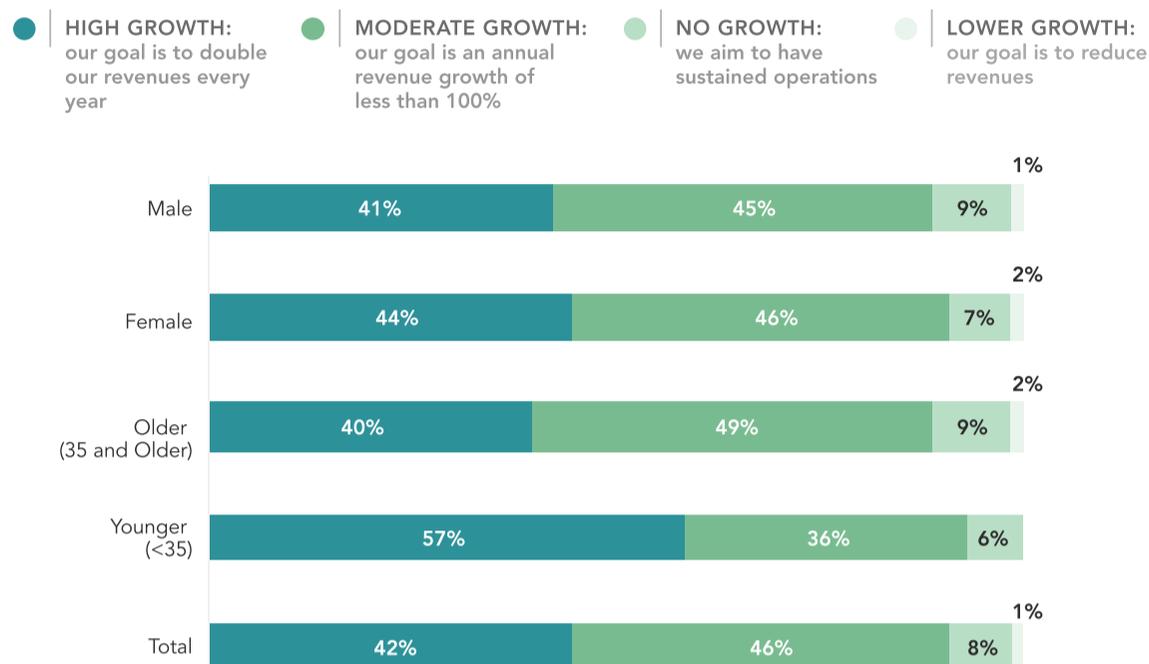
Disaggregated by business type, 84% of surveyed micro enterprises said they had plans for growth, while 91% of small enterprises and 87% of medium enterprises said the same. Overall, entrepreneurs in micro, small, and medium enterprises aim for similar levels of growth. Among small enterprises, 46% of respondents aim for high and moderate growth, respectively. Meanwhile, among medium enterprises, 47% aim for high growth while 40% aim for moderate growth. Notably, the majority of micro enterprises aim for moderate growth (50% of this subgroup), while just 34% said they aim for high growth.

When disaggregated by gender, survey results show that plans for MSME growth are similar among women and men. Almost half (46%) of women aimed for moderate growth, as did 45% of men. In terms of high growth, 44% of women entrepreneurs aimed for this level of growth, while 41% of men aimed for the same goal.

MSME growth plans vary more noticeably between younger (below 35 years old) and older (35 years old and above) entrepreneurs. Over half of younger entrepreneurs (57%) said that they aimed for high growth for their MSME, compared to 40% of older entrepreneurs who aimed for the same goal. On the other hand, almost half of older entrepreneurs (49%) said they aimed for moderate revenue growth, while 36% of younger entrepreneurs said the same. This result suggests that younger entrepreneurs have more ambitious growth goals for their MSMEs, while older respondents favour more moderate growth plans.

FIGURE 5. Company growth plans, disaggregated by **gender** and **age**

Question 2.15: What are your company's plans for revenue growth?



An important caveat here is that when business type, gender, and age undergo multivariate regression to see their effect on growth plans, these factors do not produce statistically significant differences between participants' responses on growth plans. There is, however, a small statistical difference between the views of younger and older entrepreneurs, which could become more pronounced with a larger sample size.

DOMESTIC BARRIERS TO GROWTH: PERCEPTIONS FROM MSMES

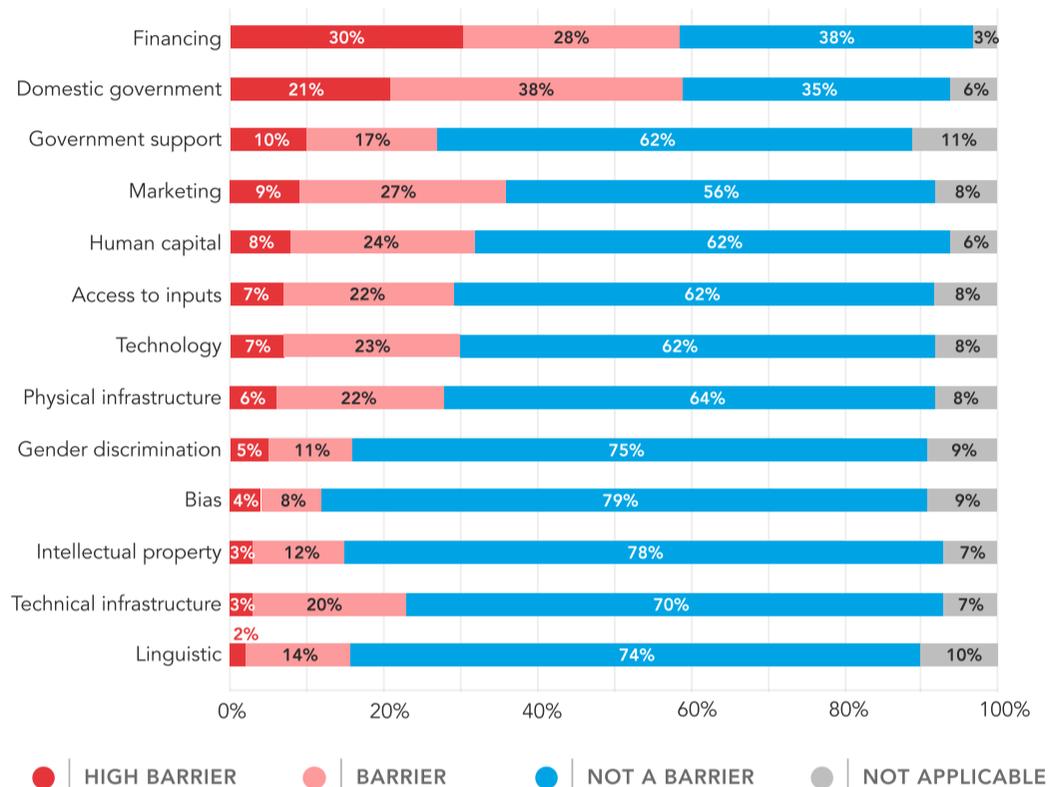
While surveyed entrepreneurs have ambitious growth plans, there are also substantial barriers that hinder the growth of their MSMEs. In this section, the term "barrier" is used to refer to factors that survey respondents have identified as either a high barrier or a barrier to their MSME's success.

According to responses in the *2020 National Survey of Entrepreneurs and MSMEs in Peru*, the two most significant barriers to MSME growth are the domestic government and financing. Over half of respondents (59%) said that the domestic government is a barrier to their MSME's growth, while a similar proportion (58%) identified financing as a barrier. Notably, more surveyed entrepreneurs identified

financing as a high barrier than any other factor (30% of respondents). Statistical analysis also shows that identifying one of these two factors as a barrier makes respondents likely to also see the other as a barrier, suggesting that domestic government and financing are interlinked as barriers.

FIGURE 6. Barriers to MSMEs' growth

Question 9.1: What are the barriers to your company's overall success?



Corresponding data table is available in the Appendix

First considering the domestic government, this refers to whether survey respondents see government regulations or administrative procedures as restrictive for their MSME, among other related topics. Of the survey population, 38% said that this factor is a barrier to their business' growth, while 21% said this is a high barrier for them. When asked to specify, some respondents noted high tax rates and restrictive bureaucracy in municipalities.⁴⁹

Participants from the *MSME, Competitiveness, and Social Innovation Training Day* event hosted by APF Canada and Kunan also noted barriers related to the domestic government. When asked what the top barriers for their MSME were, some mentioned a “lack of knowledge on potentially helpful state-run organizations,” “little knowledge on local and regional governments,” “a lack of government

⁴⁹ Respondents elaborated on the top three barriers specific to their MSME in question 9.3, where they were asked the following: “What are the top three barriers to your company's success? Please feel free to include barriers not listed in the previous question.”

services for MSMEs,” and “restrictive legislation.”⁵⁰ These results match findings in the 2018/2019 GEM report, wherein Peru’s government policies on taxes and bureaucracy, as well as on business support and relevance, are below the regional and global average.⁵¹ Overall, while Peru has a diversity of support programs for MSMEs, it appears that entrepreneurs want more robust and business-friendly government policies. Respondents’ views of government-sponsored support programs will be explored later in this section.

As for MSME financing, 28% of the survey population said this is a barrier, while 30% said it is a high barrier for their business. A significant portion of the survey population (43%) said they were seeking funding at the time of the survey.⁵² Moreover, close to half (46%) of the participants of the *MSME, Competitiveness, and Social Innovation Training Day* event cited financing and access to funds as one of the top three barriers for their business.⁵³

The issue of financing has previously been identified by the Ministry of Production as an obstacle for MSMEs.⁵⁴ According to the Ministry, only 6% of registered MSMEs can access the regulated financial system.⁵⁵ Access to financing is also unequal among MSMEs: though 62% and 46% of medium and small enterprises, respectively, can access Peru’s financial system, only 5% of micro enterprises can do the same.⁵⁶ This observation is echoed in the 2018/2019 GEM report, where the level of entrepreneurial financing in Peru is found to be below the global average.⁵⁷

Notably, gender discrimination (16% of respondents) and bias (12%) are not perceived as major barriers. While gender discrimination and bias are still issues faced by a smaller segment of the survey population, this is evidence of Peru’s progress on gender parity, as the majority of both surveyed women and men do not report these two factors as barriers to their MSME’s success.

Disaggregating the data by gender, both women and men are found to have similar perceptions of these barriers. For example, 57% of men and 62% of women indicated domestic government policies as a barrier to their MSME’s growth.

50 Taken from the post-event feedback survey.

51 Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019).

52 Taken from Question 2.17: “Is your company currently seeking funding or financing?”

53 This includes training session participants that mentioned financing, access to funds/capital/resources, and prohibitive costs of material assets among the top three barriers to their MSME.

54 Global Entrepreneurship Monitor, “Entrepreneurial Behaviour and Attitudes,” GEM, 2018, <https://www.gem-consortium.org/economy-profiles/peru>.

55 Ministerio de la Produccion, “Estadística MIPYME,” Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

56 Ibid.

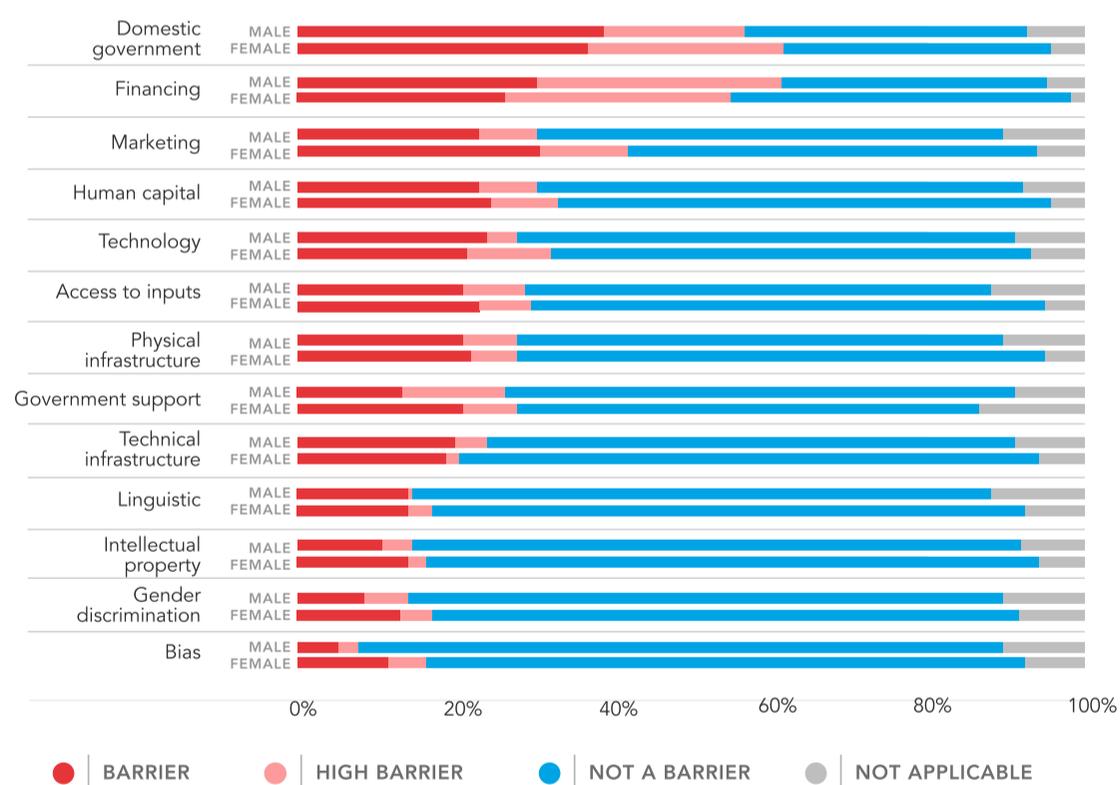
57 Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019).

Slightly more women than men identified this factor as a high barrier (25% and 18%, respectively), but overall, entrepreneurs of both genders similarly see it as a general barrier, with 37% of women and 39% of men reporting this view. Regarding financing, 62% of men and 55% of women perceived this factor as a barrier for their business.

While responses from both genders are similar, there are statistically significant differences in views regarding marketing and bias, as women are more likely to identify these as barriers. For marketing, 42% of surveyed women see this as a barrier, compared to 30% of men. As for bias, 17% of women perceive it as a barrier, compared to 8% of men. Despite this, the majority of both women and men do not view these two factors as major barriers for their MSME. Nevertheless, there is a small statistically significant difference in women and men’s views of these factors that could become more pronounced in a larger study.

FIGURE 7. Perception of barriers, disaggregated by gender

Question 9.1: What are the barriers to your company’s overall success?



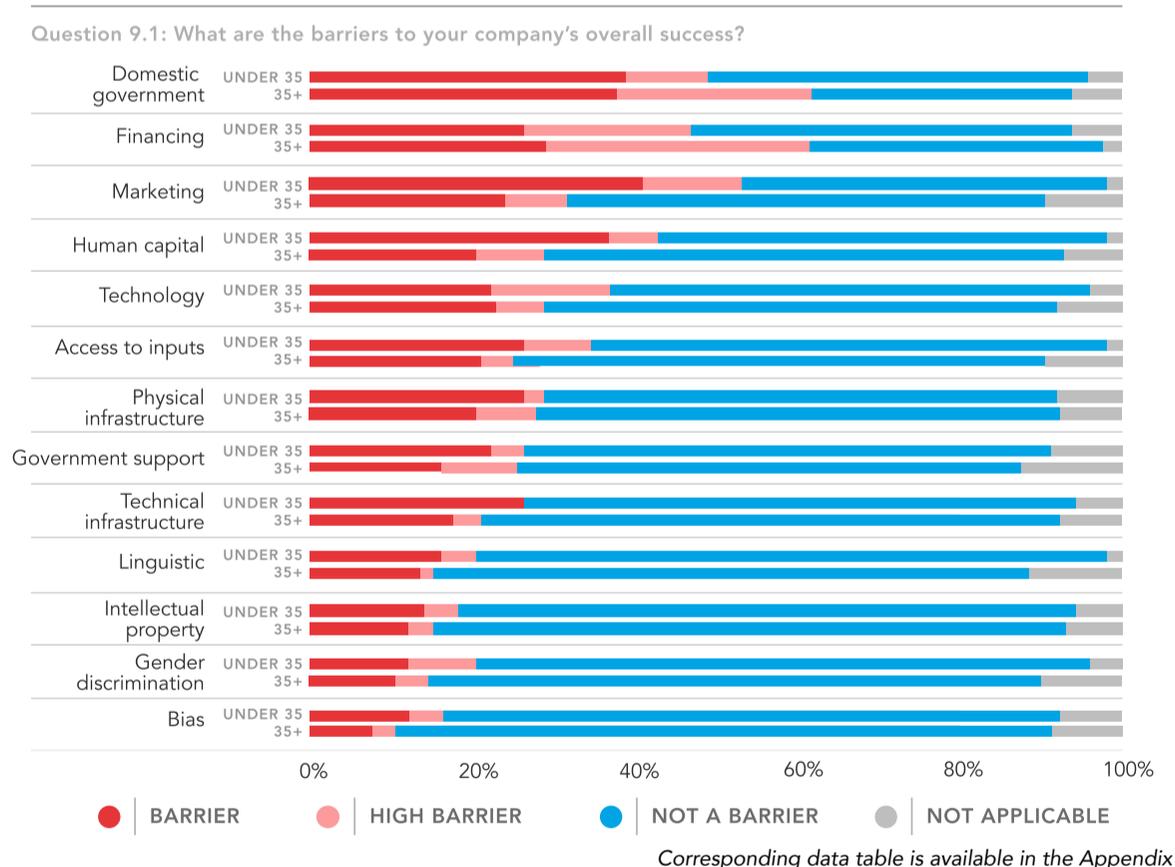
Corresponding data table is available in the Appendix

Finally, disaggregating respondents’ views by age, there is a notable difference between older and younger entrepreneurs’ perceptions of barriers. Considering the domestic government, less younger entrepreneurs (49% of these respondents) report this as a barrier compared to older entrepreneurs (62% of these respondents). Similarly, for financing, 47% of younger entrepreneurs and 61% of older entrepreneurs see this factor as a barrier.

For each of these two factors, slightly more older respondents than younger ones see them as high barriers. Almost a quarter (24%) of older entrepreneurs view the domestic government as a high barrier, compared to 10% of younger respondents. In turn, 32% of older entrepreneurs see financing as a high barrier, compared to 20% of younger participants.

For the remaining options, more younger entrepreneurs view these factors as barriers compared to older entrepreneurs. Some of the most pronounced differences in barrier perception can be seen for marketing, human capital, government support, and linguistic barriers. For marketing, 53% of younger entrepreneurs view this factor as a barrier, compared to 32% of older entrepreneurs. Considering human capital, 43% of younger respondents said this is a barrier, compared to 29% of older respondents. For government support, 34% of younger entrepreneurs perceive this as a barrier, compared to 26% of older respondents. Lastly, for linguistic barriers, 20% of younger entrepreneurs reported this factor, compared to 15% of older respondents.

FIGURE 8. Perception of barriers, disaggregated by age



Small statistical differences between older and younger entrepreneurs' views can be seen for financial, marketing, and linguistic barriers. While the differences for the other options are not statistically significant, these could still hint at trends in perceptions among younger and older entrepreneurs that could be studied in further research.

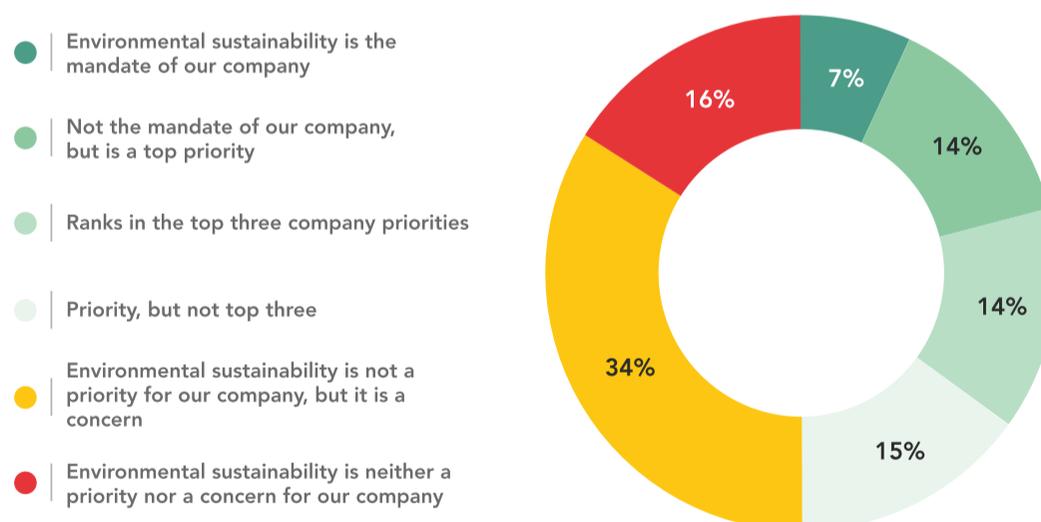
GROWTH AND THE ENVIRONMENT: ENVIRONMENTAL SUSTAINABILITY AS AN MSME PRIORITY

In addition to barriers to business growth, another growing concern for MSMEs is the sustainable nature of their business operations. In 2018, Peru passed its Framework Law on Climate Change (Law N° 30754). The law established Peru's intergenerational approach and measures for climate change mitigation and adaptation, aiming to reduce its vulnerability to climate change, take advantage of opportunities in low-carbon growth, and comply with its international commitments to the United Nations Framework Convention on Climate Change.⁵⁸ Peru also has six laws and nine national policies specific to climate change and environmental sustainability.⁵⁹

Among the survey population, 84% of respondents said that environmental sustainability is a priority or concern for their MSME. Looking more closely, half of all surveyed entrepreneurs said that they view environmental sustainability as a priority for their business, whether this is their core mandate, a top priority, among their company's top three priorities, or a general priority. Another third of the survey population (34%) said that while environmental sustainability is not a priority for their company, they do view it as a concern.

FIGURE 9. Views on Environmental Sustainability

Question 6.1: To what extent is environmental sustainability a concern for your company?



⁵⁸ London School of Economics and Political Science, "Peru – Framework Law no 30754 on Climate Change," Grantham Research Institute on Climate Change and the Environment, LSE, 2020, <https://climate-laws.org/cclow/geographies/peru/laws/framework-law-no-30754-on-climate-change>.

⁵⁹ London School of Economics and Political Science, "Peru – Climate Laws," Grantham Research Institute on Climate Change and the Environment, LSE, 2020, <https://climate-laws.org/cclow/geographies/peru>.

These findings complement respondents' views on the impact of climate change on their industry.⁶⁰ Three-quarters of the survey population (76%) said they believe that climate change will have some impact on their industry. Broken down, 34% of respondents said that they believe climate change will have a significant impact, while 42% think it will have a low impact.

Among respondents who think climate change will have a high impact on their MSME, about a third (32%) are from the wholesale and retail industry, while 9% are from the manufacturing industry. An important note here is that the majority of MSMEs in the survey population work in these two industries, resulting in some over-sampling of these businesses. However, this is to be expected, given that these two areas are the top activities of registered MSMEs in Peru.

Most of the survey population (64%) also said they are “very willing” to incorporate environmental sustainability practices into their business strategy or operations.⁶¹ On the other hand, about a quarter (24% of respondents) said they are “somewhat willing” to do the same.

Moreover, statistical analysis suggests a positive correlation between this variable and business size. As enterprises grow larger – from micro to small – respondents become more willing to incorporate environmental sustainability into their business models. For example, half of micro enterprises said they are “very willing” to incorporate environmental sustainability practices, whereas two-thirds of small enterprises said the same. Moreover, while 31% of surveyed micro enterprises said they are “somewhat willing” to incorporate such practices, 23% of small enterprises reported the same view.

Further disaggregating respondents' views by their MSME industry, almost a third of surveyed businesses that prioritize environmental sustainability⁶² are in the wholesale and retail trade industry (31% of this subgroup). The second top industry that prioritizes environmental sustainability in the sample population is manufacturing (12% of this subgroup), followed by accommodation and food services (10% of this subgroup).⁶³

⁶⁰ Taken from responses to Question 6.3: To what extent do you expect climate change to impact your company or industry?

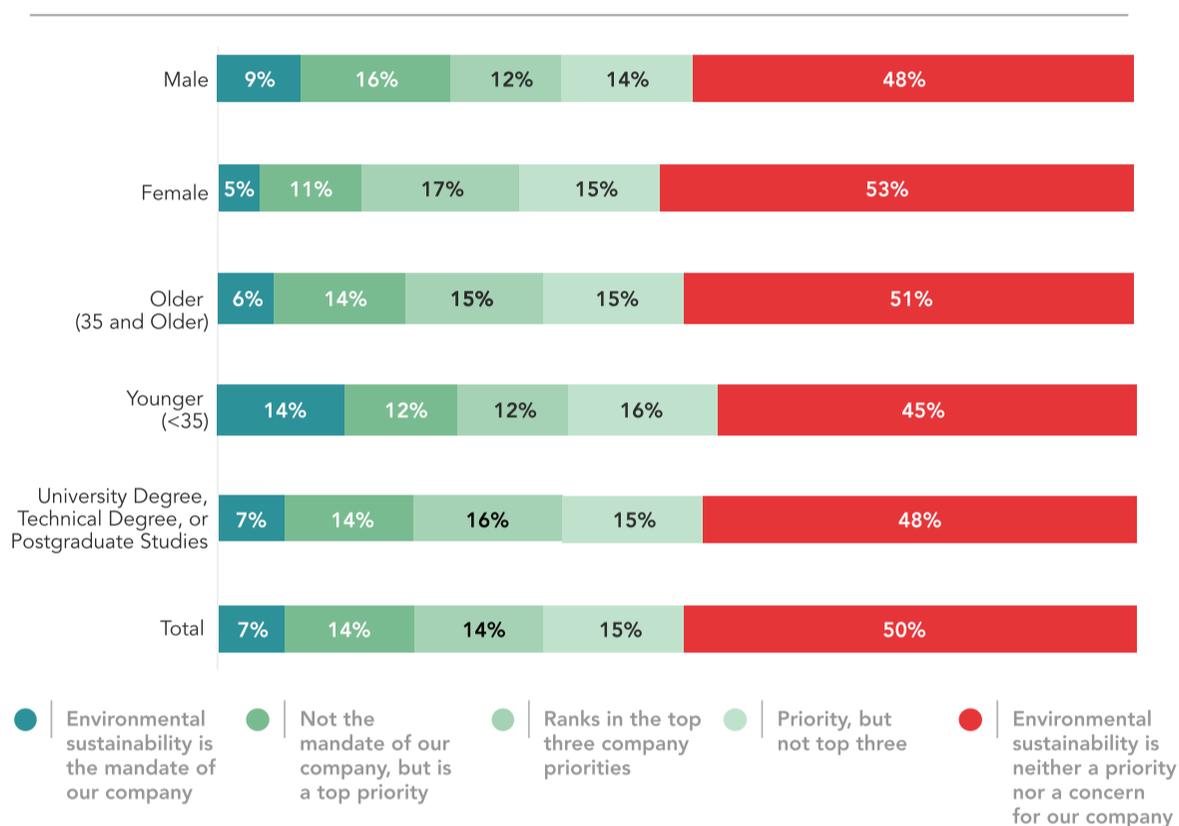
⁶¹ Taken from responses to Question 6.2: Given the opportunity and the education necessary, to what extent is your company willing to incorporate environmental sustainability into your business strategy or operations?

⁶² This refers to surveyed businesses who indicated environmental sustainability as their business mandate, top priority, among their top three priorities, or a general priority for their MSME.

⁶³ Data table is available in the appendix.

As for views broken down by gender and age, respondents' views of environmental sustainability are similar overall. Of surveyed women, 82% said they view environmental sustainability as a priority or concern for their MSME, while 86% of men said the same. Meanwhile, 90% of younger entrepreneurs and 83% of older entrepreneurs also indicated environmental sustainability as a priority or concern.

FIGURE 10. Views on environmental sustainability disaggregated by gender, age and level of education



ACCESS TO AND PERCEPTION OF MSME SUPPORT SERVICES

Peru has a wide variety of support services and programs for MSMEs, ranging from entrepreneurial networks like Kunan to government-run initiatives like Innovate Peru.⁶⁴

Almost half of the survey population (48%) reported accessing support services of some kind. The most accessed support service is acquiring market information (24% of respondents) that helps entrepreneurs gauge market demand for their business's product or service. The second most accessed service is in-person advisory services (16%), which encompass tutoring and business strategy guidance, among other

⁶⁴ A report written by Kunan for the APEC-Canada Growing Business Partnership, titled *The Existing Landscape of Social Entrepreneurship in Peru*, contains a detailed appendix of MSME support programs across Peru.

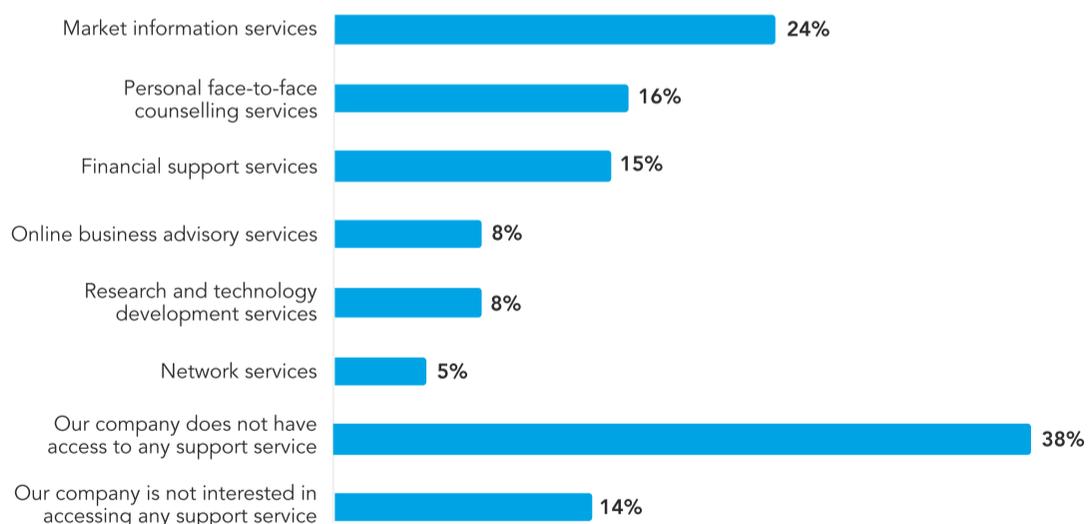
topics. Lastly, the third most mentioned option is financial support services (15%), which includes financing options for MSMEs and advisory services on procuring funds.

A significant proportion (38%) of the survey population reported that their business does not have access to any support services. Within this group, over half of respondents are women (56% of this subgroup). Moreover, 45% of all surveyed women in the survey population said their MSME lacks access to support services, compared to just 16% of male entrepreneurs who report the same. These results suggest that women entrepreneurs may have a harder time accessing such services than their male counterparts.⁶⁵ Considering age, similar numbers of younger and older entrepreneurs reported having no access to support services: 39% of all surveyed older entrepreneurs said their MSME lacked access to support services, while 37% of younger entrepreneurs said the same.

Lastly, 14% of survey respondents said that they were not interested in accessing any support services. Similar numbers of both men and women, as well as older and younger entrepreneurs, reported having this lack of interest (14% of respondents in each group).

FIGURE 11. Access to support services

Question 8.1: To which of the following support services does your company have access? Select all that apply.



⁶⁵ However, this result is not statistically significant.

In addition to these general support services, survey respondents were asked about their views of specific MSME support programs, social policies, and state-run initiatives available in Peru. When asked about whether lacking government support services poses a challenge to their MSME's growth, over a quarter of the survey population (27%) said that this was a barrier. Table 2 presents the specific options that respondents were asked to review and their perceptions of each one.

TABLE 2. Perceptions of MSME support programs, institutions and initiatives

Question 8.2: Please identify the impact of each of the following programs, social policies, and state initiatives on your company.

MSME Support Programs and Initiatives	Positive Impact	No Impact	Negative Impact	Not Applicable	I'm Not Aware
Peruvian Entrepreneur (Emprendedor Peruano)	64	22	2	45	117
Innovate Peru	62	42	1	47	98
Centres for Business Development (Centros para el Desarrollo Empresarial)	56	44	2	49	99
COFIDE (Corporación Peruana para el Desarrollo)	53	51	6	65	75
Export promotion programs (trade missions, marketing)	46	20	4	56	124
Tax incentives for research and development	38	20	3	55	134
CRECER Fund	34	21	4	55	136
Entrepreneurship support programs (seed capital incubation)	31	23	2	56	138
Support program for science, technology and technological innovation (FONDECYT)	30	28	5	57	130
Technological services from CITEs (Centers of Productive Innovation and Technology Transfer)	29	30	1	49	141
Technical assistance programs for the adoption of technology and business management (CITEs, technological missions and consultancies, technical assistance, FINCyT, etc.)	24	27	1	58	140
StartUp Peru	21	33	6	64	126
Produce Virtual	20	24	3	64	139
Digital Kit	14	27	3	59	147

The most well-known institutions and programs among respondents⁶⁶ are the Development Bank of Peru (COFIDE) (70% of respondents know this institution), and three programs from the Ministry of Production, namely the Innovate Peru program (61%), the Centres for Business Development (60%), and the Peruvian Entrepreneur platform (53%).

⁶⁶ This includes the programs, social policies, and state initiatives that more than half of the survey population said they are aware of.

COFIDE is the development bank of Peru, and it provides financing and business development support for micro and small enterprises. Its most notable programs include the FONDEMI Microenterprise Development Fund, and its business development centres in Lima and Tarapoto that provide virtual talks, online courses, and business advisory clinics.⁶⁷

Innovate Peru, or the National Innovation Program for Competitiveness and Productivity, is a program from the Ministry of Production that aims to increase business innovation and facilitate technology adaptation for companies. It provides financing for businesses through national competitions and funds, such as the MSME Fund (*Fondo MIPYME*) and the Research and Development Fund for Competitiveness (FOMITEC).⁶⁸

The Centres for Business Development, also operated by the Ministry of Production (PRODUCE), are physical centres meant to provide free business support services for micro and small enterprises. These centres are run by PRODUCE with their partner *Tu Empresa* (Your Company), and together they provide advising and services on business management and formalization of informal MSMEs. These centres are meant to complement services from the Centers of Productive Innovation and Technology Transfer (CITEs), which provide MSMEs with technological support.

Lastly, Peruvian Entrepreneur is a virtual platform also from the Ministry of Production, which provides business development services to entrepreneurs through free online courses and in-person training.⁶⁹ These services are designed to promote and develop the competitiveness of MSMEs, through courses that teach entrepreneurs how to manage competitive, responsible, and sustainable businesses.

Among these four initiatives, Peruvian Entrepreneur had the highest rating among its users. Of the surveyed entrepreneurs who have accessed this program,⁷⁰ 73% said it had a positive impact on their business. For Innovate Peru, 59% of entrepreneurs who accessed this program said it had a positive impact on their MSME, while 55% who accessed services from the Centres for Business

⁶⁷ COFIDE, "Productos y Servicios," COFIDE, 2016, <https://www.cofide.com.pe/COFIDE/productos>.

⁶⁸ Ministerio de la Produccion, "Historia – Innovate Peru," Ministerio de la Produccion, 2020, <https://www.innovateperu.gob.pe/quienes-somos/historia>.

⁶⁹ Ministerio de la Produccion, "Emprendedor Peruano," Ministerio de la Produccion, 2020, <https://emprendedorperuano.produce.gob.pe/Home/AcercaDe>.

⁷⁰ The percentages cited in this paragraph exclude respondents who said they were unaware of the initiative or that it was not applicable to them.

Development said the same. Lastly, 48% of respondents who accessed services from COFIDE said these positively impacted their business.

Disaggregated by gender and age, overall women and men, as well as younger and older entrepreneurs, have similar views of these programs. For Peruvian Entrepreneur, 71% of female users and 76% of male users said this initiative had a positive impact on their business. Sixty percent of younger users and 76% of older users said the same.

For Innovate Peru, 60% of women and 57% of men who used this program said it had a positive impact, while 55% of younger entrepreneurs and 59% of older entrepreneurs said the same.

For the Centres for Business Development, 58% of female users and 52% of male users said it had a positive impact on their business. Meanwhile, 45% and 56% of younger and older users, respectively, said it had a positive impact.

Lastly for COFIDE, 48% of female users and 49% of male users said it had a positive impact, while 47% of younger users and 48% of older users said the same.

TABLE 3. Usage of select support initiatives, disaggregated by gender and age

Note: These numbers exclude respondents who were not aware of the initiative or said it was not applicable to their business

MSME Support Programs and Initiatives	Women entrepreneurs	Male entrepreneurs	Younger entrepreneurs	Older entrepreneurs
Innovate Peru	58 (48% of all surveyed women)	47 (37% of all surveyed men)	20 (41% of all surveyed young entrepreneurs)	84 (42% of all surveyed old entrepreneurs)
Peruvian Entrepreneur (Emprendedor Peruano)	45 (37% of all surveyed women)	42 (33% of all surveyed men)	20 (41% of all surveyed young entrepreneurs)	67 (34% of all surveyed old entrepreneurs)
COFIDE (Corporación Peruana para el Desarrollo)	56 (46% of all surveyed women)	53 (41% of all surveyed men)	19 (39% of all surveyed young entrepreneurs)	87 (44% of all surveyed old entrepreneurs)
Centres for Business Development (Centros para el Desarrollo Empresarial)	55 (45% of all surveyed women)	46 (36% of all surveyed men)	20 (41% of all surveyed young entrepreneurs)	80 (40% of all surveyed old entrepreneurs)
Digital Kit	28 (23% of all surveyed women)	16 (13% of all surveyed men)	11 (22% of all surveyed young entrepreneurs)	35 (18% of all surveyed old entrepreneurs)
CITEs	37 (31% of all surveyed women)	23 (18% of all surveyed men)	13 (26% of all surveyed young entrepreneurs)	47 (24% of all surveyed old entrepreneurs)
Produce Virtual	29 (24% of all surveyed women)	18 (14% of all surveyed men)	8 (16% of all surveyed young entrepreneurs)	38 (19% of all surveyed old entrepreneurs)

For the remaining options included in the survey, half or more of the survey population said that they were unaware of these initiatives. The least-known initiative among survey respondents is the Digital Kit by the Ministry of Production, an online platform meant to provide MSMEs with online resources and business courses.⁷¹ Of the survey population, 59% said they were unaware of this initiative.

More than half of the survey respondents said they also were unaware of technical services from CITEs⁷² and Produce Virtual,⁷³ the Ministry of Production's online platform for MSMEs to access applications and services. Overall, these results show that many entrepreneurs remain unaware of online services and new technologies they could harness for their MSME, potentially indicating unequal access to these services.

Regarding the Digital Kit, Produce Virtual, and technical services from CITEs, women and men who accessed these services have similar views on their impact on their MSME. Notably, for each of these options, male entrepreneurs are statistically more likely to say that the initiative in question is not applicable to their business.

An important caveat here is that overall, the majority of both surveyed men and women said they are unaware of it or that it was not applicable to them. Nevertheless, this result indicates a difference in perception between women and men that could become more pronounced in a larger study.

Younger and older entrepreneurs' views on these three initiatives are also generally similar. One notable difference in opinion can be seen in views on the Digital Kit, where 9% of younger users compared to 34% of older users said it had a positive impact. However, this difference is not statistically significant in this sample.

71 Ministerio de la Produccion, "Kit Digital," Ministerio de la Produccion, 2020, <http://www.kitdigital.pe/>.

72 Instituto Tecnológico de la Produccion, "¿Qué es un CITE?," Instituto Tecnológico de la Produccion, 2020, <https://www.itp.gob.pe/nuestros-cite/>.

73 Ministerio de la Produccion, "Desde hoy empresas pueden tramitar autorización para reanudar actividades vía la plataforma Produce Virtual," Ministerio de la Produccion, 2020, <https://www.gob.pe/institucion/produce/noticias/151058-desde-hoy-empresas-pueden-tramitar-autorizacion-para-reanudar-actividades-via-la-plataforma-produce-virtual>.

Section 3: Opportunities and Challenges for Social Entrepreneurship

Social entrepreneurship is a steadily growing interest among MSMEs in Peru. The social entrepreneurship ecosystem is also expanding at a similar rate to support aspiring entrepreneurs who want to start a social enterprise. Key actors like Kunan and NESsT act as hubs for this ecosystem, nurturing networks for social enterprises like the [Kunan Network](#). However, while there is legislation in place to assist MSMEs, there is no equivalent specific to social enterprises. Moreover, *Perú Responsable*, the main program endorsed by Peru to promote corporate social responsibility among businesses, was shut down in early 2020.⁷⁴

Though there are no national statistics on social enterprises, there have been preliminary studies assessing the landscape of social entrepreneurship in Peru. The *2019 Report on the State of Social and Environmental Entrepreneurship in Peru* is the first to comprehensively cover social and environmental entrepreneurship in the economy.⁷⁵ As the authors of the report argue, social enterprises encounter distinct challenges in addition to the barriers they face as MSMEs, such as remaining confusion over the definition of social entrepreneurship.⁷⁶

This section will examine the opportunities and challenges that survey respondents perceive when pursuing social entrepreneurship. In particular, this section will explore the following:

1. Respondents' understanding of what social entrepreneurship is;
2. How respondents define success in this type of entrepreneurship;
3. How respondents want to scale up their social enterprise;
4. The barriers respondents see to their enterprise's growth; and
5. The training respondents receive specifically for social entrepreneurship.

74 Andina, "Gobierno aprueba la reestructuración del programa Trabaja Perú," Andina, 2020, <https://andina.pe/agencia/noticia-gobierno-aprueba-reestructuracion-del-programa-trabaja-peru-781740.aspx>;
El Peruano, "Decreto Supremo que aprueba la reestructuración del Programa para la Generación de Empleo Social Inclusivo "Trabaja Perú" y declara la extinción del Programa "Perú Responsable"," El Peruano, 2020, <https://busquedas.elperuano.pe/normaslegales/decreto-supremo-que-aprueba-la-reestructuracion-del-programa-decreto-supremo-n-004-2020-tr-1846653-2/>.

75 The report was written by Kunan in collaboration with La Universidad Científica del Sur, Innovate Peru, Insitum, and NESsT.

76 Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019).

PERCEPTIONS OF SOCIAL ENTREPRENEURSHIP

There are various definitions of social entrepreneurship in academic and business literature. Beginning with entrepreneurs' knowledge of this concept is key as it illustrates their understanding of social entrepreneurship and of whether they themselves can participate in it. As stated in *The Existing Landscape of Social Entrepreneurship in Peru*, “[a] lack of proper understanding of the meaning of social entrepreneurship...prevents the general public and institutions [and] even social entrepreneurs from grasping its true potential and bringing forward initiatives, programs, and policies aimed at supporting the growth of this sector within the economy.”⁷⁷

In this report, social enterprises are defined as businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners. In contrast, a definition from Kunan describes social enterprises as either for-profit or not-for-profit organizations with a sustainable business model that contribute to solving social and environmental problems affecting vulnerable populations.⁷⁸ Overall, these two definitions similarly highlight the need for a core social mandate. Kunan's definition differs slightly as it places a greater emphasis on a sustainable business model needed to carry out this mandate.

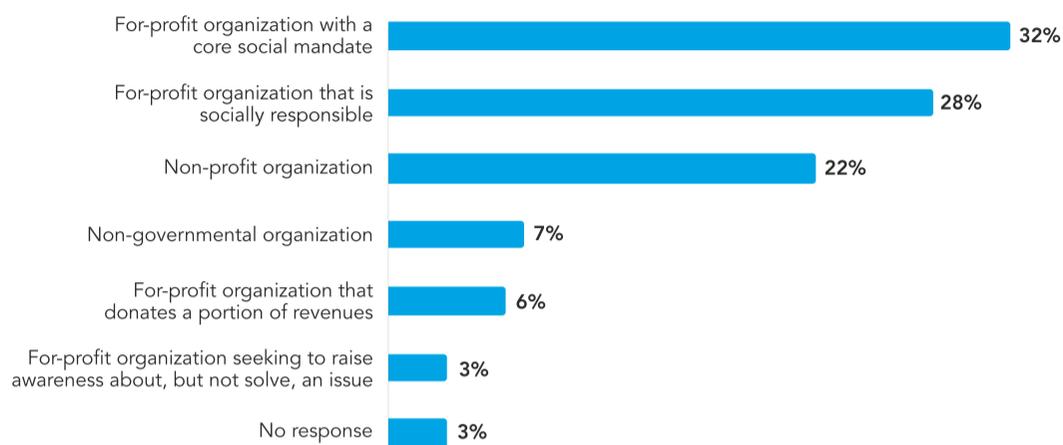
Within the survey population, the most prevalent understanding of social enterprises is that these are for-profit businesses that actively carry out a social mandate (32% of respondents). This view is similarly shared by the majority of both women and men (33% and 30% each), as well as older entrepreneurs (33% of this group). In contrast, the majority of younger entrepreneurs (31%) think social enterprises are for-profit organizations that are generally socially responsible. Overall, this result indicates that most of the survey population (60%) think social enterprises are for-profit organizations like MSMEs.

⁷⁷ Kunan Peru, *The Existing Landscape of Social Entrepreneurship in Peru* (Vancouver, Canada: Kunan Peru, 2019), p.10.

⁷⁸ Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019), p.26-27.

FIGURE 12. Respondents' definitions of a social enterprise

Question 4.1: Which of the following definitions best describes your idea of a social enterprise?



As for whether survey respondents consider themselves as working in a social enterprise, one-third of the survey population said that they do consider their company as a social enterprise or as one seeking to address social issues (31% of respondents). The gender and age breakdown of this subgroup can be seen in Table 4 below.

TABLE 4. Demographics of social entrepreneurs in survey population

Demographic	Number of Respondents
Women	36
Men	42
Younger entrepreneurs	17
Older entrepreneurs	60
Total respondents who self-identified as social entrepreneurs	78

Within this subgroup, there are almost even numbers of women and men. There are also similar numbers of younger and older entrepreneurs in this subgroup: 35% of all younger entrepreneurs in the survey population said they consider their company as a social enterprise, while 30% of all older entrepreneurs said the same. For comparison, the 2019 *Report on the State of Social and Environmental*

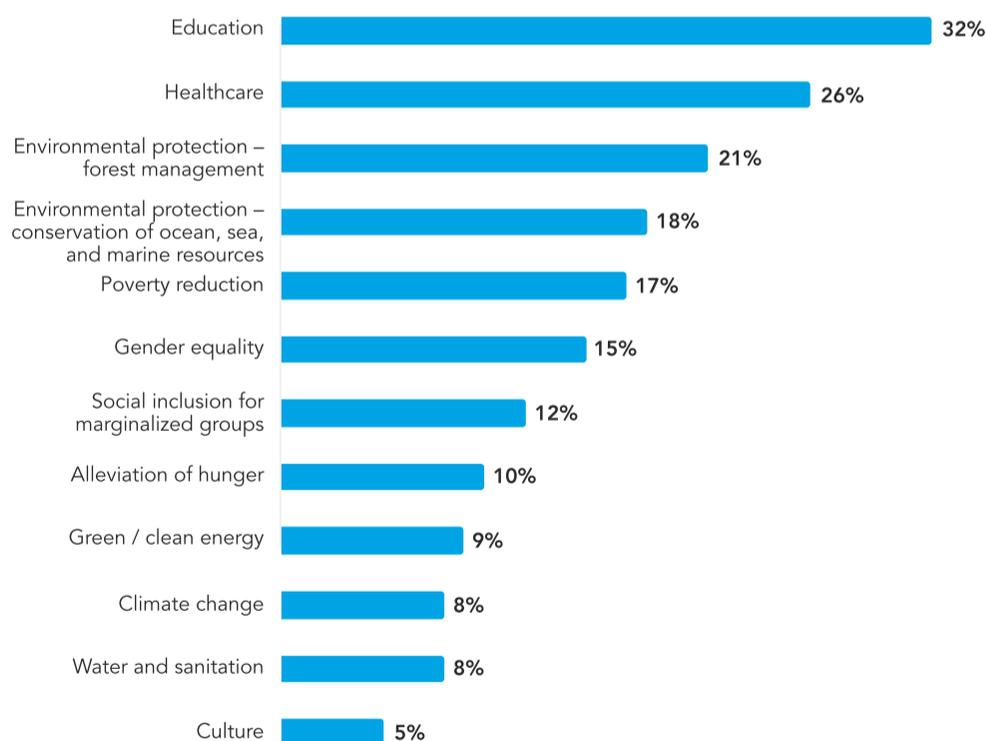
Entrepreneurship in Peru found that out of the 161 enterprises surveyed for the study, 41% are managed by women, while 78% are led by young entrepreneurs between the ages of 18 to 39 years old.⁷⁹

When this group of surveyed social entrepreneurs was asked about their rationale for wanting to engage in this type of entrepreneurship, most said they wanted to contribute to the social good (32% of this subgroup).⁸⁰ Other motivations that respondents mentioned include wanting to have business growth at all levels (27%), contributing to Peru's economic growth (9%), engendering social change (9%), and attaining personal well-being and fulfilment (8%).

As for the areas of impact that these aspiring social entrepreneurs want to focus on, the top three mentioned are education (32%), healthcare (26%), and environmental protection (21% for forest management and 18% for conservation of ocean, sea, and marine resources).

FIGURE 13. Mandates of self-identifying social enterprises

Question 4.5: Which area(s) is your enterprise seeking to impact? Select all that apply.



⁷⁹ Ibid., p.95.

⁸⁰ Taken from Question 4.3: Please describe your motivation for wanting to become a social entrepreneur or work at a social enterprise.



Peru has several strong examples of successful MSMEs that give back to their communities.

One of these examples is qAIRa.

The enterprise was born out of Abarca's engineering thesis project, wherein she created a drone equipped with sensors that detect levels of air contamination. qAIRa's drones are now used by several clients, including Peru's Ministry of Health and the Municipality of Surco. In 2017, qAIRa was recognized at the Seedstars Summit in Switzerland, a major international startup competition for entrepreneurs in emerging economies, where Abarca won the Best Female Entrepreneur award.⁸²

qAIRa: a social enterprise that focuses on digitizing and democratizing information on air quality.⁸¹ Co-founded by Mónica Abarca and Carlos Saito, qAIRa uses its own innovative technology and drones to map air quality across Peru, with the goal of providing individuals with the tools they need to become agents for environmental change.



Yaqua: a social enterprise founded by Fernando Tamayo that provides clean bottled drinking water for Peru's rural communities. Yaqua invests its dividends and proceeds from its bottled water sales in water provision projects for communities that don't have access to drinkable water.⁸³

Another success story is Yaqua.

Since its start in 2013, the enterprise has set up five water projects, in Iquitos, Amazonas, Huancavelica, Ayacucho, and Cajamarca, and has impacted the lives of more than 1,300 people. Yaqua also works with local community members to discuss the needs for each water project, and the enterprise identifies a local collaborator who is responsible for overseeing and maintaining the water project after its completion.⁸⁴ Yaqua is

now planning to set up more water projects in La Quinoa and Chota. In addition to these projects, Yaqua has also developed its own patented water filter that has a high metal elimination capacity, allowing those living in rural communities to access previously contaminated water sources.⁸⁵

81 qAIRa, "About Us," qAIRa, 2020, <https://www.qairadrones.com/index.php?r=site/nosotros>.

82 Seedstars, "Meet our 2017 Global Summit winners," qAIRa, 2017, <https://www.seedstars.com/magazine/meet-our-2017-global-summit-winners/>.

83 Yaqua, "Nosotros," Yaqua, 2018, <https://www.yaqua.pe/nosotros/>.

84 One Young World, "Yaqua," One Young World, 2020, <https://www.oneyoungworld.com/ambassador-projects/yaqua>.

85 NESsT, "NESsT & Kiva Partner for Water Access in Peru," NESsT, 2016, <https://www.nesst.org/nesst/blog/2016/11/08/nesst-kiva-yaqua>.

One last prominent example is Lumni. By investing in ISAs rather than traditional student loans, Lumni is able to make financing available to students of all backgrounds and offer students strong repayment protections, among other benefits.⁸⁷ Lumni operates in four economies in addition to Peru, namely Chile, Colombia, Mexico, and the United States. It has been recognized through multiple awards, one of which is the 2011 Social Entrepreneur for Latin America award from the World Economic Forum.



Lumni: A social business founded by Felipe Vergara that provides educational funding for university students. Lumni finances students through Income Share Agreements (ISAs), wherein students repay the funding they receive by giving a fixed percentage of their future salary for a set period of time.⁸⁶

SUCCESS AS A SOCIAL ENTREPRENEUR

With the examples available of internationally and domestically recognized social enterprises, how do entrepreneurs perceive success for this type of business? In other words, how do survey respondents define success in social entrepreneurship?

Standards of successful social entrepreneurship have so far been set by existing enterprises. During the *APEC-Canada Growing Business Partnership MSME, Competitiveness, and Social Innovation Training Day* hosted by APF Canada and Kunan Peru in September 2019, social entrepreneurship hub NESsT highlighted best practices from existing social enterprises like [Wasi Organics](#) and [Pietà](#). NESsT presented five common characteristics of effective social businesses: a measurable social or environmental impact, a scalable and replicable model, economic sustainability, intersectoral collaboration, and a committed team. This standard corresponds with Kunan's aforementioned definition of social entrepreneurship, which emphasizes the need for a sustainable business model and the ability to measure social impact.

As for social entrepreneurs in the *2020 Survey of Entrepreneurs and MSMEs in Peru*, these survey respondents define successful social entrepreneurship in various ways.

⁸⁶ Lumni, "Our Team," Lumni, 2020, <https://www.lumni.net/about-2/#dondetrabajamos>.

⁸⁷ American Enterprise Institute, *Investing in Value, Sharing Risk* (Washington DC, United States of America: AEI, 2014).

The top three signifiers of success that respondents identified include accomplishing their goals (21% of respondents), their commitment and dedication (19%), and user or consumer satisfaction (17%).

TABLE 5. Defining success as a social entrepreneur

Question 4.4: How do you define success for your social enterprise?

Definition	Number of Respondents
Accomplishment of goals	16
Commitment and dedication	15
User/consumer satisfaction	13
Positively contribute to society	7
Creativity and innovation	7
Commitment to the environment	7
Good management	6
Business growth	5
Generate a good working climate	1
Uphold ethical and moral values	1
Total respondents who are social entrepreneurs	78

When disaggregated by gender, women and men in this subgroup are overall found to have similar understandings of successful social entrepreneurship. However, there are two key differences in their perceptions of success. First, more women than men said that they view goal fulfilment as a marker of a social enterprise's success. Among women, 31% identified this as their definition of success, compared to just 10% of men. Second, more men than women said they saw commitment and dedication as a sign of a successful social business: 24% of men defined success in this way, compared to 14% of women.

As for differences in views by age, younger and older entrepreneurs emphasize different markers of success for social enterprises. Among younger entrepreneurs, goal fulfilment is the top marker of success (35% of young entrepreneurs in this subgroup), whereas older respondents emphasized commitment and dedication (22% of older entrepreneurs in this subgroup).

SCALING UP SOCIAL ENTERPRISES' IMPACT

In addition to overall growth plans for their MSMEs, entrepreneurs also have specific ideas for how they want to scale up their social enterprise's impact. Scaling up can be defined as finding the “most effective and efficient way to increase a social enterprise's social impact based on its operational model, to satisfy the demand for relevant products and/or services.”⁸⁸ Notably, this definition does not focus on the growth of the social enterprise itself, but instead of its social impact.

Most surveyed social entrepreneurs said they wanted to scale up the impact of their social enterprise in some way (85% of this subgroup). This includes the majority of both women (86% of female respondents in this subgroup) and men (83%), as well as younger (65%) and older entrepreneurs (90%).

The most prevalent plan among respondents for expanding the impact of their social enterprises is to establish operations at the national level (30% of respondents in this subgroup). This plan is particularly favoured by male entrepreneurs as well as by older respondents. The second most cited plan of expansion is disseminating knowledge through training sessions or workshops (26% of respondents in this subgroup). Finally, the third most mentioned plan for scaling up social enterprises is to expand businesses' existing operations at the local level (24% of respondents in this subgroup).

TABLE 6. Social entrepreneurs' scale-up plans, disaggregated by **gender** and **age**

Question 4.7: How do you intend to scale the impact of your social enterprise? Select all that apply.

Scale-Up Plans	Women Entrepreneurs	Men Entrepreneurs	Younger Entrepreneurs	Older Entrepreneurs	Total Responses
Establish operations at the national level	8	15	3	20	23
Disseminate knowledge through training or workshops	9	11	3	17	20
Expand existing operations at the local level	8	11	3	15	19
We do not intend to scale	5	7	6	6	12
Participate in new partnerships with organizations and associations	4	3	1	6	7
Sale or merger with another organization or company	2	2	1	3	4
Establish new locations abroad	1	1	0	2	2
Total responses	89				
Total respondents who are social entrepreneurs	78				

88 OECD, *Policy Brief on Scaling the Impact of Social Enterprises* (Paris, France: OECD, 2016), p.4.

There is also the recognition that growth for a social enterprise may come at a risk of compromising its mandate. Scholars have coined the term “mission drift” to describe the unique challenge social enterprises face in balancing their social mandate with the need for economic sustainability.⁸⁹ Generally, MSMEs focus on profit generation, whereas social enterprises also seek to achieve a social or environmental goal. These two elements can therefore come into conflict, and an emphasis on growth may cause a social enterprise to stray from its social mandate.

When respondents were asked about their perspective on whether expanding their social enterprise will compromise its mandate, over half agreed that there was some risk of this happening (52% of respondents in this subgroup).⁹⁰ Of the surveyed social entrepreneurs, 38% said they believe business growth poses a “high risk” to their mandate, while 14% said they believe growth poses a “very high risk.” However, while most respondents said there was some form of risk, a significant number of surveyed social entrepreneurs said they did not think MSME growth would compromise their enterprise’s social mandate (47% of respondents in this subgroup).

Disaggregated by gender, 64% of female social entrepreneurs said they agree that business growth would compromise their enterprise’s mandate. On the other hand, the majority of male social entrepreneurs said they did not believe growth will compromise their enterprise’s mandate (57% of men in this subgroup). This difference in opinion is not statistically significant. Nevertheless, it could point to a larger trend that may become more pronounced in future research.

On the other hand, in terms of age, the majority of both younger and older entrepreneurs agree that business growth does pose some degree of risk of compromising their enterprise’s mandate (53% of younger respondents and 52% of older respondents in this subgroup).

BARRIERS TO SOCIAL ENTERPRISES’ GROWTH

Due to the nature of their work, social enterprises face specific barriers to their growth within the overall context of MSME expansion. As previously mentioned, some of these barriers include a lack of specialized support for social enterprises,

⁸⁹ Virtue Ventures, “Mission Drift,” Virtue Ventures, 2020, http://www.4lenses.org/setypology/mission_drift.

⁹⁰ Taken from Question 4.8: From your perspective, will growing your business compromise the social mandate or original intent of your company?

a lack of financing, and an absence of relationships between enterprises and actors in the social entrepreneurship ecosystem. In the survey, respondents were asked to evaluate the impact of four factors on their enterprise's growth: the domestic government, public apathy, industry inertia, and quantification of impact. In the following section, the term "barrier" is used to refer to respondents' identification of a factor as either a high barrier or a barrier to their social enterprise's success.

The most cited barrier among respondents is the domestic government. Almost half of surveyed social entrepreneurs (45%) agree that there is insufficient state support to address their enterprise's targeted social or environmental issue. Indeed, there is no public policy that specifically caters to social enterprises in Peru; instead, these enterprises are counted in the overall number of MSMEs. Kunan argues that "the lack of a legal framework [to identify] social businesses [can] lead entrepreneurs to adopt diverse legal structures that do not necessarily suit their needs."⁹¹ They argue that this can reduce the competitiveness of Peruvian social enterprises and even cause them to incur more costs than otherwise needed.

The second most cited barrier is public apathy (42% of surveyed social entrepreneurs). This factor encompasses the lack of public awareness of the social enterprise's targeted social or environmental issue and the lack of willingness to address it. Notably, this factor was indicated as a high barrier to social enterprises' growth more than any other option (22% of respondents).

As for the remaining two options, industry inertia (38%) and quantification of impact (32%), surveyed social entrepreneurs reported these factors as barriers. Industry inertia refers to the inability or lack of willingness to address a targeted social or environmental issue in the industry the social enterprise is involved in. The quantification of impact then refers to a social enterprise's inability to effectively quantify or communicate its social impact.

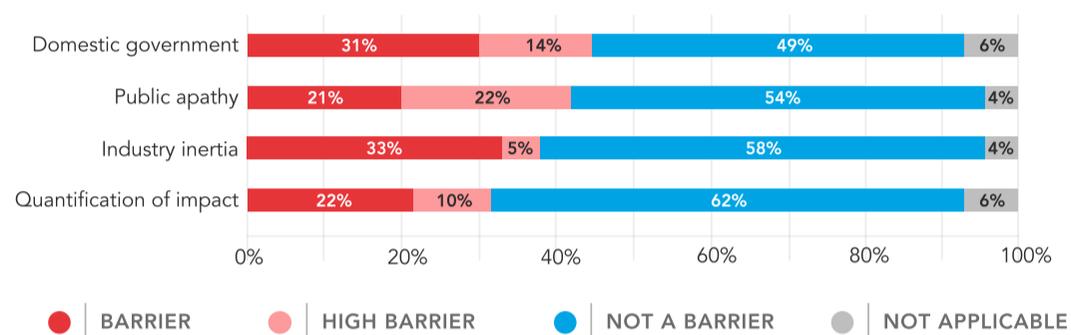
Overall, though the domestic government and other factors were recognized to be barriers to a social enterprise's success, the majority of surveyed social entrepreneurs do not see any of these factors as barriers. This is perhaps due to the high number of respondents who accessed MSME support services. Over two-thirds (67%) of surveyed social entrepreneurs said they accessed some form of

⁹¹ Kunan Peru, *The Existing Landscape of Social Entrepreneurship in Peru* (Vancouver, Canada: Kunan Peru, 2019), p.10.

support services for their enterprise, while just 27% said they lacked access to such services.⁹² Moreover, the rate of accessing support services among social enterprises is higher than that among non-social enterprises in the survey population (67% of social enterprises compared to 43% of non-social enterprises).

FIGURE 14. Barriers to social enterprises' growth

Question 9.2: What are the barriers to your company's overall success?

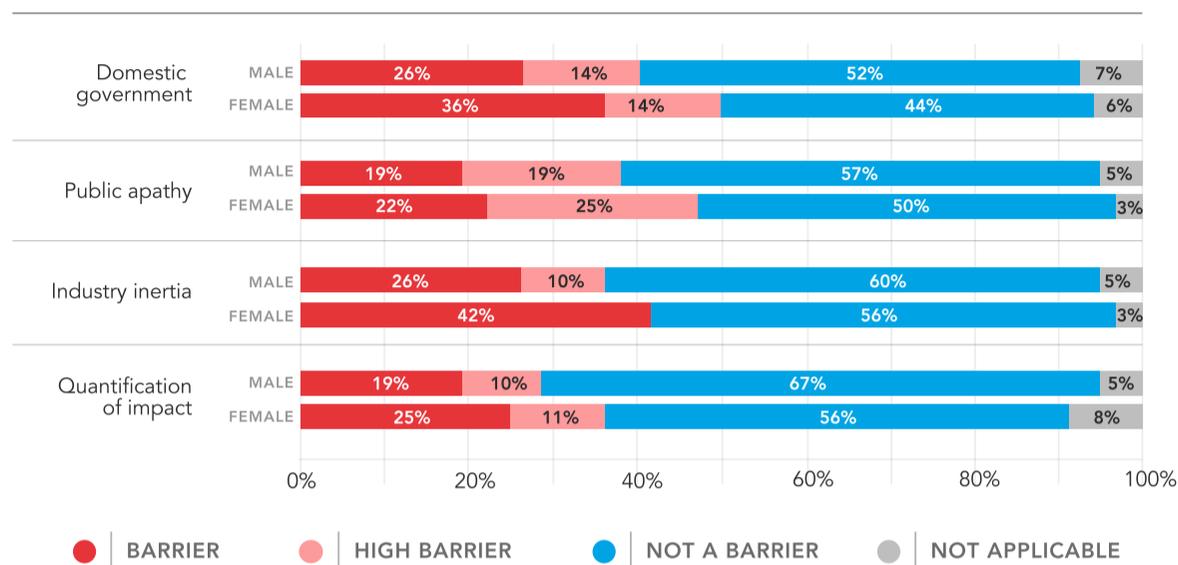


When disaggregating the data by gender, more women than men are found to perceive all the question options as barriers to their social enterprise's success. Regarding the domestic government, half of female social entrepreneurs think this factor is a barrier, compared to 40% of male social entrepreneurs. Considering public apathy, 47% of women think this is a barrier, compared to 38% of men, while for industry inertia, 42% of women agree this is a barrier while 36% of men said the same. Finally, for quantifying their social enterprise's impact, 36% of women think this is a barrier compared to 29% of men.

Notably, the general trend still holds in this gender disaggregated data: with the exception of the domestic government, the majority of both women and men do not perceive any of these factors as barriers. However, the descriptive differences in views between women and men are not statistically significant in this study. Despite this, these points may still lead to trends that can be investigated in future research.

⁹² Moreover, 6% of surveyed social entrepreneurs said they were not interested in accessing any support services. Taken from Question 8.1: To which of the following support services does your company have access?

FIGURE 15. Perception of barriers to social enterprises, disaggregated by gender

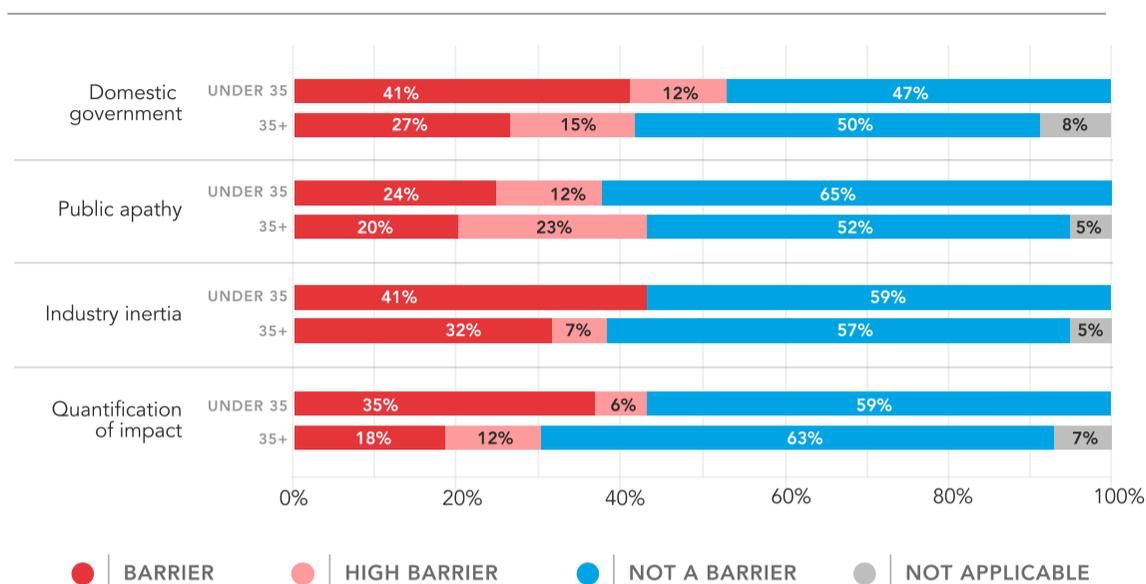


Considering differences in views between younger and older respondents, older entrepreneurs seem more concerned about the impact of public apathy on their enterprise’s success, whereas younger respondents are most concerned with the domestic government. For public apathy, 43% of older entrepreneurs said this factor is a barrier, compared to 36% of younger entrepreneurs. Moreover, this factor is the only option that more older entrepreneurs indicated was a barrier than did younger respondents. For the domestic government, over half of younger entrepreneurs (53%) think this is a barrier, compared to 42% of older entrepreneurs.

For the inability to quantify of their enterprise’s social impact, 41% of younger entrepreneurs said this is a barrier for them, while 30% of older entrepreneurs said the same. Meanwhile, similar numbers of younger and older entrepreneurs said they think industry inertia is a barrier (41% and 39%, respectively).

Overall, a noteworthy finding is that at least half of both women and younger entrepreneurs indicated the domestic government as a barrier for their social enterprise. Though the majority of surveyed social entrepreneurs said this factor is not a barrier (55% of respondents), this result shows that the government’s lack of institutional support for social entrepreneurship may disproportionately impact women and young entrepreneurs in the survey population.

FIGURE 16. Perception of barriers to social enterprises, disaggregated by age



The Existing Landscape of Social Entrepreneurship in Peru report offers case studies that illustrate how these barriers, among other factors, impact social enterprises on the ground. Table 7 presents these case studies and the specific challenges each one faced.

TABLE 7. Case Studies from *The Existing Landscape of Social Entrepreneurship in Peru*

Social Enterprise	Business Size	Area of Impact	Industry	Notes
Burana	Micro	Social and cultural; addresses social stigma and lack of access to dignified labour opportunities for imprisoned women	Manufacturing	<ul style="list-style-type: none"> • Difficulty in increasing international sales/exporting • Lack of educational opportunities to develop a business career as a student • Lack of social entrepreneurship education)
Q'uma Chocolate	Micro	Economic; provides economic growth to lower-level cacao farmers	Agriculture	<ul style="list-style-type: none"> • Has received public funding support from organizations such as USAID, PROMPERÚ, and Empeude UP • Majority of income comes from exports to developed markets • Lack of consistent sources of funding and profitability caused difficulties with sustainability of SE • Suggests that time and dedication to work is key to successful SE (implies that it is better to start a SE when you're young) • Biggest challenge in the beginning was to find the right suppliers and establishing trust
EmpanaCombi	Small	Social; addresses labour exclusion of people with physical, sensory, and cognitive disabilities	Food and Nutrition	<ul style="list-style-type: none"> • Raised capital in its first year through fundraising • Faced challenges in operations, product development, marketing, and commercialization • Realized the importance of financial management
Inka Moss	Medium	Economic; produces sustainable and eco-friendly white moss (a good fertilizer)	Agricultural	<ul style="list-style-type: none"> • Average age of current staff is 36 years old • Biggest challenge was logistics as locations to farm the moss are 2-3 hours from the plant • Other challenges include climate change (affected production) and public infrastructure (lack of roads to get to the moss) • Founder said that he has seen many entrepreneurs inflate numbers to achieve their objectives • Implied difficulty with stakeholder relations

TRAINING AND SUPPORT FOR SOCIAL ENTERPRISES

Given the unique barriers that social enterprises face to their growth and success, what kind of training and support can MSMEs access to learn about social entrepreneurship?

Kunan argues that there is a lack of specialized support for social enterprises. Though organizations like Kunan and NESsT provide support and financing for social enterprises, Kunan argues that more co-ordination between actors in the social entrepreneurship ecosystem is needed to make this structure more accessible for enterprises. Indeed, preliminary survey research from INCUBA in 2016 found that the majority of social enterprises did not have relationships with key actors in the ecosystem, like investment funders and accelerators. Moreover, while there are existing MSME support programs to assist social enterprises, these are not tailored to meet enterprises' needs.

Disaggregating this data by gender, more women than men received training on social entrepreneurship. However, only 19% of surveyed social entrepreneurs said they received some training specific to social entrepreneurship. While a quarter of female social entrepreneurs said they received training, only 14% of male social entrepreneurs said the same. In terms of age, 29% of young social entrepreneurs indicated that they received training, while just 17% of older entrepreneurs reported the same.⁹³ Together, these results highlight the absence of specific and targeted training for social entrepreneurship that organizations like Kunan have already observed.

Among the few who did receive training on social entrepreneurship, most said their training covered two main topics: business strategy and entrepreneurship. Other topics that were mentioned include entrepreneurship skills like business strategy and management, and technical skills like marketing and social media. Respondents also mentioned training topics related to specific areas of social entrepreneurship, such as health and community service.

⁹³ Only two additional respondents, who did not self-identify as a social entrepreneur, said they received this training. As for how these entrepreneurs received their training, two respondents said they used online applications to learn about social entrepreneurship, while another two said they received in-person or virtual mentorship on this topic.

TABLE 8. Social entrepreneurship training topics

Question 5.5: Have you ever received training specific to social entrepreneurship?

Question 5.6: What type of training did you receive? (Answered by those who answered "yes" to 5.5)

Topic	Number of Respondents
Business strategy	11
Entrepreneurship	9
Education	5
Trade and sales	3
Marketing	2
Social development and welfare	2
Agriculture	1
Business management	1
Health	1
Animal care and health	1
Environmental indicators	1
Community service	1
Automotive and mechanical products	1
Social issues in Peru	1
Human resources	1
Social media	1
No response	1
Total responses	43
Total respondents who said they received training specific to social entrepreneurship	32

While there is a lack of specialized training and support for social entrepreneurship, social enterprises do access existing support programs for MSMEs. As previously mentioned, the majority of surveyed social entrepreneurs said they have accessed support services of some kind (67% of respondents).⁹⁴

Like the general survey population, the most well-received support initiatives among social entrepreneurs are Peruvian Entrepreneur, Innovate Peru, the Centres for Business Development, and COFIDE. Moreover, the most well-known option among these respondents is COFIDE (79% of surveyed social entrepreneurs). However, in contrast to the general survey population, descriptive results show that social entrepreneurs are more aware of the various support options available to them. At least half of surveyed social entrepreneurs are aware of each option (see Table 9).

⁹⁴ Taken from Question 8.1: To which of the following support services does your company have access?

TABLE 9. Social entrepreneurs' perceptions of MSME support programs

MSME Support Programs and Initiatives	Positive Impact	No Impact	Negative Impact	Not Applicable	I'm Not Aware
Peruvian Entrepreneur (Emprendedor Peruano)	39	5	1	12	21
Innovate Peru	35	9	0	13	21
Centres for Business Development (Centros para el Desarrollo Empresarial)	31	6	0	14	27
COFIDE (Corporación Peruana para el Desarrollo)	30	5	2	25	16
Export promotion programs (trade missions, marketing)	26	5	1	19	27
Tax Incentives for Research and Development	22	1	1	20	34
Support program for science, technology and technological innovation (FONDECYT)	21	10	1	17	29
Technological services from CITEs (Centers of Productive Innovation and Technology Transfer)	20	5	0	15	38
Entrepreneurship support programs (seed capital incubation)	17	9	0	15	37
CRECER Fund	14	5	3	17	39
Technical assistance programs for the adoption of technology and business management (CITEs, technological missions and consultancies, technical assistance, FINCYT, etc.)	14	8	1	21	34
StartUp Peru	14	6	5	20	33
Produce Virtual	14	6	0	20	38
Digital Kit	10	11	1	17	39

Conclusion

Findings from the *2020 National Survey of Entrepreneurs and MSMEs in Peru* have highlighted the need to continue supporting MSMEs, both in their general business needs and the specific barriers they face in social entrepreneurship. This report concludes with reflections on three areas: the accessibility of support for MSMEs, the need for specialized support for social enterprises, and the impact of the recent COVID-19 pandemic on MSMEs in Peru.

MAKING SUPPORT ACCESSIBLE FOR MSMEs

This report poses three queries on the accessibility of support initiatives for Peruvian MSMEs.

How Accessible Are Existing Support Programs, Initiatives, and Institutions to MSMEs?

One notable finding of this report is that the most well-known support programs and institutions among the survey population are COFIDE, Innovate Peru, the Centres for Business Development, and the Peruvian Entrepreneur platform. This report therefore confirms the success of these programs in reaching Peruvian MSMEs. However, more than half of the survey respondents are unaware of other key support programs available to them, such as PRODUCE initiatives like the Digital Kit, Produce Virtual, and StartUp Peru.

This report recommends that the Ministry of Production and other support service providers review the accessibility of their programs. This accessibility review can be done through qualitative studies that investigate how entrepreneurs find out about support programs and share information about them (e.g., through their personal networks, social media), how entrepreneurs' access differs by their geographic location (e.g., in Lima and Peru's coastal region versus its mountainous and jungle areas), whether technological barriers (e.g., lack of devices and internet access) affect MSMEs' access to online platforms, and the reasons why MSMEs choose to access support programs, among other queries. Acknowledging the rural/urban dimension of MSMEs' experiences in Peru is important, as this aspect determines the opportunities and challenges they face. This report also highlights potential technological barriers that prevent entrepreneurs from accessing online support services, given that many surveyed entrepreneurs did not access online support platforms. Lastly, this report recommends the centralization of information on

support programs through an existing platform that is already widely used by entrepreneurs.

How Can Restrictive Domestic Government Policies Be Revised?

As survey data has showed, the top barrier that entrepreneurs have experienced to the growth of their business is the domestic government. More than half of the survey respondents have said that restrictive regulations or administrative procedures, among other concerns, are hurdles to the success of their MSME. This includes obstructive municipal bureaucracy and perceptions of lacking government services for MSMEs.

This report recommends a periodic government-led review of these items, according to findings from the *2020 National Survey of Entrepreneurs and MSMEs in Peru* and the 2018/2019 Global Entrepreneurship Monitor report. This report recognizes that general and COVID-19 related measures have already been implemented.⁹⁵ Given these reforms, it is important to periodically evaluate their impact on entrepreneurs. This report thus recommends periodic and sustainable consultations with entrepreneurs to understand the impact of national and municipal government policies on their MSMEs. This data and information should also be made accessible via press releases, government reports, and other publications.

How Can MSMEs Be Encouraged to Go Abroad?

A key finding in this report is the overall lack of international experience among the survey population. As previously discussed, only a third of surveyed entrepreneurs said that employees in their business, including founders, have worked or studied outside of Peru. Moreover, as descriptive statistics have shown, just over a quarter of the survey population (28%) has accessed export promotion programs that support MSMEs in expanding their businesses abroad.

This report argues that international experience for MSMEs must be encouraged further by the Ministry of Production and Ministry of Foreign Trade and Tourism. This report does recognize that in the 2025 National Strategic Export Plan, the Ministry of Foreign Trade and Tourism has highlighted the overwhelming participation of micro and small enterprises in exports. In addition to policy

⁹⁵ Ministerio de la Produccion, "Gobierno promueve el financiamiento para las Mipymes, emprendimientos y startups," Ministerio de la Produccion, 2020, <https://www.mef.gob.pe/es/noticias/notas-de-prensa-y-comunicados/6266-gobierno-promueve-el-financiamiento-para-las-mipymes-emprendimientos-y-startups>; Andina, "Peru tax reform facilitates SMEs' growth," Andina, 2016, <https://andina.pe/ingles/noticia-peru-tax-reform-facilitates-smes-growth-645948.aspx>.

approaches in this plan, international experience can be further encouraged through online courses on platforms like Peruvian Entrepreneur that would highlight the advantages of going abroad. Businesses can also be incentivized through tax incentives and awards recognizing MSMEs that do business abroad. Lastly, MSMEs can be encouraged to gain international experience through mentorships with businesses that have already expanded their operations abroad.

SOCIAL ENTERPRISES NEED SPECIALIZED SUPPORT AND LEGISLATION

A second general trend identified in this report is the lack of specialized support for social enterprises in Peru. While these enterprises access existing support initiatives available for all MSMEs, these options likely do not address their specific needs.

Supporting the Social Entrepreneurship Ecosystem

Surveyed social entrepreneurs reported that they do actively access existing support services and that they are aware of the various support initiatives available to them. Moreover, the same support programs that are generally well received among the survey population are also popular among the subgroup of social entrepreneurs. However, these services may not meet all their needs as social entrepreneurs. Moreover, existing services for social entrepreneurship provided by organizations like Kunan and NESsT are not widely known.

This report recommends that relevant government bodies, particularly the Ministry of Production, work more closely with actors in the social entrepreneurship ecosystem. Such collaboration should help to disseminate information on social entrepreneurship and the actors supporting social enterprises like Kunan and NESsT. This collaboration should also help social enterprises to build relationships with actors in the ecosystem, centralize the access points to government information and support services, and also ensure that entrepreneurs are aware of the services, financing, and training available to them.

Creating Specialized Legislation

The need for specialized support goes hand in hand with official legislative recognition and national statistics on social enterprises across Peru. Currently, there is no national legislation or public policy that specifically targets Peru's social enterprises. Moreover, data on social enterprises is not collected in national

statistics on MSMEs. To make support for social enterprises more robust, a clear understanding of this landscape is crucial. This requires national statistics on social enterprises that are updated on a regular basis and targeted strategies to engage these enterprises.

This report thus recommends that social enterprises be specifically recognized in existing MSME legislation, in order to collect official statistics on social enterprises across Peru and target these enterprises in government-run initiatives like Innovate Peru. This report also recommends the inclusion of social enterprises in MSME legislation given the popular understanding of these enterprises as for-profit businesses, as demonstrated in the survey results. Ideally, such legislation must fit the prevalent definition of social entrepreneurship in Peru, which is that social enterprises can be either for-profit or not-for-profit organizations that have an explicit social mandate and a sustainable business model.⁹⁶

Building on this current study of MSMEs and social enterprises, this paper also recommends further investigation into municipal level or subnational data collection on existing social enterprise legislation – with the aim of further co-ordinating policies and legislation between different levels of government. Although not specifically explored in this study, there is potential for consultation between local actors in the social entrepreneurship ecosystem and other relevant national government bodies such as the Ministry of Production, which may further streamline the support and resources for MSMEs.

THE IMPACT OF COVID-19

The COVID-19 pandemic poses an extraordinary challenge for MSMEs in Peru and around the world, as lockdowns and social distancing measures have reduced traffic for businesses, disrupted supply chains, impacted operational costs, and more. The Lima Chamber of Commerce's Institute of Economics and Business Development has estimated that Peru's GDP will drop by 3.7% in 2020 due to the pandemic.⁹⁷ Micro and small enterprises are expected to be the hardest hit in this economic downturn. The Ministry of Production and Ministry of Economy and

⁹⁶ Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019).

⁹⁷ Economía Verde, "Covid 19 en el Perú: El impacto en las Mypes," Economía Verde, 2020, <https://economiaverde.pe/covid-19-en-el-peru-el-impacto-en-las-mypes/>.

Finance, among other government bodies, have instituted a number of financial and employment support measures to assist MSMEs during the pandemic.⁹⁸

Support Offered by the Peruvian Government

Among the support measures offered by the Peruvian government is the Business Support Fund⁹⁹ for micro and small businesses and the *Reactiva Peru* fund,¹⁰⁰ wherein 50,000 MSMEs will receive loans from municipal savings banks with low rates. The Ministry of Production has also made free services available through CITEs for implementing COVID-19 safety protocols.¹⁰¹ In addition, the government has approved a three-month extension for submissions of income tax declarations from SMEs.¹⁰² Recently, the Peruvian Association of Small and Micro Enterprises has opened a survey on the impact of COVID-19 on MSMEs to gather data and perspectives from businesses.¹⁰³ The published results of this survey will likely be noteworthy.

The Ministry of Production also recently launched the Innova COVID-19 Challenge: Innovate to Save through the Innovate Peru program to involve MSMEs in the fight against the pandemic.¹⁰⁴ This initiative has a total fund of S/. 10M (approximately C\$4M) to co-finance innovative solutions to help prevent and control outbreaks. The Innova COVID-19 Challenge is also searching for communication projects related to the pandemic, in hopes of continuing to disseminate important information about COVID-19 to citizens, as well as stimulating motivation among entrepreneurs during the health crisis.

Moving Forward

The national survey results presented in this report represent the MSME and social entrepreneurship landscape before the recent impacts of the COVID-19 pandemic.

98 World Bank, "Map of SME-Support Measures in Response to COVID-19," World Bank, 2020, <https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19>.

99 LP, "Factoring como alternativa de financiamiento para las Mipyme en el marco del covid-19," LP, 2020, <https://lpderecho.pe/factoring-alternativa-financiamiento-mipyme-covid-19/>.

100 Andina, "Reactiva Perú: 50,000 mipymes recibirán créditos de cajas ediles a tasas bajas," Andina, 2020, <https://andina.pe/agencia/noticia-reactiva-peru-50000-mipymes-recibiran-creditos-cajas-ediles-a-tasas-bajas-798095.aspx>.

101 Gestion, "Produce brindará asistencia a 16,000 mipymes para impulsar reactivación económica," Gestion, 2020, <https://gestion.pe/economia/coronavirus-peru-produce-brindara-asistencia-a-16000-mipymes-para-impulsar-reactivacion-economica-nndc-noticia/>; Andina, "Instituto Tecnológico de la Producción impulsará reactivación de las mipymes," Andina, 2020, <https://andina.pe/agencia/noticia-instituto-tecnologico-de-produccion-impulsara-reactivacion-de-mipymes-796690.aspx>.

102 International Monetary Fund, "Policy Responses to COVID-19," IMF, 2020, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.

103 Asociacion PYME Peru, "Encuesta Empresarial Sobre Impacto del Covid-19 en el Sector Mipyme," Asociacion PYME Peru, 2020, <http://asociacionpyme.pe/noticias/observatorios/encuesta-empresarial-sobre-impacto-del-covid-19-en-el-sector-mipyme/>.

104 Ministerio de la Produccion, "Reto Innova COVID-19," Ministerio de la Produccion, 2020, <https://innovatepe.gob.pe/RetoinnovaCovid19/index.html>.

However, while the pandemic continues to challenge MSMEs, the existing trends presented by this report are not erased by recent events. Instead, the pandemic's effects compound these trends, and the convergent impact of both factors must be analyzed.

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THE EXISTING LANDSCAPE OF SOCIAL ENTREPRENEURSHIP IN PERU

ALEXANDRA AMES BRACHOWICZ &
CARLA GRADOS VILLAMAR



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ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

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EXECUTIVE SUMMARY

THIS STUDY EXAMINES THE EXISTING LANDSCAPE of social entrepreneurship in Peru. We describe the on-the-ground situation of the social entrepreneurship ecosystem in the country, the resources available, the policies recommended for Peru's development, and the roles of the actors involved in this process.

A 'social enterprise' is defined as a formal and private organization whose mission is to intentionally contribute to the solution of a key social and/or environmental challenge that affects vulnerable populations through market strategies. Today, social enterprises (SE) are organizations that, due to their impact, play a strategic role in the welfare of society. Nevertheless, SEs face a variety of challenges which are primarily attributed to the lack of a general conceptual understanding of SEs and the lack of supporting organizations to help with their growth, among other barriers. SEs can be considered as a specialized sub-section of Micro, Small, and Medium Enterprises (MSMEs) as both share similar business challenges. However, the former faces more obstacles in their development while the latter does not have an intentional primary focus on solving social or environmental issues.

Furthermore, SEs also have commercial competitive advantages in a market that is increasingly looking for sustainable goods and products. Even though this trend is not strong in Peru, it is steadily growing and has the potential to provide valuable opportunities for MSMEs that choose to be more sustainable. Hence, it is imperative that MSMEs – which represent 99.6% of the private sector in Peru – develop and commit to sustainability practices which ultimately contributes to the sustainable development of the country. However, public resources available to promote sustainable MSMEs is limited in Peru, and this is especially true for SEs where these public resources are non-existent.

In this context, it is essential for Peru to develop specific public policies to promote and strengthen the ecosystem of SEs and sustainable MSMEs. Some policy recommendations include:

- Building a clear and consistent strategy, developed by the government, to further disseminate information about the benefits of having sustainable MSMEs and SEs, such as considering the potential positive contributions they can have for the country.
- Applying the social entrepreneurship approach as a transversal public policy in all programs linked to generating greater productivity and value in the country.
- Including the SE outlook in government programs that encourage productivity



The goal is not specifically to promote more SEs, but to provide the tools

Source: Photo by Babak Fakhamzadeh on Unsplash

in a sustainable manner. In order to do this, it is crucial to work under a multi-sectoral framework with organizations that promote sustainability in MSMEs, such as Global Reporting Initiative (GRI) or Green Economy Coalition (GEC), or organizations that specifically promote social entrepreneurship, such as Kunan or NESsT.

- Promoting a culture of entrepreneurship, based on the design and measurement of the social and environmental impact behind SEs. This will ensure that SEs and their sustainable practices are not limited to only using social principles as a marketing strategy, but also allows SEs to make significant contributions towards important changes in the country.
- Generating formal support from the Ministry of Production, and other government programs, in order to support MSMEs in their process of formalizing, growing, strengthening, and integrating technological innovation. In addition, government programs should assist MSMEs in their access to equity funds and credits which are becoming increasingly important for SEs and MSMEs.

All of the outlined recommendations above agree on a general consensus for SEs, or MSMEs that focus on sustainability and have a social purpose. The goal is not specifically to promote more SEs, but to provide the tools required to achieve and measure social and environmental impacts. To this end, the private sector plays a fundamental role as it can be a great space to foster and contribute to changes in the country. Ultimately, all of these goals first require a government that is supportive and open to help coordinate an ecosystem that inspires and transforms society.

WHAT IS SOCIAL ENTREPRENEURSHIP?

CONCEPT DEFINITION

To understand social entrepreneurship, we first need to understand what entrepreneurship means. The Global Entrepreneurship Monitor (GEM) defines it as the business activity driven by one of three reasons: 1) need, 2) opportunity, or 3) improvement (GEM 2018), as described in Table 1.

TABLE 1
Analysis of the main differences between types of entrepreneurship

Source: GEM 2018

	Necessity Driven	Opportunity Driven	Improvement Driven
Founder's usual profile	Low income population	Medium- and high-income population	Medium- and high-income population
	Usually does not have a vision of growth for the business	Seeks to maintain their income and lifestyle	Seeks to increase income and possesses a high-growth vision for the business
Enterprise	It remains in economy's traditional sectors	It remains in economy's traditional sectors	It is developed in sectors where innovation, research and development (R&D), and technological development are favoured
	It does not generate effects on economic growth, but it is an option to face unemployment	Contributes to the social and financial capital of the area where it is developed	Expected to grow between 20% to 30% annually Increase productivity and generate economic growth

A social enterprise (SE) can be either necessity driven, opportunity driven, or improvement driven. Even though a universal agreed definition of SE does not exist, different local and regional researchers take into account these main considerations when describing what an SE should be, starting by asking if it addresses today's most important social and environmental challenges, independent from the founder's profile or the type of enterprise.

In Peru an SE can be classified as any of the entrepreneurship types described above, ideally taking into account the following main characteristics (Kunan 2019):

1. Explicit social or environmental mission: The mission must be focused on permanently contributing (Martin & Osberg 2015) to the solution of a specific social and/or environmental issue(s) that affects populations in unfair or vulnerable situations.
2. Business model: The organization can be for-profit or non-profit (Universidad

del Pacífico 2013), but must seek to be self-sustaining through the generation of its own revenue that comes from the provision of goods or services (ESADE 2016). They do not depend on subsidies and donations like traditional NGOs (NESsT 2014).

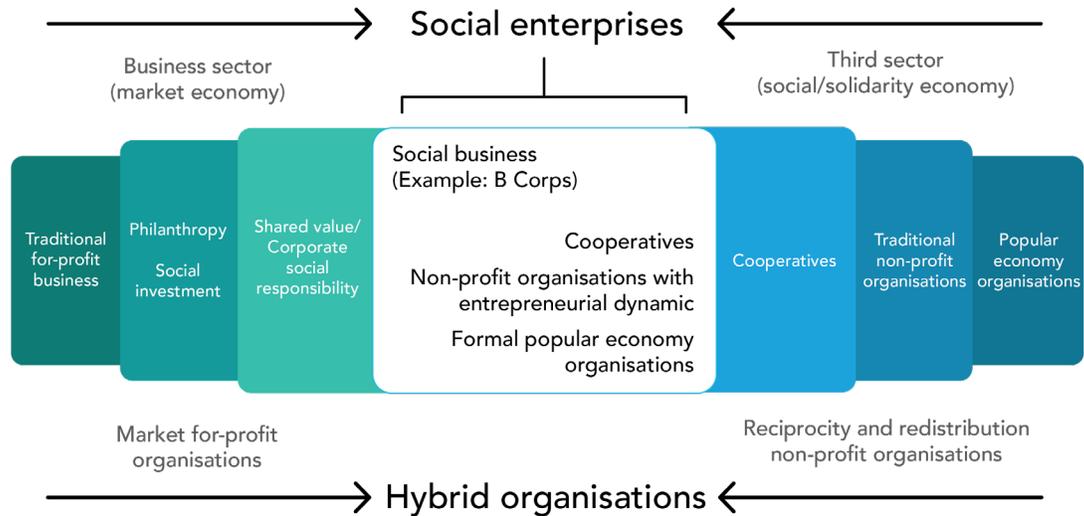
3. Innovative and systemic solution¹: The solution is more efficient, more fair, and/or more effective than existing ones, and seeks to generate a systemic change, involving different stakeholders in the community, such as civil society, private sector, and government (WEF 2018).
4. Impact measurement: Given that the social or environmental problem is the purpose of the enterprise, measurement or intention to measure the impact of its activities is a key activity.

However, most SEs in developing economies are early stage or lack support for specialized organizations, and hence have difficulties achieving innovative and systemic solutions and impact measurement (Kunan 2019). Therefore, we define social entrepreneurship as a formal and private organization whose mission is to intentionally contribute to the solution of key social and/or environmental challenges that affect vulnerable populations through market strategies.

SEs use a different entrepreneurial logic than the traditional business practice of maximizing revenue for shareholders (Friedman 1962). They ideally seek to balance social values (for third parties) and economic values, although some SEs will be more profitable than others. There are levels of intentionality when referring to the priority given either to the social or the economic value generation. In other words, some SEs put the social values first, and others the financial value. That is why there is a spectrum of different types of SEs, each with different legal frameworks and pathways to becoming or being created as SEs. Figure 1, developed by María Angela Prialé and Susy Caballero in “Definition and Models of SE in Peru” (Gaiger 2019), describes the different paths followed by organizations to become SEs, where those coming from a third sector background tend to put impact first, and those coming from a business sector background tend to put financial value first.

FIGURE 1
Position of SEs operating under the umbrellas of the third sector, or social economy, on the one hand, and of the market economy, on the other

Source: Gaiger 2019, based on Alter 2003



This spectrum is further explained in Table 2, which describes how different SE organization types tend to prioritize impact and financial value.

TABLE 2
SE spectrum

Source: McKinsey 2016, Brazil Task Force for Impact Investment 2017, Kunan 2019

 Social Value		 Financial Value			
Traditional NGO	Social Entrepreneurship				Traditional Business
NGOs dependent on donations that exceed 70% of their income	Non-profit organisation with business model	Co-operative	Business with socio-environmental mission and restrictions on profit distribution (YUNUS 2011)	Business with socio-environmental mission and no restrictions on profit distribution	Responsible business, commercial business with CSR area, traditional businesses

Finally, it is important to understand that the spectrum of SEs and their social or financial intentions are rooted in the history of the country. The approach taken by María Angela Priale and Susy Caballero in *Social Enterprise in Latin America* (Gaiger 2019) suggests that “the emergence of SE in Peru is a product of the hybridisation process undergone by organisations of the third sector that start looking at the market as an ally to survive and to scale up social solutions, and by businesses that believe that their success is interdependent with societal welfare and that they are ethically obliged to be part of a change in the system.”

HOW DOES THE SE GIVE BACK TO ITS COMMUNITY?

When focusing on how to contribute to a solution for a societal or environmental challenge, social entrepreneurs tend to focus on a vulnerable beneficiary population with specific characteristics. The vulnerability may be economic, cultural, political, cognitive, societal, or environmental (Sagasti 2008). Each SE develops, often unintentionally, a business model that allows it to respond to its beneficiaries' needs in a particular way (Universidad del Pacífico 2016). In this paper we take into consideration seven types of business models (Kunan 2019) that describe how a social entrepreneur can give back to their community.

TABLE 3
Business models for SEs

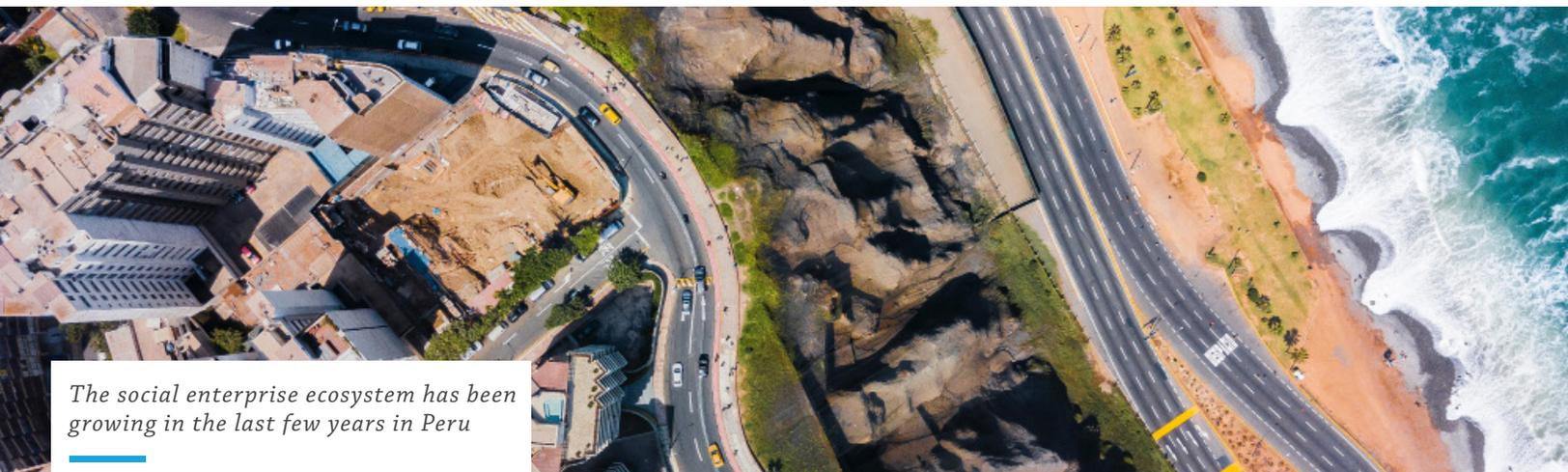
Category	Definition	Beneficiary	Example and SE Type
Labour inclusion model	Model that aims to incorporate in its value chain groups at risk of labour exclusion, generating higher income for this population.	The beneficiaries are usually the workers or the suppliers of the organization.	Burana: For-profit SE that develops sustainable fashion with women deprived of their liberty in local jails.
Bridge model	Model that aims to connect small and low-income suppliers with new business opportunities or potential clients.	The beneficiaries are usually the suppliers of the organization.	Sustainable Fishery Trade: For-profit social enterprise that connects low-income fishermen directly with high-end restaurants.
Pay-per-service model	Model that aims to attend to the vulnerable population's basic needs that are not covered, at an accessible price.	The beneficiaries are usually the clients of the organization.	Laboratoria: Non-profit social enterprise that trains women in coding to place them in corporations. Women start paying for the training once they have been hired.
Cross subsidy model	Model that allows the SE to generate sufficient income to cover the costs and operating expenses incurred in the production and sale of the good or service, as well as the cost of the social initiatives of the organization.	The beneficiaries are usually users not linked to the commercial structure of the organization.	Hoseg: For-profit SE that gives a jacket to a child in the Andes for every jacket sold.
Delegate social responsibility model	Model that aims to provide services to other private organizations' corporate social responsibility programs. The organization pays SEs for the development of social actions on behalf of a private enterprise.	The beneficiaries are usually users not linked to the commercial structure of the organization.	Kani: For-profit social enterprise that offers services to train artisans in important skills for corporations, to connect them to the market.
Associative/ Co-operative model	Model that aims to generate income through the joint work of the same beneficiaries.	The beneficiaries are usually the enterprise owners.	Marasal: Co-operative where the associates are owners of small pieces of inherited salt mines who jointly sell products to increase their incomes.
Environmental model	Model that aims to create products or services that help preserve the environment.	The beneficiary is society.	Fussion: For-profit social enterprise that recycles plastic bags to make sustainable fashion accessories.

Social entrepreneurs address a main challenge, with a main beneficiary, and they may also give back to their communities through transparent governance and a responsible value chain.

OBSTACLES FOR ESTABLISHING SEs IN PERU

The social enterprise ecosystem has been growing in the last few years in Peru; however, it is still in an early stage, making it difficult and challenging for SEs. The following obstacles have been identified²:

- **Concept:** Lack of proper understanding of the meaning of social entrepreneurship, which in turn prevents the general public and institutions, even social entrepreneurs, from grasping its true potential and bringing forward initiatives, programs, and even policies aimed at supporting the growth of this sector within the economy.
- **Regulation:** A cross-cutting strategy or public policy to support social entrepreneurship does not exist in Peru, and there is no legal form that easily identifies this type of entrepreneur. This may be one of the main challenges a social entrepreneur faces in Peru. The lack of a legal framework that identifies social businesses leads entrepreneurs to adopt diverse legal structures that do not necessarily suit their needs. This can in turn reduce the SE's competitiveness, as it may increase the costs incurred by the organization.
- **Specialized support:** There has not been much co-ordination between those that support SEs within and outside of Peru, although recently some support organizations have started to take joint actions, such as Kunan, a Peruvian SE platform, and NESsT, a known SE accelerator. Nonetheless, there is not enough support given to early-stage social entrepreneurs.
- **No common implementation path:** When considering the growth and scale-up models of improvement-driven entrepreneurs, most commonly known as startups, there are many similarities between the models, because they all come from a market-oriented background. This is not the case for SEs. Even though SEs are influenced by institutional factors at the macro level (which may contribute to shaping some of their organizational features), SEs develop from all parts of the economy and can be related to different organizational backgrounds – namely, the non-profit, co-operative, and traditional business sectors (Gaiger 2019). Therefore, it is complex to identify similar implementation paths.



The social enterprise ecosystem has been growing in the last few years in Peru

Source: Photo by Willian Justen de Vasconcellos on Unsplash

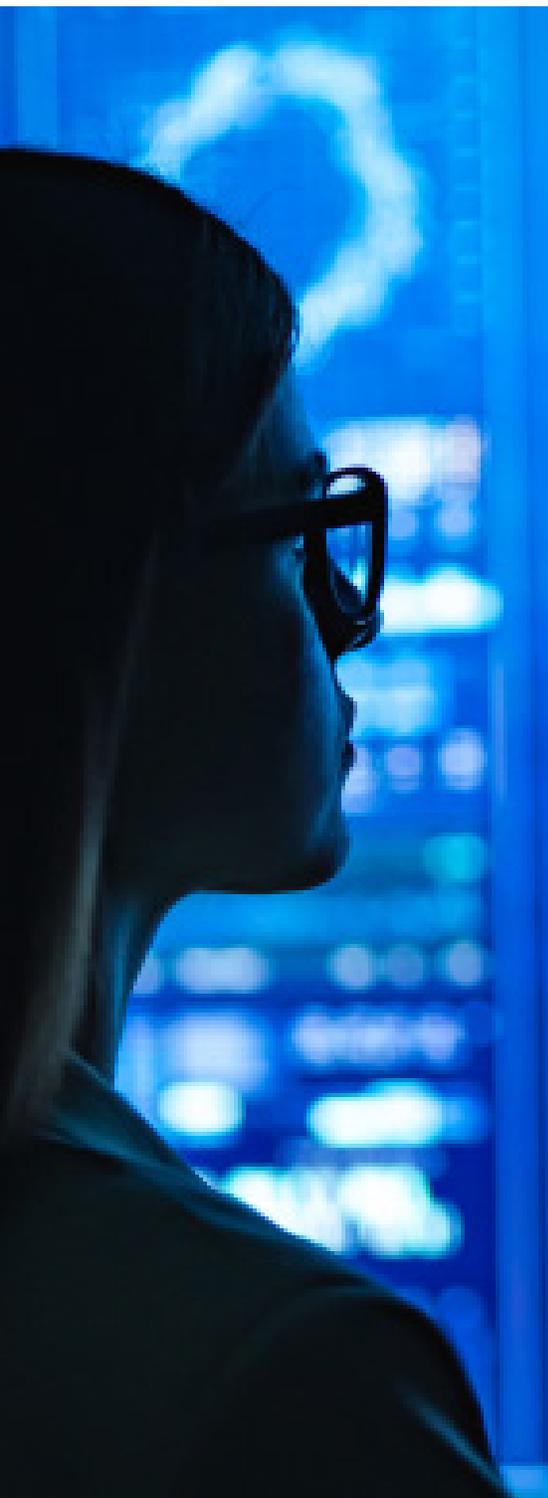
WHAT ARE THE CHALLENGES OF SCALING UP SEs?

The main challenge for scaling up SEs in Peru is the misinterpretation of what scaling up really means for an SE, mainly due to the different factors that need to be taken into account, from the business perspective and the impact perspective. SEs do not give the same priority to social or financial value generation, as it greatly depends on their background, which could be market based or from the third sector. This is an important difference from organizations whose main objective is to maximize profit or shareholder value, which is the case for traditional market-based business.

Nonetheless, the ultimate goal for SEs should be to scale their impact in a financially sustainable way, without necessarily considering the profitability of the organization, as long as it is able to cover its own costs. This implies having a correct market-based strategy with all the challenges this already generates for micro, small, and medium enterprises (MSMEs) and for SEs, which are part of this subsector, as will be described on the following chapter. However, it also means understanding the different ways social impact can be scaled up in SEs. As the policy brief on scaling the impact of SEs developed by OECD in 2016 mentions, the aim of most self-identified SEs is to expand and/or deepen the social or environmental impact by creating value for people, communities, and society. The OECD describes the following two approaches to scale this impact:

1. Quantitative: This approach applies to SEs that aspire to reach a greater number of users or beneficiaries, and therefore aspire to scale widely their social impact.
2. Qualitative: This approach applies to SEs that aspire to deepen the impact on a specific local population or challenge. They do this by diversifying their activities, either to address emerging needs at the local level or tackle the same needs from multiple angles (Heinecke and Mayer 2012). In this case, scale can be achieved by replicating the structure and/or process.

As mentioned by Caballero and Prialé (Gaiger 2019), existing SEs show limited growth partly because they are hampered by the belief that they can't earn money and have social impact, despite the contrary being true: increasing turnover enables more social impact. Therefore, the immediate possible solution is to increase the level of support from different sectors to supply knowledge on the importance of the business model, the team, and the need to measure impact, and validate a business model that has the structure needed to replicate or scale. The challenges include lack of investment, small market size, weak decentralization, and a lack of common identity, as described below.



Source: Photo by Artem Peretiakko on Getty Images

LACK OF SUPPORT ORGANIZATIONS

Organizations, government programs, or civil society initiatives that specialize in providing support to SEs with market-based strategies are limited in Peru. There is no accessible public information for entrepreneurs or for other organizations on the subject matter. Consequently, the few social entrepreneurs who have access to some kind of support tend to receive advice from organizations close to their original backgrounds, being market based or from the third sector. It is rare for SEs to receive integral support on developing a business, scaling up, and measuring impact – especially support that considers the necessary abilities and competences, training for the team, and engagement to push forward the scaling process.

LACK OF INVESTMENT

Although there are some funds and organizations that provide seed capital and financing for early-stage SEs in Peru, it is necessary to attract funds to finance growing SEs – long-term, patient capital with tolerance to risk. Likewise, social ventures are not necessarily ready for investment. To boost this market, support organizations are key players, as well as corporate foundations (Kunan 2019). It is important to emphasize that philanthropy continues to play an important role for early-stage SEs to create soft investment instruments.

LIMITED MARKET

Different sources, including interviewed social entrepreneurs, agree that SEs that trade sustainable goods or services have a limited market in Peru, which in most cases does not value the social or environmental impact of the business. Nonetheless, SEs also need to become more competitive and increase the quality of their goods and services, which means there needs to be more support. However, the SEs that are growing faster are the ones that are actively exporting their goods, demonstrating that, at least for now, international markets, mainly in the Northern Hemisphere, are more attractive for SEs.

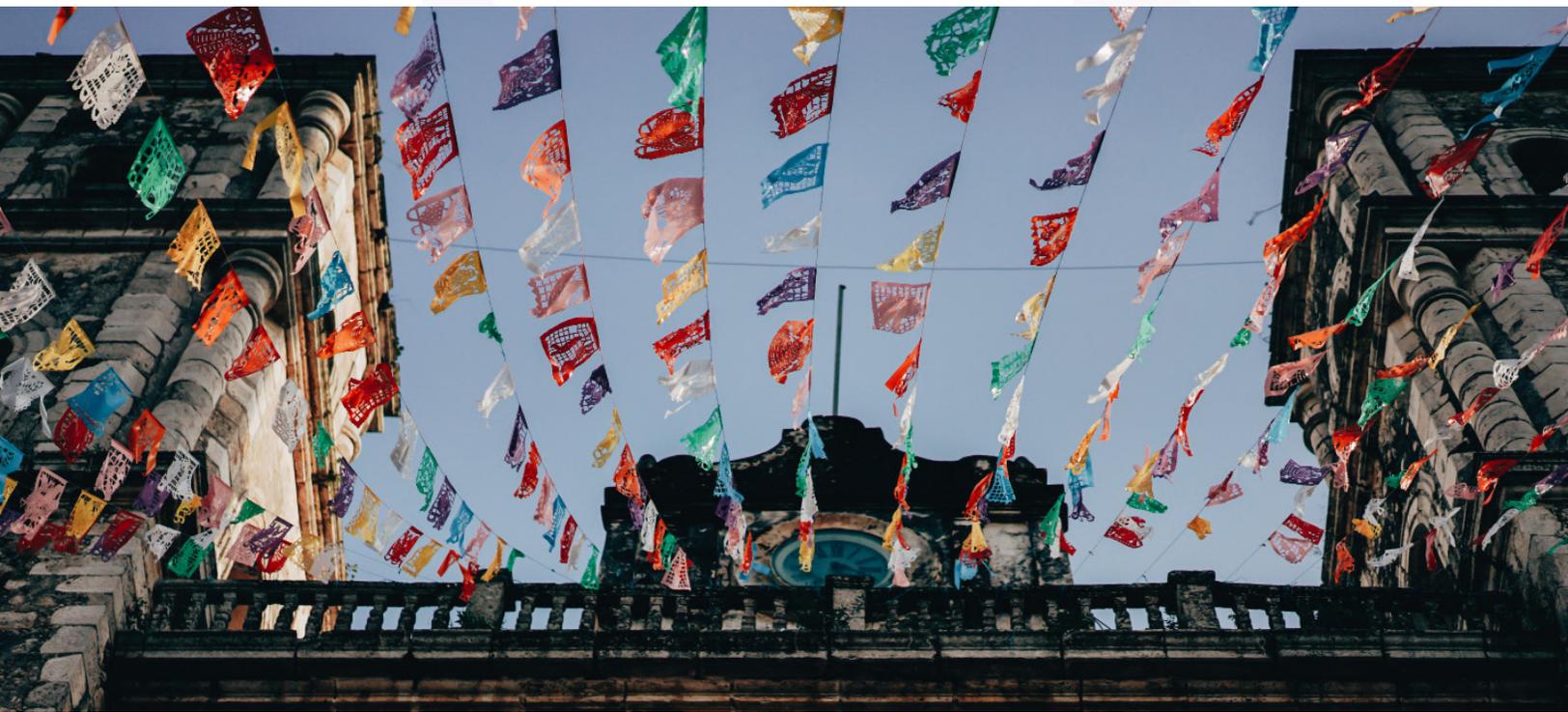
WEAK DECENTRALIZATION

There have been no major advances in the regional ecosystem of SEs (SE growth, public and private support organizations, etc.), despite the social and environmental challenges they face. So far, we have only been able to identify incubators or accelerators with a social or environmental focus in Piura and Cusco. Start Up Peru expanded the national ecosystem of startups, but there has not been an organization that does the same for the ecosystem of social entrepreneurship.

LACK OF COMMON IDENTITY

As Gaiger (2019) states, four different models of SE were found to represent the Peruvian ecosystem: the business-oriented non-profit, the social-business model, the social-co-operative model, and the non-profit/social-business model. “However, these four types of SE do not necessarily see each other as part of the same group. Consequently, there is a lack of identity among the different types of SE, which might constitute a limitation when it comes to learning from others’ good practices. All of these SEs also face challenges for scaling up and for designing and implementing a good governance system.”

Finally, and as described in *Social Enterprise in Latin America*, SEs in Peru and Latin American countries are significantly smaller than SEs in other economies in North America and South Asia, where “SMEs and small civil society organizations ... are agile and open to the internalization of innovations needed to conduct an inclusive business, particularly in regard to collaborative work” (Comini 2012).



Source: Photo by Willian Justen de Vasconcellos on Unsplash

PERUVIAN CONTEXT OF MSMEs AND THEIR RELATIONSHIP WITH SEs

DEFINITION OF MSMEs AND CURRENT STATUS

It is important to first understand how MSMEs are defined in the country and what their current status is, and then compare this with available information on the state of SEs in Peru.

Characterization of MSMEs

In Peru, the definition of MSMEs is stipulated in the law of MSMEs N° 30056, which modifies different laws from various ministries in order to support MSMEs. It is organized according to the total sales of each enterprise:

1. Micro enterprise: Annual sales up to a maximum amount of 150 Unidad Impositiva Tributaria (UITs, or tax units) – S/. 630,000 (US\$180,000);
2. Small enterprise: Over 150 UITs and up to a maximum amount of 1,700 UITs – S/. 7,140,000 (US\$2M);
3. Medium enterprise: 1,700 UITs and up to a maximum amount of 2,300 UITs – S/. 9,660,000 (US\$2.7M); and
4. Large enterprise: Annual sales greater than 2,300 UITs.

At the end of 2017, there were 1,908,829 formal companies, of which 99.5% (1,899,584 companies) belong to the MSMEs segment. This number includes for-profit SEs, as there is no separate legal structure for them. The number of formal enterprises in Peru is shown in Table 4.

TABLE 4
Formal enterprises in Peru

Source: The National Superintendency of Customs and Tax Administration (SUNAT) single register of taxpayers

Company Type	Number in Peru	Percentage from total in Peru
Micro	1,836,848	96.2%
Small	60,702	3.2%
Medium	2,034	0.1%
Large	9,245	0.5%

The majority of the private sector in Peru is made up of micro enterprises that have less than five workers each, as shown in Table 5. This highlights that necessity-driven entrepreneurship (informal industry) is the largest category of enterprise in the country, which does not boost economic growth – quite the contrary, it decelerates it. Even though Peru is considered to be one of the most enterprising countries in the region – in fourth place, according to GEM, with a rate of early-stage entrepreneurship³ of 25.1%, a percentage higher than the average in Latin America – 80% of these micro enterprises are unregistered businesses. This reality reduces and limits their possibility of growth and scale, usually making these micro enterprises necessity driven based on subsistence. Large companies represent 0.5% of companies in Peru. However, the productivity of MSMEs only represent 6% of the largest corporations.

TABLE 5
Formal MSMEs by number of workers

Source: SUNAT

Number of workers	Micro	Small	Medium	MSMEs
0 to 5	1,808,688	27,620	391	1,829,699
%	98.1	45.5	19.2	96.3
6 to 10	22,439	11,900	203	34,542
%	1.2	19.6	10	1.8
11 to 20	8,486	11,489	395	20,370
%	0.5	18.9	19.4	1.1
21 to 50	3,298	7,268	532	11,098
%	0.2	12	26.2	0.6
51 to 100	715	1,825	298	2,838
%	0	3	14.7	0.1
101 to 200	178	485	149	812
%	0	0.8	7.3	0
More than 201	44	115	66	225
%	0	0.2	3.2	0

Other items to consider when characterizing MSMEs is their contribution to job creation. Today this sector employs around 60% of the economically active population, as stated by the Ministry of Production, mainly in the commerce and services industry, which makes up almost 90% of the MSMEs in Peru. The rest of the MSMEs are found in manufacturing, construction, mining, fishing, farming, and agriculture. Details are shown in Table 6. Only 6% of the MSMEs have access to the regulated financial system. And even though access has increased overall in Peru for MSMEs, it has been mainly for small and medium enterprises, leaving the micro enterprises lagging behind in the informal industry.

The final thing to consider when characterizing MSMEs is the ability of an MSME to scale up from one level to the next, for example from micro to small. To obtain this information, the Ministry of Production collects data on formal MSMEs in a given period and compares the same MSMEs (without considering new or extinguished ones) after a 10-year period, to identify how many have increased or decreased their income and reached a larger size.

As seen in the Figure 2, micro enterprises have decreased in Peru, while small, medium, and large enterprises have grown slightly in number. However, from the total micro enterprises established in 2007, only 1,549, or 6.5%, scaled up to small (6.5%), medium (0.1%), or large (0.5%) enterprises by 2017.

In conclusion, the Peruvian MSME segment is the largest portion of the economy, making up 99.6% of the private sector and employing 60% of the working population. However, it is still the least productive private sector. Moreover, the main challenge being addressed in the MSME sector is business growth, considering that 96.2% are actually micro enterprises with almost no access to finance, with 6.5% on average transitioning into small enterprises in a 10-year period.

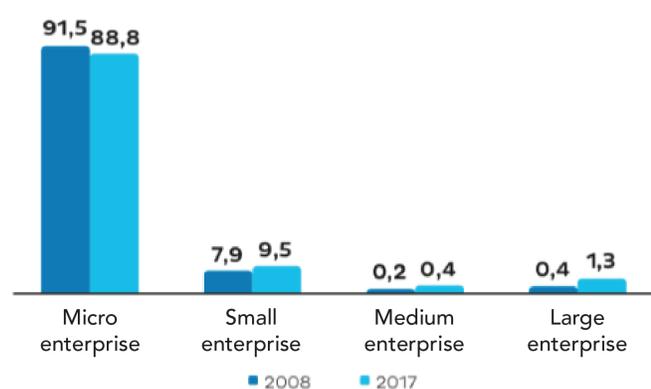
TABLE 6
Businesses by sector in 2017

Source: INEI/BCR

Sector	%
Retail	33.3
Other services	13.5
Business to business (B2B) services	10.3
Wholesale	9.1
Manufacturing	8.0
Food and beverages	7.8
Transport and warehouse	5.2
Car sales and repair	2.8
Construction	2.8
Telecom	2.4
Agriculture and fishing	1.7
Beauty salons	1.4
Lodging	1.1
Mining	0.8

FIGURE 2
Companies established in 2007, by company size in 2008 and 2017

Source: SUNAT, Registro Único del Contribuyente 2007-2017



Note: Business size is determined according to Law N° 30056.

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To further understand how to strengthen MSMEs, mainly micro enterprises, it is important to continue sub-characterizing them. As explained earlier, there are three different types of enterprises: necessity driven, opportunity driven, and improvement driven. All three start as micro enterprises; however, the ones growing may only be improvement driven, which is attributed to a specific entrepreneur profile, with a certain amount of education and access to finance, a minority in Peru. That is why it is important to have policies focused on strengthening different types of micro businesses.

Comparison: MSMEs and SEs

Considering the potential value SEs have for communities and society in general, and the opportunities that have been and are starting to be generated to promote this type of entrepreneurship, it would be ideal to increase the number of social entrepreneurs. It is important to look for social entrepreneurs not only in new endeavours, but also in existing MSMEs that could find it strategic to become SEs, or at least adopt more sustainable practices, and could help SEs overcome their main challenge of being competitive.

To start evaluating this possibility, it is important to understand the main differences and similarities between traditional MSMEs and social enterprises. Taking as reference the different interviews done for this paper, and reports and publications such as “The State of SE Report in Peru” (Kunan 2019), Social Enterprise in Latin America (Gaiger 2019), and the Asia Pacific Foundation of Canada workshop results in May 2019, Table 7 identifies the following similarities and differences as a first attempt to make this comparison.

TABLE 7
MSMEs and SEs

	MSME	SE
Type of enterprises	At the beginning of this paper, three types of entrepreneurship were identified: necessity driven, opportunity driven, and improvement driven. The Ministry of Production has identified that, of the broad spectrum of MSMEs, 54% are subsistence companies, clearly showing that MSME entrepreneurs are mostly necessity driven. This does not mean that there are no improvement-driven MSMEs, but that they are a small proportion of the overall sample.	There is no data that helps identify which type of entrepreneurship SEs fall into. The level of education of SE founders showed that almost 50% completed a university-level education (Kunan 2019). This is an indicator that even though SEs lack competitiveness, they most probably are opportunity driven.
Social and/or environmental impact	This is the main difference between MSMEs and SEs. This paper has not identified the number of MSMEs with sustainability practices; however, having some responsible processes does not make them SEs.	In an SE, the main purpose is to contribute to a social or environmental cause. Even though SEs are not correctly measuring their impact (Kunan 2019), they focus on intentionally having one. This is the main difference between them and other businesses, and in many cases could be their competitive advantage.
Legal structure	MSMEs are for-profit organizations.	SEs are, in part, a sub-sector of MSMEs. However, there is a group of SEs that also have commercial activities but that have come from the third sector or the non-profit sector. The spectrum of SEs is broader than any other type of business.
Size	Most MSMEs in Peru are micro enterprises, of which 54% are subsistence companies.	There is no study that characterizes SEs by size, and as specified before, there is no legal identity for SEs that facilitates their identification. As an alternative, the Kunan Network database of 163 SEs was used as reference, where more than 95% generate an income as a micro enterprise. In other words, and considering the data limitations, SEs follow the same pattern MSMEs do, and could be considered a subgroup of MSMEs.
Access to market	Both traditional MSMEs and SEs lack greater knowledge about how to access international markets and increase their participation by differentiating themselves from competition in local markets, which would allow them to grow faster. Innovation within the business model or a specific product or service could be a great solution for the goals of growth of an enterprise.	SEs have an important competitive advantage to access developed and conscious markets: impact. Nonetheless, the majority lack the skills to correctly measure and communicate their impact.
Access to credit and investment	There are difficulties in accessing credit for MSMEs. Only 6% had access to credit during 2017. In the case of large companies, 68.3% had access to credit in the same year.	In the case of SEs, 6.2% mention having used some kind of credit, and more than 25% have had access to grants from the government, specifically the Innovate Peru program.
Business growth and conversion ratio	Only 6.5% of micro enterprises grew to become small enterprises over a 10-year period, based on Ministry of Production data. There are multiple explanations for this, one being that most of the micro enterprises do not want to grow because they would lose tax benefits, as special policies for micro enterprises exist that allow them to pay less taxes. This means that they simply do not grow or that they grow within the informal industry.	The conversion ratio between nascent and operational social ventures in emerging economies is low. This is different in developed economies, possibly as a result of developed and interconnected social entrepreneurship ecosystems (Stephan, Uhlaner, and Stride 2014). Another explanation given is that many SEs hinder business growth by putting their social or environmental impact first, without realizing that the only long-term strategy to scale impact is to scale the business.
Governance	In the interviews and publications reviewed for this paper, a key performance indicator (KPI) focused on governance or participatory governance in MSMEs was not found.	Governance is not considered by SE management. In general, there is no real concern for these issues in Peru (Gaiger 2019).

To summarize, SEs (not including non-profit SEs) could be considered a specialized subsector of MSMEs, with similar business challenges but with additional impact-related ones. This subsector seems to be a more sophisticated one, with low growth rates, unlike improvement-driven MSMEs. Although there is a strong market trend for sustainability, SEs are still not profiting from it. It is also not easy in local markets for traditional MSMEs to organically transition to a sustainability model, and even less so to an SE business model.

The Profile of an MSME Social Entrepreneur

Considering the challenges, why do founders start and lead an SE? The most common answer is purpose, as is depicted in the case studies. Founders tend to be leaders that understand the urgency of creating social and environmental change and are willing to act on it, considering the aggregated challenges they face, especially when it comes to economic sustainability.

As SE founders interviewed for this paper stated, there is a specific profile for the members of an SE team. They are extremely committed people who have usually developed business management and impact-related technical skills. They are in close contact with their environment and the social realities of the region they work in and constantly need to innovate and adapt their models to address ever-changing environmental and social realities. The most successful founders have great visions and aspirations and know that in the long term the benefits for them and for society will be greater.

It is complex to make an SE model attractive to any kind of MSME founder. For necessity- and opportunity-driven MSME founders, the SE model is challenging, as the founder needs to focus on a social or environmental problem, correctly identify it, understand how to connect it to the business model, and measure the impact. Improvement-driven entrepreneurs perceive the SE model as a not profitable, short-term option.

Nonetheless, in the long term, trends show that SEs will be more profitable, as Unilever CEO, Alan Jope, said in the Deutsche Bank Global Consumer Conference in Paris in June 2019: “Two-thirds of consumers around the world say they choose brands because of their stand on social issues, and over 90% of millennials say they would switch brands for one which champions a cause.” The latter is the main reason why SEs could be developed out of MSMEs, mainly in family-run micro enterprises led by next-generation millennial sons and daughters, who are still flexible and can clearly see the long-term advantages of becoming an SE.

MSMEs and Sustainability

Considering that the SE model is crucial to the economy but more complex and less attractive for the majority of MSMEs, the different organizations interviewed agreed on the strategic importance of promoting a triple impact (social, economic, and environmental) model in MSMEs.

Today competition is focused on quality and price, but with most enterprises working on these two aspects, sustainability comes as a strong differentiator. It is

also a long-term option to reduce costs and get ahead of market trends.

Traditional Peruvian MSME private and public support organizations, such as Asociación PYME⁴, Asociación de Emprendedores del Perú (ASEP), Corporación Financiera de Desarrollo (COFIDE), and the Peruvian Technological Institute (Instituto Tecnológico del Perú) of the Ministry of Production, among others, already promote sustainability, gender equality, and social innovation with their clients and members. In addition, specialized sustainability organizations such as the Global Reporting Initiative and the Green Economy Coalition are actively highlighting the opportunities in becoming a sustainable MSME. A few examples are:

- Market: Trends clearly show that responsible consumption is continuously growing, as is the information provided on the traceability of products and services;
- Supply chains: Corporations, mainly multinationals, are looking for suppliers with sustainable practices;
- Reputation and trust: Good practices with society and the environment generate goodwill;
- Access to finance: Today, credit institutions consider the performance of the business with respect to issues related to sustainability; and
- Community: Adopting sustainable practices makes the MSME part of a community of companies that support each other and third parties. Consider for example the green MSME directory “Economía Verde” or the sustainable MSME group “Gremio Nacional de Emprendedores Sostenibles.”

SEs also have access to the opportunities mentioned above. Nonetheless, SEs have more challenges than sustainable MSMEs, because MSMEs do not have an intentional primary focus on solving a social or environmental issue.

Finally, for MSMEs and SEs that are looking for sustainability reporting instruments, the Global Reporting Initiative developed a platform that allows MSMEs to complete a sustainability report that can later be used as a means to understand, manage, and communicate their main social, environmental, and economic impacts. In 2018, 80 Peruvian SMEs presented their sustainability reports. Of these, 25 are suppliers of the state, in Lima and provincial cities.

Source: Photo by Chris Barbalis on Unsplash



SEs have more challenges than sustainable MSMEs

ANALYSIS: CURRENT POLICIES, PROGRAMS, AND INITIATIVES FOR MSMEs

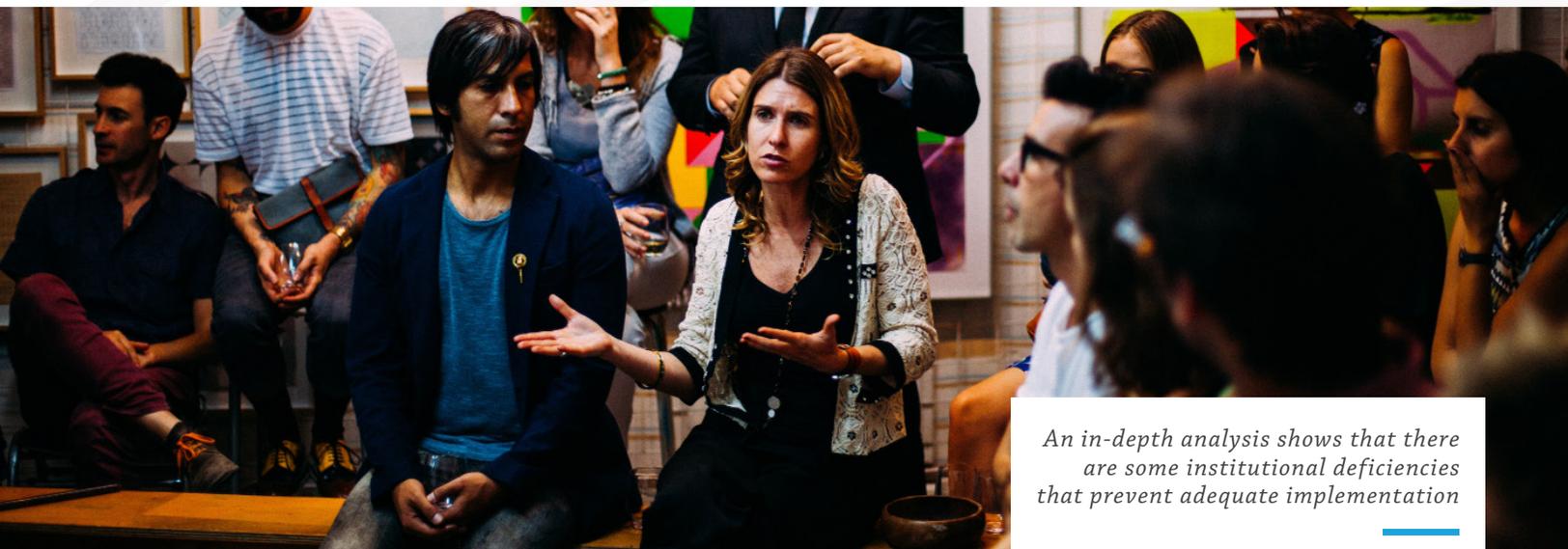
Our analysis is based on the notion that all public policy is designed to solve a public problem and to improve the quality of life of the beneficiaries of the policy. In this sense, are the policies and programs for MSMEs improving the Peruvian entrepreneur sector?

As demonstrated, there is a relationship between MSMEs and SEs, and an opportunity to promote social entrepreneurship models in MSMEs, mainly in micro enterprises. However, endorsing sustainability practices could apply to the whole MSME spectrum, instead of only focusing on micro enterprises. In other words, there must be policies, programs, and initiatives specific to SEs and others to promote sustainability as a whole in MSMEs.

The main policies, programs, and initiatives focused on MSMEs must be identified. For the present study, at least 43 government programs and policies aimed at promoting and strengthening MSMEs have been recognized, all listed in Appendix II. These programs are classified as having the following objectives:

- Technical assistance and training;
- Innovation and technological improvements;
- Export promotion;
- Public purchases; and
- Management improvements

These five dimensions cover the areas that are necessary to strengthen and grow the entrepreneur ecosystem in Peru. However, an in-depth analysis of each of these programs and policies shows that there are some institutional deficiencies that prevent adequate implementation and achievement of the goals for which they were created.



An in-depth analysis shows that there are some institutional deficiencies that prevent adequate implementation

Source: Photo by Antenna on Unsplash

The following aspects must be considered to strengthen the work and fulfilment of objectives of the policies and programs for MSMEs in Peru:

- **Formalization:** The Peruvian context has the peculiarity of suffering from a high rate of business informality. Of the total existing MSMEs in Peru, 48.4% are informal (PRODUCE 2017). Although in the last five years, informality has fallen by 10 percentage points as a result of the increase of some benefits for MSMEs, this does not seem to be enough to fight against informality at a national level. Some regions still have informality rates above 85%, as in the case of Huancavelica (91.8%), Cajamarca (91.5%), Puno (89.9%), Ayacucho (87.9%), and Amazonas (86.4%), among others. It is important to take into account that the excessive tax penalties for small formal companies do nothing but discourage the formal enterprise environment, generating fear of formalization. No efficient programs – from the point of view of behavioural economics – have been found that seek to formalize this great entrepreneurial mass.
- **Decentralization:** Peru is a country full of social and economic inequities at the national level. As mentioned above, most companies are concentrated in Lima, and there is low formal enterprise dynamism in the rest of the regions. This means that the assistance given by the programs and policies is concentrated in Lima, making it more difficult to strengthen MSMEs from a decentralized perspective. The institutional capabilities of regional governments prevent the development of strong local policies and programs that are capable of promoting or benefiting the business climate in regions outside of Lima.
- **Targeting:** Programs and policies for MSMEs do not go through a rigorous targeting process when they are designed. Therefore, the effort that the government is making ends up being very general and there are no differentiated strategies according to the type of beneficiary, economic sector, or life cycle of the enterprise in which the entrepreneur is located. The targeting of public policies allows the identification of specific strategies that achieve their aims when they are implemented. It also allows the proper prioritization of efforts according to the target audience.
- **Scaling up:** It has been identified that these programs are not on a large scale, failing to cover the real demand or the total target audience. This aspect is very important given that if we want to boost the country's competitiveness, government should promote the expansion of coverage of these programs.
- **Impact:** No impact assessment studies on programs and policies for MSMEs have been found. If we do not focus on measuring results and evaluating whether the objectives are being met effectively, it will be impossible to achieve important changes in the country.

SPECIFIC POLICIES OR PROGRAMS THAT ENCOURAGE SOCIAL ENTREPRENEURSHIP IN MSMEs

Several programs and policies related to the promotion and strengthening of MSMEs have been identified, but there are none focused on strengthening SEs. There is only one program of the Ministry of Production (Innovate Peru) that grants funds to small companies or enterprises that grants additional points if they are SEs or if they have a social purpose. This was achieved by Kunan and Innovate Peru in late 2018 as part of the partnership with Innovate Peru for the development of the first report on the state of SEs in the country.

However, Table 8 shows programs and policies promoted by the government that could have a social focus and, in this way, empower the ecosystem of SEs, as well as sustainability in MSMEs.

TABLE 8
Programs that could encourage SEs and sustainable MSMEs

Public Institution	Public Policy, Program, or Initiative	Description
Ministry of Production (PRODUCE)	Innovate Peru	The Innovate Peru program co-finances innovation and entrepreneurship projects to increase business productivity.
	Supplier Development Program	Co-financing of up to 70% of the diagnosis and implementation plans to improve MSMEs and to strengthen commercial ties with large enterprises (tractoras), reducing technical gaps and helping MSMEs enter specialized markets.
	Training and Technical Assistance in Quality Management	SMEs are given access to training and technical assistance to help them implement technical standards and/or to prepare for certification according to the demands of the market, helping SMEs align with the quality, safety, and harmlessness standards of current and/or potential markets.
Ministry of Labour and Promotion of Employment (MTPE)	Perú Responsable: National Program for the Promotion of Corporate Social Responsibility	Perú Responsable promotes corporate social responsibility (CSR), which generates employment, employability, and entrepreneurship among the population at the national level. <ul style="list-style-type: none"> • Employment: Promotes dependent and formal employment, with emphasis on young people, people with disabilities, and women heads of households; • Employability: Promotes development of labour skills and the implementation and strengthening of vocational training centres linked to labour demand; and • Entrepreneurship: Promotes opportunities for self-employment and initiatives for productive and formal entrepreneurship. It also promotes registration of socially responsible companies and certification of companies that accredit social responsibility practices.
	Jóvenes Productivos	A Ministry of Labour and Employment Promotion program that facilitates young people's access to the formal job market through work training, technical assistance for entrepreneurship, and job placement. The program: <ul style="list-style-type: none"> • Provides free job training; • Facilitates access to the labour market for young people; • Supports youth entrepreneurship; and • Builds capacity for business creation in urban and rural areas. Young Producers intervenes at the national level, serving the country's poorest districts.
Ministry of Agriculture and Irrigation (MINAGRI)	AGROIDEAS: Competitiveness Compensation Program	The Competitiveness Compensation Program from the Ministry of Agriculture and Irrigation acts as a strategic partner for sustainable businesses in rural areas nationwide, promoting partnerships among small producer associations, improved management, and adoption of technology by small and medium producers through non-refundable financing of sustainable business plans.
	PROVRAEM: Special Development Project for the Apurímac, Ene, and Mantaro river valleys (VRAEM)	This program aims to increase rural development with a territorial approach, in a competitive, sustainable, inclusive, co-ordinated, and multisector manner. It uses public and private players to address the existing critical situation, and guarantees greater state presence to create local opportunities for economic activity development, with a focus on including disadvantaged families, as part of the VRAEM development strategy.
	PEDICP: Putumayo River Basin Integral Development Special Project	PEDICP's purpose is to improve quality of life, fully introducing the beneficiaries of the program to economic activities at a national level and across borders, through sustainable use of natural resources and investments in economic and productive infrastructure aimed at improving food security in regional, national, and international markets. To do so, the program establishes agreements and coordination with regional and local governments, as well as Indigenous organizations in the region.

Finally, the Perú Responsable (Responsible Peru) program that sought to promote social responsibility in Peruvian companies shut down in 2018. It is regrettable that this program shut down, because there are no longer any government institutions that promote and strengthen business sustainability in Peru, and less so social entrepreneurship. It is urgent that we can count on a special government program to bring forward public policies that ensure a better ecosystem for sustainable MSMEs and, of course, SEs.

RESOURCES AVAILABLE AND ASSIGNED TO SUPPORT MSMEs AND SEs FROM 2014 TO 2018 IN PERU

There are no programs specifically aimed at supporting SEs, or even at sustainability in MSMEs. Nonetheless, Appendix III lists all resources allocated to programs identified as possible and eventual supporters of both SEs and sustainable MSMEs. Almost S/.2B was allocated towards programs that support SEs and sustainable MSMEs. However, only 70% of this budget was used. Effectiveness has declined in the last few years and resources do not seem to have been allocated according to regional needs.

TABLE 9

Resource allocation from 2014 to 2018 to support sustainability-related programs in MSMEs

Year	Institutional Opening Budget	Modified Institutional Budget	Advance (%)
2014	S/.43,567,926	S/.58,537,613	69.64
2015	S/.385,684,288	S/.547,395,693	84.83
2016	S/.248,259,944	S/.582,394,183	80.29
2017	S/.182,392,549	S/.339,227,908	86.31
2018	S/.206,676,561	S/.380,535,359	79.24
	S/.1,066,581,268	S/.1,908,090,756	

TABLE 10

Resource allocation from 2014 to 2018 to support sustainability-related programs in MSMEs by region

Region	Institutional Opening Budget	Modified Institutional Budget	Advance (%)
Amazonas	S/.99,324,162	S/.95,120,536	86.48
Ancash	S/.19,108,983	S/.31,265,522	74.43
Apurimac	S/.12,809,456	S/.24,405,041	87.73
Arequipa	S/.24,266,569	S/.35,062,531	79.81
Ayacucho	S/.57,199,579	S/.69,798,077	89.37
Cajamarca	S/.19,165,897	S/.21,370,878	77.46
Callao	S/.5,990,150	S/.6,009,948	16.67
Cusco	S/.209,314,294	S/.186,015,029	88.14
Huancavelica	S/.11,597,667	S/.13,916,702	89.11
Huanuco	S/.21,765,081	S/.28,474,096	82.47
Ica	S/.12,098,513	S/.27,631,675	82.53
Junin	S/.4,854,952	S/.12,089,724	91.39
La Libertad	S/.300,927,762	S/.427,302,776	28.93
Lambayeque	S/.28,984,785	S/.468,536,983	76.10
Lima	S/.2,967,976	S/.2,834,744	79.52
Loreto	S/.18,142,108	S/.24,066,959	72.89
Madre de Dios	S/.15,123,048	S/.26,009,749	90.35
Moquegua	S/.12,225,109	S/.30,435,663	82.48
Pasco	S/.5,971,000	S/.16,485,717	88.58
Piura	S/.92,635,222	S/.154,403,734	83.53
Puno	S/.36,999,195	S/.91,381,638	79.16
San Martin	S/.23,441,052	S/.48,630,773	89.66
Tacna	S/.13,792,210	S/.13,196,466	66.40
Tumbes	S/.2,719,314	S/.12,094,837	83.04
Ucayali	S/.15,157,184	S/.41,550,958	89.42
	S/.1,066,581,268	S/.1,908,090,756	

CASES

FIVE SEs HAVE BEEN CHOSEN to illustrate the following different characteristics described in this paper:

- **Size:** There are two micro SE cases, two small SE cases, and one medium SE case. As described, both the micro and small SEs have not received much public or private support. Inka Moss, on the other hand, has received technical and financial support; and
- **Impact and business model:** Each case focuses on a different vulnerability, from income generation in rural communities to cognitive and physical disabilities. All of them connect an income-generation model to the impact they are looking to obtain.

Furthermore, these cases intentionally focus on the challenges and opportunities identified by the founder in implementing and, in some cases, scaling the social enterprise. All of them demonstrate that SE founders have a specific impact-oriented profile.

M I C R O S E

BURANA

SE that sells leather and cloth products produced by training women in the San José de Matalacas farmhouse and inmates of the Anexo Mujeres de Chorrillos Penitentiary (formerly Santa Mónica prison).

IMPACT Focuses on social and cultural vulnerability. Its objective is to address the social stigma and lack of access to dignified labour opportunities for imprisoned women. Burana currently works with 14 imprisoned women in Lima. The SE is still working on an impact KPI.

BUSINESS Manufacturing sector. It has three years in business and sells through third-party stores. Has exported previously and is trying to increase international sales. It also has a strong social network presence.

THE STORY

Burana was created in 2015 due to a need to become formal. Rita, the founder, always liked weaving fabric. At first, she made purses she sold to her friends. Then she enrolled in courses at the Chamber of Commerce and PROMPERÚ, which helped her create Burana.

FOUNDER AND BUSINESS INFORMATION

Founder: Rita Maltese
Age: 50
Profession: Economist
SE legal structure: For-profit EIRL

Rita believes that anyone who decides to have a social enterprise has at some point been through an experience that shows the importance of doing something that impacts people. In her case, she had cancer and realized that her well-off life prevented her from seeing that other people could suffer in different ways. Her illness changed her life, and she thought that everything she did should have a purpose greater than her own. So she started working with disabled children, in hospitals and schools. As a result, Burana was established as an SE.

Afterwards, Rita bought weavings from a community of extreme poverty called San José Mata Lachas in Piura. The members of this community had never received money for their weavings, so she started helping them. They were excited and made more weavings.

After several different projects, she found an opportunity to focus on social impact through work with prisoners. From the first moment she fell in love with the project, and two weeks later she took her machines, her tools, and everything she had to a small place inside the prison. Burana started with 10 women. Of these 10, four to five were already leading sub-groups of working women who were operating their own work tables.

WHAT IS THE KEY TO SUCCESS FOR AN SE, IN YOUR EXPERIENCE?

“To have a lot of knowledge and to be persistent. I think a business career is very important. When I was a student, it did not exist. I think that an important key to grow and lead an enterprise is to know everything a bit. You need to read your financial statements, plan strategically. And I would say that an entrepreneur must always persevere.”

WHAT HAVE YOU LEARNED AS AN SE?

“A social entrepreneur should use his head a lot. Your head has to be stronger than your emotions, to not get carried away by the good of the people you will help and for the good of the company. If the company is not sustainable over time, you will not help yourself or those in need. Something that every social entrepreneur must learn is to deal with their emotions. Do not get carried away by the ‘poor thing.’ Do not move to welfare but improve the situation of people in a comprehensive manner. For that you need to think a lot, listen, and act more with reason than with the heart.”

MICRO SE

Q'UMA CHOCOLATE

Company whose objective is to promote the development of families of small cacao farmers through the creation and commercialization of organic chocolates native to the Peruvian jungle.

IMPACT Focuses on economic vulnerability. Provides decent work and economic growth to lower-level cacao farmers in the jungle of Peru. Q'uma currently works with 150 families and is paying 25 families more than 70% above the market average.

BUSINESS Q'uma is in the food industry. The majority of its income comes from exports to developed markets. It has been in business for four years, has five people on the team, and has received support from organizations such as USAID, PROMPERÚ, and Emprende UP.

THE STORY Q'uma saw that there were many parties involved in the cacao chain and set out to make a more efficient chain, with the objective of paying a fair price for the main input. This would generate a greater impact: they would work directly with the cacao farmer, without intermediaries, to pay a fair price for the product. This more efficient structure allowed Q'uma to also get involved in training the farmers to obtain a better quality of product.

WHAT IS THE KEY TO SUCCESS FOR AN SE, IN YOUR EXPERIENCE?

"I think the most important thing is to be persistent. Everyone says no, but then, when you persevere, the doors open. However, the balance between the social impact and the business is important. Many SEs neglect the part of profitability or sustainability over time and live on donations and funds. One of the things I learned is that we cannot aim to live on donations, but we must look for the sustainability of the business. That's how I understand the social business. Finally, to carry out an SE, it is necessary to dedicate 100%. I was working at an early stage, but then I made the decision to focus on my business. Many ventures die because of that. At the beginning, at least one person on the team must devote 100% of their time to the business."

FOUNDER AND BUSINESS INFORMATION

Founder: Francesca Valdivia
Age: 27
Profession: Business
SE legal structure: For-profit SAC

**WHAT
HAVE YOU
LEARNED
AS AN SE?**

“On the business side, consolidating ourselves in the market took about four years. Only then we were able to acquire our machinery, hire some collaborators, and obtain the trust of the suppliers. Getting the right suppliers that allow you to produce a good-quality product was, for me, the most important challenge at the beginning. As for financing, you have no capital to start with. You need to move with the resources you have to grow. We started producing in the kitchen of my house and, little by little, we acquired better tools and human capital. Finally, the social issue was also initially complex. Establishing a relationship of trust with the farmer was a challenge. They sold me a pig in a poke and this affected my final product, because the quality depends directly on the harvest.”

S M A L L S E

EMPANACOMBI

Culinary SE that promotes the occupational inclusion of chefs with disabilities. Their tasty empanadas and other artisan products are made in the first inclusive kitchen in the country for people with disabilities.

IMPACT The company focuses on the labour exclusion of people with disabilities (physical, sensory, and cognitive). Its work has impacted more than 140 young people with various diagnoses (hearing impairment, mild intellectual disability, Down syndrome, and autism). More than 80 people with disabilities (PD) work in culinary and service positions, and more than 130 PD and their families have benefited financially from the work of employees with disabilities. The economic activity of the company has generated more than S/.420,000 in salaries destined to PD.

BUSINESS EmpanaCombi has been in the food and nutrition sector for more than six years. The culinary SE has collectively raised awareness about chefs with disabilities by collaborating with 20 different shops, restaurants and supermarkets. This work has communicated the value EmpanaCombi to more than 10,000 consumers each month. More than 120 large companies have received, in addition to the service, talks and training on PD labour inclusion, generating awareness on the subject.

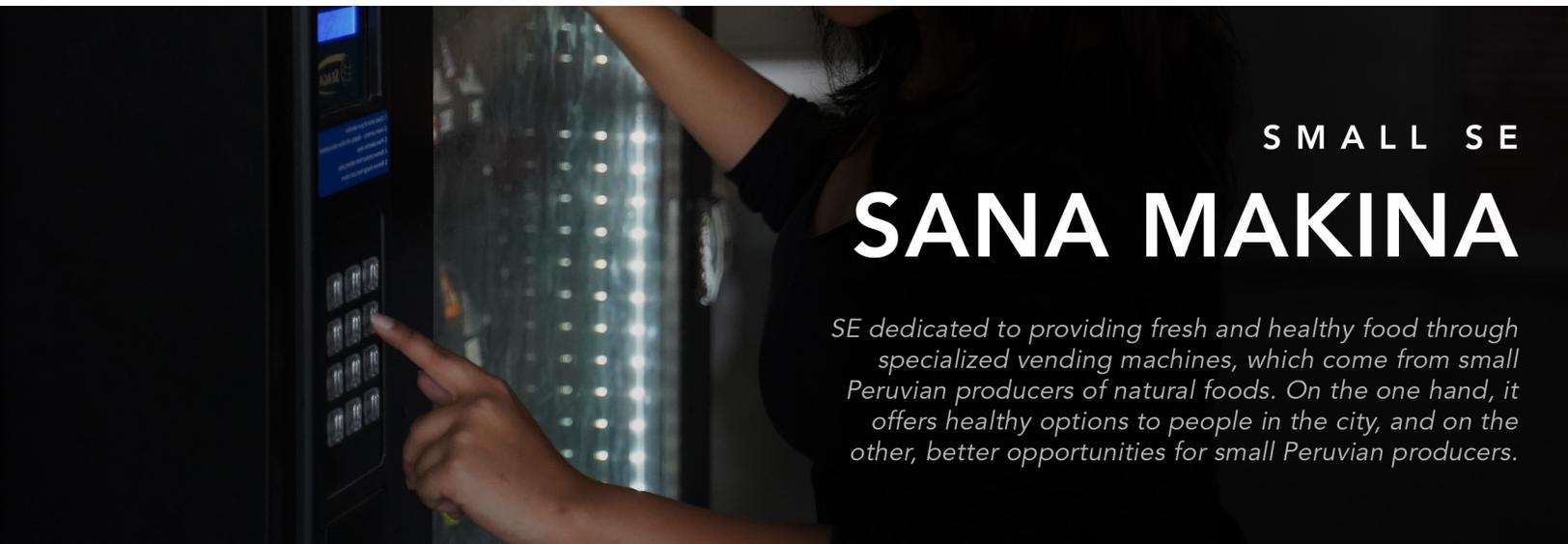
FOUNDER AND BUSINESS INFORMATION

Founder: Cynthia Rodriguez
Age: 34
Profession: Industrial engineer
SE legal structure: For-profit SAC

THE STORY The company started with Cynthia’s motivation to give work to her younger sister Nataly (who has Down syndrome), who was excluded from different companies because of her condition. They bought a food truck to sell fried empanadas and employed a chef and a customer service representative, both with disabilities. That’s how the business started.

WHAT IS THE KEY TO SUCCESS FOR AN SE, IN YOUR EXPERIENCE? “The business model must be clear. The purpose must be shared by the managers of the organization. The work team must be professional, some of the best in their disciplines. There must be financing (we raised capital in the first year through fundraising). It must be competitive.”

WHAT HAVE YOU LEARNED AS AN SE? “We had to learn to take on challenges with major changes in different areas of the company: operations, product development, marketing, and commercialization. We learned that we must meet the needs of a demanding market (in quality and quantity). We learned about financial management. Above all, we learned to give up promising careers and economic stability (as with any entrepreneur).”



SMALL SE

SANA MAKINA

SE dedicated to providing fresh and healthy food through specialized vending machines, which come from small Peruvian producers of natural foods. On the one hand, it offers healthy options to people in the city, and on the other, better opportunities for small Peruvian producers.

IMPACT It focuses on social and economic vulnerabilities. People in the city have a lot of access to junk food and very little access to fresh and healthy food. Producers of natural foods have little knowledge of how to reach the market and sell more. Sana Makina connects them through vending machines. It has already worked with more than 1,000 small farmers.

BUSINESS It is located in the food sector, with more than seven years of selling the service to large companies, mainly those committed to the health of their workers. There are 15 people on the team with an average age of 32 years.

FOUNDER AND BUSINESS INFORMATION

Founder: Kristina Veleva

Age: 33

Profession: International relations and nutrition

SE legal structure: For-profit SAC

THE STORY The founders thought it was contradictory to be one of the richest countries in the production of natural foods, while producers continued to live in poverty. However, they knew Peru was a country with high consumption of highly processed products and, as a result, 70% of the causes of death are diseases related to diet. This was their inspiration to create Sana Makina.

WHAT IS THE KEY TO SUCCESS FOR AN SE, IN YOUR EXPERIENCE? “Merge technology with healthy food, offer an innovative concept, have a strong focus on customer service and compliance.”

WHAT HAVE YOU LEARNED AS AN SE? “You cannot change the world from one day to the next, but small steps can be taken each day toward this. The importance of being persistent, perceptive, and faithful to your conviction.”

M E D I U M S E

INKA MOSS (JUNIN)

Company dedicated to the sustainable and eco-friendly production of sphagnum moss (white moss), a plant that only grows in the very particular climate typical of the Andes, more than 3,000 metres above sea level. The moss is a really good fertilizer, because it's capable of carrying 20 times its weight in water. Its preparation generates economic impact in the peasant communities of the high Andean areas of Peru.



IMPACT It focuses on the economic vulnerability of the company's suppliers, more than 2,000 settlers who dry wet moss that is then bought by Inka Moss. The indirect impact reaches 12,000 people in 39 communities in Junin.

BUSINESS Inka Moss has been operating for nine years in the agricultural-industrial sector, selling almost 100% to the foreign market in developed countries. It has a team of 10 people with an average age of 36 years.

THE STORY

Inka Moss was officially created in 2010, but the founder had been testing the activity for a year and a half or two years beforehand. After investigating several natural products, Marco's goal was to find a Peruvian product that had potential in the foreign market and that was sustainable. His previous professional experience was focused on foreign trade and logistics, which he thinks is why he had this idea.

While looking for that product, he was lucky enough to meet Anthon Baker, creator of the entire moss industry. He had travelled as a tourist to Cusco and was surprised by the existence of moss in Peru, because there are very few countries with that product. The weather conditions of Cusco allowed it to grow more than 3,000 metres above sea level. In these areas are extremely poor communities that grow moss to survive. Inka Moss provides a commercial opportunity for these communities.

The big challenge has always been logistics: the communities are three or four hours from the plant. Climate change also affects production. The lack of routes to get where the moss is has been a barrier that the company must overcome. It started in three communities, and now the business works with almost 70.

“The first and most fundamental is to have a market. No matter how cute the project is, without customers who buy your product or service, it will not work or be sustainable.

The second thing is to believe in what you do. Passion is important, because the road can be hard. I have been about to leave it and I said: ‘Better I dedicate myself to something else.’ When you combine passion and purpose you can grow your business. That’s why you always have to ask yourself: ‘Why do you do it?’ You have to find value in it.

The third thing is to understand that the population that benefits from your endeavour not only receives the benefits you generate, but also gives back many teachings and values that we do not find in the city. In the end, they learn from us as much as we learn from them. This reduces the tendency we have to victimize the beneficiary. So they receive opportunities from us and we receive teachings from them.”

“The first lesson is that there is always a door to try. An entrepreneur must learn to maintain hope in what he is building. No matter how bad it gets, you should keep knocking on doors. In the end there is always someone who opens it to you.

A second lesson is not to lie, to others or to yourself. It’s not about being pessimistic, but you always have to be realistic. You should not inflate things. I have seen many entrepreneurs who inflate the numbers to achieve the objectives. You can write down anything, but if you are not realistic, that will take its toll. In addition, when we seek financing and show something that is not true, investors will realize immediately. The best policy is transparency. To that I add that the enterprising know-it-all will not get anything either. The entrepreneur must know how to listen and be wrong.

Finally, a third lesson is to understand that when someone invests in your venture, they not only want to give you their money, but also their experience, and expect you to share yours with them. I think the key is to know how to engage. I have had several problems with my investors, but if we have been able to overcome them, it is because there has always been transparency and humility.”

FOUNDER AND BUSINESS INFORMATION

Founder: Marco Piñatelli
Age: 55
Profession: Business
SE legal structure: For-profit SAC
Location: Junin

WHAT IS THE KEY TO SUCCESS FOR AN SE, IN YOUR EXPERIENCE?

WHAT HAVE YOU LEARNED AS AN SE?

POLICY RECOMMENDATIONS

IT IS ESSENTIAL THAT THE government promote a culture that values intentional design and measurement of the social and environmental impact behind the SE. The number of SEs is growing in the country, but they need to understand the importance of being clear about their objective (purpose) and of measuring the social or environmental change they are generating.

This will ensure that sustainability practices and SEs are not limited to the social aspect as a marketing strategy, but can really contribute to important changes in the communities of the country. The Theory of Change, implemented today in social programs, can be perfectly implemented in SE business models, but the Ministry of Production must promote this approach as a public policy.

Another aspect that was identified in the process of preparing this paper is that MSME support programs are not strategically organized according to the life cycle, size, or expectations of enterprises. It is essential that the Ministry of Production identifies its target audience well and that it can work with MSMEs through the process of formalization, growth, strengthening, and inclusion of technological innovation. There are different strategies that the government must use, depending on whether the companies were created by necessity, by opportunity, or by desire for improvements.

Likewise, government programs that seek to benefit MSMEs are not being disseminated properly, and the most disadvantaged have fewer opportunities to access to these services. Therefore, it is necessary to have targeting policies so that what the government delivers helps to close the social gaps and contributes effectively to sustainable economic development.

Government programs that seek to benefit MSMEs are not being disseminated properly



In addition to the need to have targeted strategies, it is important to mention that there are no policies or programs in the country focused on strengthening women-run businesses. There are some small-scale programs aimed at promoting the technical skills of women who have been mistreated, but their goal is not precisely to turn them into successful entrepreneurs. Therefore, the Ministry of Women and Vulnerable Populations must work hand in hand with the Ministry of Production to ensure an adequate commercial focus on capacity development programs for women.

Finally, access to funds, credit, and grants is increasingly relevant for SEs and sustainable MSMEs. A good start could be to create a subsidy as part of Start Up Peru, the Innovate Peru Start Up initiative, specifically for companies that work sustainably with a vulnerable population.

All of the above suggestions require a common identity for SEs, or at least MSMEs with a focus on sustainability and a purpose. This involves not only promoting a greater number of SEs, but also ensuring that they have the right tools to achieve and measure impacts.

The private sector can be a great space to contribute to important changes in the country, but Peru needs a government that promotes the creation of an ecosystem that inspires and transforms.

OVERALL CONCLUSION

THERE IS NO DOUBT THAT MSMEs are important for the Peruvian government, representing more than 99% of the country's private sector. Nonetheless, the public resources available to promote sustainable MSMEs is limited in Peru, and when speaking about SEs, these resources are completely non-existent. This reflects the weakness of state support for the SE field and, more generally, for the sustainability field in the country.

It is not only pertinent to include an SE and sustainable MSME approach in ongoing and new government programs and funding opportunities, but also to effectively target MSMEs that are likely to be attracted to a sustainable business model or, in a smaller number of cases, an SE model, such as micro enterprises currently led by next-generation sons and daughters.

The world is facing challenges that become more complex every day that passes, and businesses, having the capability and, often, the resources to generate scalable positive impact, should actively do so. This does not and will not come naturally to the majority of businesses, and it will usually come last for MSMEs that struggle on a day-to-day basis. This is why the government, which has both the scope and the resources, needs to take immediate action. There is no need to create completely new and innovative programs to support SEs and sustainability in MSMEs; other countries worldwide have been deploying effective policies for more than a decade, and Peru could start by gathering the many lessons learned.

ENDNOTES

- 1** “‘Systems change’ means ‘fundamentally, and on a large scale, changing the way a majority of relevant players solve a big social challenge, such that a critical mass of people affected by that problem substantially benefit.’ Systems change involves altering the linkages and interactions that form a system’s architecture – the rules and standards that make a system work the way it does, as well as the goals, norms and beliefs that, if left unchallenged, can prevent systems from working more inclusively.” http://reports.weforum.org/schwab-foundation-beyond-organizational-scale/explaining-systems-change/?doing_wp_cron=1549387521.1627340316772460937500
- 2** Taking into consideration “The State of SE Report in Peru” developed by Kunan in 2019, the IDB’s “Study of Social Entrepreneurship and Innovation Ecosystems in the Latin American Pacific Alliance Countries” in 2016, and Social Enterprise in Latin America by Gaiger in 2019.
- 3** Early-stage entrepreneurship: The phase that combines the stage before the start of a new firm (nascent entrepreneurship) and the stage directly after the start of a new firm (owning-managing a new firm). Taken together, this phase is defined as early-stage entrepreneurial activity (TEA) (GEM 2019).
- 4** PYME is the Spanish acronym for SME.

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INTERVIEWS

Organizations

- Marco Velarde, Ex viceministro de la Producción
- Fernando Calmell, Presidente ejecutivo de ASEP Asociación de Emprendedores del Perú
- Ian Snak, Director Empresa B
- Daniel Vargas, Global Reporting Initiative, Country Manager
- Julio Pardavé, Asociación PYME
- Sergio Rodriguez, Instituto Tecnológico del Perú, Ministry of Production
- Luis Miguel Prado, Green Economy Coalition

Social Entrepreneurs

- Fernando Tamayo, Presidente de Yaqua
- Marco Piñatelli, Inka Moss
- Rita Maltese, Burana
- Francesca Valdivia, Q'uma Chocolate
- Kristina Veleva, Sana Makina
- Cynthia Rodriguez, EmpanaCombi

APPENDIX

MOST RECENT GLOBAL AND LOCAL PUBLICATIONS (2013-2018)

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MSME PROGRAMS, POLICIES, AND INITIATIVES

Public Institution	Public Policy	Description
PRODUCE	Advising MSEs and SMEs	It is developed through purchasing units called Núcleos Ejecutores de Compra (NECs) and it is supervised by the FONCODES (Cooperation Fund for Social Development) to acquire specialized goods from micro and small enterprises (MSEs) and to meet the demand of national entities, the INDECI (National Institute for Civil Defense) and regional governments. In addition, it is involved in the MSEs' productive process by increasing their technical production capacity with the support of PRODUCE, thus facilitating and strengthening their introduction to the market and improving their income.
PRODUCE	Purchases to MyPerú	A representative of the MSEs is elected for each of the productive sectors linked to the goods stated in Chapter I of Emergency Decree No. 058-2011 and Amendments thereto, so each of them can represent their sector before the NECs that are formed once the demand of any of the goods referred to is confirmed by the authorized demanding entities.
PRODUCE	National Pisco Competition	Normative proposals, promotion actions and improvement of the productive quality of pisco.
PRODUCE	NEC Pan American Games Kits	By Supreme Decree No. 010-2019-EF published on January 18, 2019, the Kits NEC was authorized to use financial resources to procure kits for the Special Project if they can be used for the Preparation and Development of the XVIII Pan American Games and the Sixth Parapan American Games carried out in 2019 through such NEC.
PRODUCE	Negotiable Invoice	Payable invoices can be converted into quick and easily accessible money. Benefits include: <ul style="list-style-type: none"> • Debt-free financing - it is not credit. • A financial history is built. The supplier will be known financially and will gain financial prestige. • You will reduce your invoice collection expenses. • You will improve the working relationship with your client. For more information, visit: www.facturanegociable.gob.pe
PRODUCE	Negotiable Purchase Order	If you have a purchase order and/or service order and do not have funds to cater a customer, you can obtain the necessary financing to carry out your required operations. Financing is offered by a non-financial institution.
PRODUCE	Promype Credit Line	Machinery renovation. This can be done through a special fund from the public bank (subject to prior evaluation). For more information, visit: http://www.bn.com.pe
PRODUCE	Business Rounds	PRODUCE organizes business meetings between potential buyers and suppliers. This business facilitation provides an opportunity to establish new business contacts and start or close business deals.
PRODUCE	Participation in Specialized Fairs	It finances and supports the participation of Micro, Small and Medium Enterprises (MSMEs) in specialized fairs, providing physical space and training in commercial promotion.
PRODUCE	Supplier Development Program	MSMEs' diagnosis and implementation of their improvement plans are co-financed up to 70% to strengthen their commercial interaction with large companies (tractors), thus bridging the technical gap and promoting their introduction to specialized markets.
PRODUCE	Articula Perú	We identify your production offer and advise you on how to realize your business through our network of contacts.
PRODUCE	Score Program	Technical assistance program for small and medium enterprises to improve productivity, quality and labour aspects based on the cooperation between workers and their leaders.
PRODUCE	Technical & Production Training and Assistance	Support in the identification and solution to production problems in order to make the business more competitive; this is done through training in production innovation and customized technical assistance.

Public Institution	Public Policy	Description
PRODUCE	Quality Management Technical Assistance and Training	MSMEs are given access to training and technical assistance to implement technical standards and/or prepare for any certification required by the market, so that they can align themselves with the quality, safety and security requirements of their current and/or potential markets.
PRODUCE	Cluster Support Program	There is co-financing of up to 70% of the business projects carried out by MSMEs belonging to the same business and with geographical proximity.
PRODUCE	Supply Markets	Strengthening the abilities of the drivers and/or workers of supply market stalls that are associated nationally, as well as their business management and quality management.
PRODUCE	Technical Assistance and Training to Cooperatives	Provision of services related to the establishment of cooperatives, transformation of civil associations to cooperatives, and strengthening of the social and business management of cooperatives.
PRODUCE	Tu Empresa Digital Kit	The Digital Kit is a platform implemented by the Ministry of Production, which has been designed to promote the growth of SMEs through the use of information technologies. The platform offers a variety of tools, services and learning courses, offering preferential access to market comparisons in order to facilitate the development of entrepreneurial and technological capabilities, thus generating greater business opportunities and allowing more savings and sales via Internet. The Digital Kit was certified as a Good Practice in Public Management by the organization Ciudadanos al Día in 2018.
PRODUCE	Innovate Perú	The Innovate Perú Program co-finances entrepreneurship and innovation projects aimed to increase business productivity.
PRODUCE	Promoting Cooperative Competitiveness	Support Tools for Cooperative Management
PRODUCE	PROCOMPITE	PROCOMPITE is a prioritized strategy of the State that comprises a fund to co-finance competing production proposals (business plans). It aims to improve competitiveness in production chains through the development, adaptation, improvement or transfer of technology. It may include transfer of equipment, machinery, infrastructure, inputs, materials and services to organized economic agents, exclusively in areas where private investment is insufficient to achieve the competitive and sustainable development of the production chain. The legislation that establishes Provisions to Support Production Competitiveness (Law No. 29337) states that regional and local governments can authorize PROCOMPITE to use up to 10% of the resources budgeted for expenditures on projects, with the exception of resources from official credit operations, donations and transfers.
PRODUCE	"A comer pescado" (Let's Eat Fish) National Program	To promote, consolidate and expand internal markets for the final consumption of products made using hydrobiological resources from Peru's mainland and shores. Specific Objectives: <ul style="list-style-type: none"> To contribute to the development of good consumption habits among the population by promoting the availability and access to such products and providing, as a promotional tool, information about their excellent nutritional properties. To promote the economic improvement of small-scale manual fishing and aquaculture activities by linking such activities to the promotion of demand and encouraging private association initiatives. To promote the creation of business chains - including the consolidation of distribution chains - in order to ensure the timely availability of products with potential commercial success in the markets.
MINCETUR	Plan to Support the Formalization of the Tourism Sector	To promote the formalization and improvement of the competitiveness in the provision of tourism services.
MINCETUR	Internationalization Support Programme (PAI)	This program, which was proposed by the Ministry of Foreign Trade and Tourism, has resources of S 25 million from the Mipyme Fund (fund for the MSMEs). The PAI is aimed at strengthening, promoting and encouraging the internationalization process of Peruvian Micro, Small and Medium Enterprises (MSMEs) by contributing to improve their competitiveness, minimizing their risks and optimizing their management capabilities and skills in foreign trade projects through the non-reimbursable co-financing of activities aimed at internationalization.

Public Institution	Public Policy	Description
MINCETUR	Exportafacil	It is an export promotion mechanism designed mainly for micro and small entrepreneurs so they can have access to international markets.
MINCETUR	National Network to Support Foreign Trade	The Ministry of Foreign Trade and Tourism launched the initiative to create foreign-trade information and service platforms in areas with high concentration of companies with export potential, in order to develop a range of foreign trade services for micro, small and medium enterprises and facilitate their interaction with the international markets, while taking advantage of the benefits offered by the various trade agreements signed by Peru.
MINCETUR	MINCETUR Award	It is an incentive and/or recognition program that grants multiple benefits to those who participate in it and succeed in any of the categories contested in each edition.
MINCETUR	Export Credit Insurance Program for SMEs - SEPYMEX	Program supported by a \$50 million fund, which the State assigns to the COFIDE (Financial Corporation for Development), which, through an operator (SECREX), insures banks through an insurance policy covering 50% of the value of the pre-shipment credit they grant to exporting SMEs.
MINCETUR	OVOP	The OVOP Movement ("One Village One Product") proposes to join communal, local and regional efforts involved in the development of one or more native resources in order to promote financial enterprises based on popular knowledge and wisdom, backed by their cultural tradition.
MTPE	NATIONAL PROGRAM FOR THE PROMOTION OF CORPORATE SOCIAL RESPONSIBILITY - PERÚ RESPONSABLE	<p>The PERÚ RESPONSABLE Program promotes Corporate Social Responsibility (CSR), which creates employment, employability and entrepreneurship endeavours within the population across the country.</p> <ul style="list-style-type: none"> • Employment: It promotes the generation of formal and dependable employment, with emphasis on young people, people with disabilities and women who are the head of the household. • Employability: It promotes the development of labour skills within the beneficiary population to better perform in its area; alternatively, they can implement and improve professional training centres according to the labour demand. • Entrepreneurship: It promotes the generation of self-employment opportunities as well as formal and productive entrepreneurial initiatives. <p>It also promotes both, the registration of socially responsible companies and the certification of companies that demonstrate their socially responsible practices.</p>
MTPE	Vamos Perú	The National Program for the Promotion of Employment Opportunities "Vamos Perú" seeks to promote employment, protect the employability of the unemployed and those workers who are at risk of losing their jobs by providing them access to the labour market or allowing them to start their own business. Vamos Perú Services:
MTPE	Jóvenes Productivos	<p>It is a program created by the Ministry of Labor and Employment Promotion that facilitates the access of young people to the formal labor market through job training, technical assistance for entrepreneurship and labour intermediation.</p> <ul style="list-style-type: none"> • Provides free job training • Facilitates access to the labour market for young people • Supports young entrepreneurship • Develops the capability of generating business in urban and rural areas <p>Jóvenes Productivos operates across the country, serving the nation's poorest districts.</p>
MIDIS	Foncodes	FONCODES finances and manages projects aimed at generating sustainable economic opportunities for rural households in poverty and extreme poverty, and operates within the framework of the "Inclusion for Growth" National Strategy (Estrategia Nacional "Incluir para Crecer") promoted by the Ministry of Development and Social Inclusion (MIDIS).
MINAGRI	AGROIDEAS: Competitive Compensation Programme	Compensation-for-Competitiveness Program - AGROIDEAS is the executing unit of the Ministry of Agriculture and Irrigation (MINAGRI), which acts as a strategic partner of sustainable businesses in the countryside across the nation, promoting partnerships, improving management and promoting the adoption of technology by small and medium producers through non-reimbursable financing for sustainable business plans.

Public Institution	Public Policy	Description
MINAGRI	Subsectorial Irrigation Program	A decentralized body of the agricultural sector whose main objectives are: to promote the sustainable development of irrigation systems on the coast and in the mountains, to strengthen users' organizations, and to develop management capacities and disseminate the use of modern irrigation technologies in order to increase agricultural production and productivity, thus improving agriculture's profitability and raise farmers' living standards.
MINAGRI	PROVRAEM: Special Project for the Development of the Apurimac, Ene and Mantaro River Valleys (VRAEM)	To boost rural development using a territorial approach in a competitive, sustainable, inclusive and coordinated manner, while interacting with both, public and private sectors, in order to address the existing critical rural situation; guarantee the greater presence of the State in the creation of local opportunities for the development of economic activity, with a focus on the inclusion of less favoured families within the framework of the VRAEM Development Strategy.
MINAGRI	Special Project for the Integral Development of the Putumayo River Basin (PEDICP)	The objective of the PEDICP is to contribute to the improvement of the quality of life of the population by fully incorporating the region into the national and border economic and productive activities through the sustainable use of natural resources, investment in essential economic and productive infrastructure geared to improve food safety in the regional, national and international markets; to this end, it establishes agreements and coordination with the regional government, local governments and social organizations of indigenous peoples in the area in question.
MINAGRI	Jequetepeque Zaña Special Project (PEJEZA)	We are a decentralized project of the Ministry of Agriculture and Irrigation, which is responsible for optimizing the use of water resources, promoting alternative planting and growing techniques and encouraging private investment aimed to improve the quality of life of the inhabitants of the basins. For us, development is the process of increasing the real freedom enjoyed by the people. We are using all our potential to create opportunities and enhance the capabilities of the people settled in the Jequetepeque and Zaña basins. We assume our social responsibility in the face of the major problems that burden the basins and we intervene efficiently and effectively within the framework of the Strategic Plan, which was created with the participation of the most important stakeholders to encourage development.
MINAGRI	Sierra Centro Sur Special Project (MINAGRI-PESCS)	<p>Objectives:</p> <ul style="list-style-type: none"> To continue with the execution of economic and social infrastructure projects in areas that are strategically important to government plans, in order to raise the standard of living and income levels of the Andean population. To enhance economic development opportunities in rural areas in extreme poverty through the implementation of water infrastructure projects. To provide communities in the highlands and the central and southern regions of Peru with the necessary skills to achieve their social and economic development. To strengthen institutions so they can efficiently manage the execution of development projects. <p>Strategies:</p> <ul style="list-style-type: none"> To satisfy the basic needs of the population by optimizing the execution of projects that contribute to improve their quality of life. To strengthen and consolidate community participation in the planning and execution of investment programs, thus helping to revert the migratory flow. Contribute to the business organization of the producers by promoting their integration into the market. To promote and execute productive activities that allow the creation of employment, and to increase production and productivity. To recover and maintain the cultural patterns of the population in the PESCS area. To create new financing sources and consolidate institutional leadership.
MINCUL	ECONOMIC INCENTIVES FOR CULTURE	2019 Plan to support music and performing and visual arts. The proposed financial incentive plan for the arts, whose funds amount to two million seven hundred and five thousand soles (2'705,000), includes one (1) call for two (2) projects to deliver financial incentives to Peruvian arts and artists invited to international platforms

Public Institution	Public Policy	Description
MINAM	Public Investment Program for the Strengthening of Environmental and Social Management of the Indirect Impact of the Southern Inter-Oceanic Road Corridor - Phase II (MINAM+CAF Program)	The Public Investment Program for Strengthening the Environmental and Social Management of the Indirect Impact of the Southern Inter-Oceanic Road Corridor - Phase II (CAF+Minam Program) joins the State's policy of strengthening the integrated management of the territory, mitigating the direct environmental and social impact that the Southern Inter-Oceanic Road Corridor (CVIS) had - Sections 2, 3 and 4. Its specific objectives are: <ul style="list-style-type: none"> To strengthen the organized producers' ability to develop sustainable competitive businesses in the area of the Southern Inter-Oceanic Road Corridor - Sections 2, 3 and 4. To strengthen the ability to preserve and make sustainable use of natural resources in the Andean-Amazon ecosystems within the area of the Southern Inter-Oceanic Road Corridor - Sections 2, 3 and 4, in order to contribute to the conservation of natural heritage. To strengthen institutional capability for sustainable management of natural resources within the area of the Southern Inter-Oceanic Road Corridor - Sections 2, 3 and 4. To support regional and/or local initiatives through the co-financing of public investment projects that contribute to the conservation of Andean-Amazon ecosystems.
MINAM	National Forest Conservation Program for Climate Change Mitigation	<ul style="list-style-type: none"> To identify and map the forest and deforestation areas in order to contribute to their conservation. To promote the development of sustainable forest-based production systems in order to generate income for the poorest local population. To strengthen the ability of regional and local governments and members of farming and native communities, among others, to preserve forests.
SUNAT	Emprender	Information and Administrative Support Portal for MSEs and SMEs

RESOURCES ALLOCATED TO PROMOTE SUSTAINABILITY-RELATED PRACTICES IN MSMEs (2014-2018)

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	Amazonas	IMPROVEMENT OF THE COMPETITIVENESS OF SMALL CATTLE FARMS WITH A FOCUS ON ANIMAL HEALTH IN THE POMACOCHAS-ALTO IMAZAMOLINOPAMPA CORRIDOR, AMAZON REGION	S/.0.00	S/.40,000.00	84.7
2014	Amazonas	STRENGTHENING OF CAPABILITIES TO IMPROVE COCOA'S QUALITY IN THE ALTO MARAÑON BASIN, COCABAMBA AND PISUQUIA DISTRICTS, AMAZON REGION	S/.0.00	S/.500,000.00	97.2
2014	Amazonas	CAPACITY BUILDING FOR COCOA PRODUCTION AND MARKETING IN THE BAGUA AND UTCUBAMBA PROVINCES	S/.0.00	S/.800,000.00	100
2014	Amazonas	STRENGTHENING AND DEVELOPMENT OF COCOA PRODUCTION IN THE MARAÑON DOMINGUZA COMMERCIAL AXIS, NIEVA DISTRICT, CONDORCANQUI PROVINCE, AMAZONAS	S/.500,000.00	S/.600,791.00	100
2014	Amazonas	STRENGTHENING OF THE POTATO PRODUCTION CHAIN IN SANTA CATALINA, TRITA, SAN CRISTOBAL, CONILA, LUYA, LAMUD AND LUYA VIEJO, LUYA VIEJO DISTRICT, LUYA, AMAZONAS	S/.0.00	S/.300,000.00	85.7
2014	Amazonas	SET UP OF PLOTS OF LAND TO DEMONSTRATE BERRY CULTIVATION IN THE PROVINCES OF CHACHAPOYAS, LUYA AND BONGARA, IN THE AMAZON REGION	S/.0.00	S/.25,378.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2015	Amazonas	STRENGTHENING OF CAPABILITIES TO IMPROVE COCOA'S QUALITY IN THE ALTO MARAÑON BASIN, COCABAMBA AND PISUQUIA DISTRICTS, AMAZON REGION	S/.0.00	S/.524,126.00	100
2015	Amazonas	CAPACITY BUILDING FOR COCOA PRODUCTION AND MARKETING IN THE BAGUA AND UTCUBAMBA PROVINCES	S/.0.00	S/.1,211,518.00	100
2015	Amazonas	STRENGTHENING AND DEVELOPMENT OF COCOA PRODUCTION IN THE MARAÑON DOMINGUZA COMMERCIAL AXIS, NIEVA DISTRICT, CONDORCANQUI PROVINCE, AMAZONAS	S/.620,058.00	S/.487,649.00	100
2015	Amazonas	STRENGTHENING OF THE POTATO PRODUCTION CHAIN IN SANTA CATALINA, TRITA, SAN CRISTOBAL, CONILA, LUYA, LAMUD AND LUYA VIEJO, LUYA VIEJO DISTRICT, LUYA, AMAZONAS	S/.0.00	S/.43,042.00	100
2015	Amazonas	IMPROVEMENT OF THE PRODUCTION AND TECHNOLOGICAL SERVICES OF THE AGRICULTURAL AND LIVESTOCK SYSTEM IN 53 DISTRICTS OF THE AMAZON REGION	S/.0.00	S/.149,450.00	100
2015	Amazonas	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.40,802.00	S/.40,802.00	100
2016	Amazonas	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.40,802.00	S/.172,757.00	99.8
2016	Amazonas	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.32,953,020.00	S/.34,035,390.00	35.5
2017	Amazonas	IMPROVEMENT OF THE COMPETITIVENESS OF SMALL CATTLE FARMS WITH A FOCUS ON ANIMAL HEALTH IN THE POMACOCNAS-ALTO IMAZAMOLINOPAMPA CORRIDOR, AMAZON REGION	S/.1,000,154.00	S/.1,000,154.00	100
2017	Amazonas	IMPROVEMENT OF SUPPORT SERVICES FOR THE SMALL ANIMAL PRODUCTION CHAIN IN THE PROVINCES OF CHACHAPOYAS, LUYA AND BONGARA, AMAZON DEPARTMENT	S/.346,000.00	S/.979,786.00	100
2017	Amazonas	AGRICULTURAL PRODUCERS FACE LESS MAJOR PESTS	S/.140,352.00	S/.140,352.00	99.7
2017	Amazonas	IMPROVEMENT OF THE PRODUCTION AND TECHNOLOGICAL SERVICES OF THE AGRICULTURAL AND LIVESTOCK SYSTEM IN 53 DISTRICTS OF THE AMAZON REGION	S/.60,561.00	S/.60,561.00	100
2017	Amazonas	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.35,644,909.00	S/.25,142,402.00	43
2018	Amazonas	IMPROVEMENT OF THE COMPETITIVENESS OF SMALL CATTLE FARMS WITH A FOCUS ON ANIMAL HEALTH IN THE POMACOCNAS-ALTO IMAZAMOLINOPAMPA CORRIDOR, AMAZON REGION	S/.1,000,154.00	S/.1,243,954.00	99.9
2018	Amazonas	IMPROVEMENT OF SUPPORT SERVICES FOR THE SMALL ANIMAL PRODUCTION CHAIN IN THE PROVINCES OF CHACHAPOYAS, LUYA AND BONGARA, AMAZON DEPARTMENT	S/.346,000.00	S/.652,050.00	100
2018	Amazonas	IMPROVEMENT OF COMPETITIVENESS OF THE ORGANIC BANANA PRODUCTION CHAIN IN THE PROVINCES OF BAGUA, UTCUBAMBA AND BONGARA, AMAZON DEPARTMENT	S/.0.00	S/.486,637.00	99.3
2018	Amazonas	AGRICULTURAL PRODUCERS FACE LESS MAJOR PESTS	S/.50,352.00	S/.50,352.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Amazonas	IMPROVEMENT OF THE COMPETITIVENESS OF SMALL CATTLE FARMS WITH A FOCUS ON ANIMAL HEALTH IN THE POMACOCHAS-ALTO IMAZAMOLINOPAMPA CORRIDOR, AMAZON REGION	S/.1,334,631.00	S/.0.00	0
2018	Amazonas	IMPROVEMENT OF AREAS USED FOR FAIRS IN THE TOWN OF YERBABUENO, LA JALCA DISTRICT, CHACHAPOYAS PROVINCE, AMAZON REGION	S/.0.00	S/.8,999,741.00	59.3
2018	Amazonas	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.25,246,367.00	S/.17,433,644.00	44.3
2014	Ancash	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.0.00	S/.58,636.00	100
2016	Ancash	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.18,990,538.00	S/.31,087,365.00	0.8
2016	Ancash	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.58,636.00	S/.59,712.00	97.2
2018	Ancash	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.59,809.00	S/.59,809.00	99.7
2014	Apurimac	IMPROVEMENT OF THE MANAGEMENT AND PROMOTION OF TECHNOLOGICAL INNOVATIONS FOR CATTLE-RAISING PRODUCTIVITY IN THE VILCABAMBA RIVER SUB-BASIN, GRAU PROVINCE, APURIMAC	S/.1,200,000.00	S/.0.00	0
2014	Apurimac	IMPROVEMENT OF ALPACA/VICUÑA'S FIBER CHAIN COMPETITIVENESS IN THE APURIMAC REGION	S/.500,000.00	S/.263,000.00	100
2014	Apurimac	CAPACITY BUILDING FOR THE IMPROVEMENT OF FRUIT PRODUCTION IN INTER-ANDEAN AREAS IN THE ANDAHUAYLAS PROVINCE, APURIMAC REGION	S/.150,000.00	S/.751,160.00	100
2014	Apurimac	IMPROVEMENT OF QUINOA PRODUCTION CHAIN'S COMPETITIVENESS IN THE APURIMAC REGION	S/.0.00	S/.253,200.00	99.5
2014	Apurimac	IMPROVEMENT OF WATER SERVICE THROUGH THE INSTALLATION OF A TECHNIFIED SPRINKLER IRRIGATION SYSTEM IN THE TOWN OF PAMPATAMA BAJA, TINTAY DISTRICT, AYMARAE PROVINCE, APURIMAC REGION	S/.0.00	S/.1,129,695.00	99.9
2014	Apurimac	IMPROVEMENT OF THE MILK PRODUCTION CHAIN'S COMPETITIVENESS OF THE ASSOCIATIONS IN THE CENTRAL TOWNS OF THE ANCO HUALLO DISTRICT, CHINCHEROS, APURIMAC	S/.0.00	S/.148,946.00	100
2014	Apurimac	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.165,501.00	S/.209,486.00	100
2016	Apurimac	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.1,225,000.00	S/.1,225,000.00	97.5
2016	Apurimac	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,233,179.00	S/.1,264,706.00	99.7
2017	Apurimac	IMPROVEMENT OF ALPACA/VICUÑA'S FIBER CHAIN COMPETITIVENESS IN THE APURIMAC REGION	S/.0.00	S/.1,455,000.00	88.1
2017	Apurimac	LESSER DISEASES IN PRODUCER'S LIVESTOCK THANKS TO SANITARY CONTROL	S/.156,463.00	S/.156,581.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2017	Apurimac	IMPROVEMENT OF QUINOA PRODUCTION CHAIN'S COMPETITIVENESS IN THE APURIMAC REGION	S/.1,416,313.00	S/.1,139,437.00	87.3
2017	Apurimac	REDUCTION OF AGRICULTURAL SOIL DEGRADATION	S/.646,845.00	S/.679,335.00	100
2017	Apurimac	IMPROVEMENT OF FACILITIES AND SERVICE FOR THE URIPA SUPPLY MARKET 2ND STAGE, ANCO HUALLO DISTRICT, CHINCHEROS PROVINCE, APURIMAC	S/.0.00	S/.2,750,962.00	90.8
2017	Apurimac	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.1,010,883.00	S/.1,009,741.00	99.9
2017	Apurimac	AGRICULTURAL PRODUCERS RECEIVE AND PROPERLY ACCESS AGRICULTURAL INFORMATION SERVICES	S/.303,427.00	S/.306,502.00	99.6
2017	Apurimac	ORGANIZED AGRICULTURAL PRODUCERS PARTICIPATE IN TRADE PROMOTION EVENTS AND CONDUCT BUSINESS	S/.82,037.00	S/.83,701.00	100
2018	Apurimac	CAPACITY BUILDING FOR WILD RABIES PREVENTION AND CONTROL IN 25 DISTRICTS OF THE ABANCAY, ANDAHUAYLAS AND CHINCHEROS PROVINCES IN THE APURIMAC REGION	S/.602,706.00	S/.180,504.00	6.3
2018	Apurimac	IMPROVEMENT OF ALPACA/VICUÑA'S FIBER CHAIN COMPETITIVENESS IN THE APURIMAC REGION	S/.500,000.00	S/.1,260,969.00	81.8
2018	Apurimac	LESSER DISEASES IN PRODUCER'S LIVESTOCK THANKS TO SANITARY CONTROL	S/.185,988.00	S/.185,988.00	100
2018	Apurimac	IMPROVEMENT OF QUINOA PRODUCTION CHAIN'S COMPETITIVENESS IN THE APURIMAC REGION	S/.800,000.00	S/.5,378,489.00	19.7
2018	Apurimac	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.1,010,883.00	S/.1,010,883.00	99.9
2018	Apurimac	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.230,000.00	78.1
2015	Apurimac	IMPROVEMENT OF ALPACA/VICUÑA'S FIBER CHAIN COMPETITIVENESS IN THE APURIMAC REGION	S/.500,000.00	S/.847,421.00	99.9
2015	Apurimac	LESSER DISEASES IN PRODUCER'S LIVESTOCK THANKS TO SANITARY CONTROL	S/.117,978.00	S/.117,820.00	98.6
2015	Apurimac	CAPACITY BUILDING FOR THE IMPROVEMENT OF FRUIT PRODUCTION IN INTER-ANDEAN AREAS IN THE ANDAHUAYLAS PROVINCE, APURIMAC REGION	S/.0.00	S/.182,199.00	100
2015	Apurimac	IMPROVEMENT OF QUINOA PRODUCTION CHAIN'S COMPETITIVENESS IN THE APURIMAC REGION	S/.0.00	S/.921,194.00	99.9
2015	Apurimac	IMPROVEMENT OF THE MILK PRODUCTION CHAIN'S COMPETITIVENESS OF THE ASSOCIATIONS IN THE CENTRAL TOWNS OF THE ANCO HUALLO DISTRICT, CHINCHEROS, APURIMAC	S/.0.00	S/.269,000.00	99.9
2015	Apurimac	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.1,002,253.00	S/.994,122.00	97.8

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	Arequipa	POPULATION RECOVERY OF THE MACHA RESOURCE (MESODESMA DONACIUM) IN THE AREQUIPA REGION'S COAST	S/.0.00	S/.363,660.00	98.6
2017	Arequipa	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.59,178.00	S/.269,178.00	30.5
2017	Arequipa	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.5,742,702.00	S/.13,845,703.00	39.8
2018	Arequipa	LESSER DISEASES IN PRODUCER'S LIVESTOCK THANKS TO SANITARY CONTROL	S/.1,000.00	S/.46,600.00	95.2
2018	Arequipa	IMPROVEMENT OF SUPPORT SERVICES TO THE GARLIC PRODUCTION CHAIN IN 4 DISTRICTS OF ISLAY PROVINCE, AREQUIPA DEPARTMENT	S/.0.00	S/.11,300.00	100
2018	Arequipa	AGRICULTURAL PRODUCERS FACE LESS MAJOR PESTS	S/.500.00	S/.40,100.00	95.1
2018	Arequipa	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.0.00	S/.199,100.00	69.2
2018	Arequipa	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.59,178.00	S/.559,716.00	58.2
2018	Arequipa	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.12,832,280.00	S/.14,049,648.00	95.1
2016	Arequipa	STRENGTHENING OF MANUAL FISHING	S/.0.00	S/.9,610.00	100
2016	Arequipa	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.59,178.00	S/.59,178.00	100
2016	Arequipa	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.5,512,553.00	S/.5,608,738.00	76
2014	Ayacucho	CATTLE DEVELOPMENT IN THE UPPER CACHI IRRIGATION BASIN, HUAMANGA AND CANGALLO PROVINCES, AYACUCHO	S/.0.00	S/.344,000.00	100
2014	Ayacucho	CAPABILITY BUILDING FOR CATTLE DEVELOPMENT AND IMPROVEMENT IN THE COMMUNITIES OF SAN JUAN DE CUCHOQUESERA AND SAN JERONIMO DE PAMPAMARCA, CHUSCHI DISTRICT, CANGALLO PROVINCE, AYACUCHO REGION	S/.0.00	S/.60,142.00	100
2014	Ayacucho	DEVELOPMENT OF TECHNOLOGICAL CAPACITY FOR POTATO PRODUCTION IN THE AYACUCHO REGION	S/.800,000.00	S/.800,000.00	100
2014	Ayacucho	DEVELOPMENT OF PEACH CULTIVATION IN THE PROVINCES OF HUAMANGA, HUANTA, LA MAR, CANGALLO, VILCASHUAMAN, VICTOR FAJARDO, HUANCASANCOS AND SUCRE, AYACUCHO	S/.500,000.00	S/.510,760.00	99.1
2014	Ayacucho	TARA AGROFORESTRY PRODUCTION IN THE AYACUCHO REGION	S/.889,731.00	S/.874,131.00	99.8
2014	Ayacucho	CAPACITY BUILDING FOR PRICKLY PEAR PRODUCTION IN THE AYACUCHO REGION	S/.1,558,209.00	S/.1,098,853.00	100
2014	Ayacucho	STRENGTHENING THE COMPETITIVENESS OF THE AVOCADO PRODUCTION CHAIN IN THE DISTRICTS OF LAS CABEZADAS, LUCANAS PROVINCE, AYACUCHO REGION	S/.259,157.00	S/.259,157.00	91.5
2014	Ayacucho	CAPACITY BUILDING FOR THE STRENGTHENING OF THE TARA PRODUCTION CHAIN IN THE AYACUCHO REGION	S/.200,000.00	S/.198,515.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	Ayacucho	IMPROVEMENT OF TECHNOLOGY TRANSFER IN PRODUCTION AND COMMERCIALIZATION IN THE QUINOA PRODUCTION CHAIN, AYACUCHO REGION	S/.0.00	S/.496,860.00	99.2
2014	Ayacucho	IMPROVEMENT AND REHABILITATION OF THE COLLECTION SYSTEM OF THE SANCO ALTO IRRIGATION CANAL IN THE TOWN OF SANTA ANA, SAN PEDRO DISTRICT, LUCANAS PROVINCE, AYACUCHO	S/.0.00	S/.102,539.00	96.9
2014	Ayacucho	FAMILIES HAVE BEEN INCORPORATED INTO INTEGRAL AND SUSTAINABLE ALTERNATIVE DEVELOPMENT	S/.900,000.00	S/.3,474,633.00	25.9
2018	Ayacucho	DEVELOPMENT OF TECHNOLOGICAL CAPACITY FOR POTATO PRODUCTION IN THE AYACUCHO REGION	S/.20,000.00	S/.20,000.00	99.9
2018	Ayacucho	DEVELOPMENT OF PEACH CULTIVATION IN THE PROVINCES OF HUAMANGA, HUANTA, LA MAR, CANGALLO, VILCASHUAMAN, VICTOR FAJARDO, HUANCASANCOS AND SUCRE, AYACUCHO	S/.479,826.00	S/.479,826.00	93.3
2018	Ayacucho	FAMILIES HAVE BEEN INCORPORATED INTO INTEGRAL AND SUSTAINABLE ALTERNATIVE DEVELOPMENT	S/.1,000,000.00	S/.1,081,660.00	100
2018	Ayacucho	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.29,364.00	S/.29,364.00	99.7
2018	Ayacucho	FISH FARMERS HAVE ACCESS TO SERVICES FOR THE PROMOTION OF INVESTMENTS AND THE MANAGEMENT OF AQUACULTURE	S/.30,146.00	S/.30,146.00	94
2018	Ayacucho	PRODUCTIVE DEVELOPMENT OF COCOA, BANANA, CITRUS AND AGROFORESTRY CROPS IN THE DISTRICT OF SANTA ROSA LA MAR AYACUCHO	S/.0.00	S/.6,000.00	94.7
2018	Ayacucho	SUPPORT FOR THE DEVELOPMION OF A REGIONAL SYSTEM FOR THE CONSERVATION AND SUSTAINABLE MANAGEMENT OF VICUÑA IN THE AYACUCHO REGION	S/.0.00	S/.12,000.00	100
2018	Ayacucho	STRENGTHENING OF DAIRY PRODUCTION IN THE ALLPACHAKA MICRO-BASIN	S/.0.00	S/.8,600.00	96.7
2018	Ayacucho	IMPROVEMENT OF COMPETITIVENESS OF THE PURPLE CORN PRODUCTION CHAIN IN THE PROVINCES OF HUAMANGA, HUANTA AND LA MAR, AYACUCHO REGION	S/.0.00	S/.8,800.00	92.6
2018	Ayacucho	DEVELOPMENT OF PRODUCTIVE AND COMMERCIAL CAPABILITIES FOR THE QUINOA MARKET, VILCASHUAMAN PROVINCE, AYACUCHO	S/.0.00	S/.8,800.00	100
2018	Ayacucho	CAPACITY BUILDING FOR CATTLE MILK PRODUCTION IN SAN PEDRO DE LARCAY DISTRICT, SUCRE PROVINCE, AYACUCHO	S/.0.00	S/.10,000.00	99.9
2018	Ayacucho	STRENGTHENING THE COMPETITIVENESS OF THE AVOCADO PRODUCTION CHAIN IN THE DISTRICTS OF LAS CABEZADAS, LUCANAS PROVINCE, AYACUCHO REGION	S/.0.00	S/.13,200.00	100
2018	Ayacucho	CATTLE DEVELOPMENT IN THE UPPER CACHI IRRIGATION BASIN, HUAMANGA AND CANGALLO PROVINCES, AYACUCHO	S/.0.00	S/.67,608.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Ayacucho	SUSTAINABLE MANAGEMENT AND CONSERVATION OF THE GENETIC RESOURCE OF THE ALPACA IN THE HIGH ANDEAN COMMUNITIES OF THE AYACUCHO REGION	S/.0.00	S/.812,000.00	98.5
2018	Ayacucho	CAPABILITY BUILDING FOR CATTLE DEVELOPMENT AND IMPROVEMENT IN THE COMMUNITIES OF SAN JUAN DE CUCHOQUESERA AND SAN JERONIMO DE PAMPAMARCA, CHUSCHI DISTRICT, CANGALLO PROVINCE, AYACUCHO REGION	S/.0.00	S/.10,800.00	98.2
2018	Ayacucho	STRENGTHENING OF TECHNICAL AND PRODUCTIVE CAPACITIES FOR CATTLE RAISING IN THE ACOCRO TOWNS, ACOCRO DISTRICT, HUAMANGA, AYACUCHO	S/.0.00	S/.10,800.00	12
2018	Ayacucho	IMPROVEMENT OF TECHNOLOGY TRANSFER IN PRODUCTION AND COMMERCIALIZATION IN THE QUINOA PRODUCTION CHAIN, AYACUCHO REGION	S/.1,037,190.00	S/.1,363,426.00	91.1
2018	Ayacucho	IMPROVEMENT OF CAPACITY FOR CATTLE BREEDING IN 14 AREAS OF THE VILCANCHOS DISTRICT, VICTOR FAJARDO, AYACUCHO	S/.555,549.00	S/.630,479.00	85
2018	Ayacucho	IMPROVEMENT OF CAPACITY FOR THE DEVELOPMENT AND PRODUCTION OF LIVESTOCK AND ITS DERIVATIVES IN THE COMMUNITIES OF THE MARIA PARADO DE BELLIDO DISTRICT, CANGALLO, AYACUCHO	S/.765,595.00	S/.765,595.00	91.5
2018	Ayacucho	IMPROVEMENT OF THE PRODUCTIVE CAPABILITY TO INTEGRALLY MANAGE AVOCADO CROPS IN THE PROVINCES OF HUAMANGA, HUANTA, HUANCASANCOS, CANGALLO, LUCANAS, PARINACOCAS, SUCRE, PAUCAR DEL SARA SARA, VICTOR FAJARDO AND VILCASHUAMAN, IN THE DEPARTMENT OF AYACUCHO	S/.2,500,000.00	S/.2,710,462.00	85.7
2018	Ayacucho	IMPROVEMENT OF BOVINE MILK PRODUCTION SERVICE IN THE PAUCAR DEL SARA SARA PROVINCE, AYACUCHO REGION	S/.1,500,000.00	S/.732,000.00	92.8
2018	Ayacucho	IMPROVEMENT OF SERVICES FOR THE TRANSFER OF TECHNOLOGICAL INNOVATIONS TO AGRICULTURAL AGENCIES AND PRODUCERS OF AGRO-ECOLOGICAL CROPS IN THE AYACUCHO REGION	S/.1,241,840.00	S/.1,241,840.00	85.1
2018	Ayacucho	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.55,801.00	S/.55,801.00	98.9
2018	Ayacucho	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.330,925.00	S/.315,367.00	95.4
2018	Ayacucho	IMPROVEMENT OF THE CONSERVATION OF CULTURAL HERITAGE AT THE WARI ARCHAEOLOGICAL SITE, HUAMANGA, AYACUCHO	S/.4,569,008.00	S/.0.00	0
2018	Ayacucho	AGENTS IN TOURIST DESTINATIONS HAVE ACCESS TO SERVICES TO DEVELOP COMPETITIVE TOURIST OFFERINGS	S/.20,000.00	S/.120,000.00	99.2
2016	Ayacucho	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.16,415,133.00	S/.31,048,496.00	80

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2016	Ayacucho	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.2,130,200.00	S/.2,530,200.00	95.9
2016	Ayacucho	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.3,775,796.00	S/.3,975,796.00	97.9
2016	Ayacucho	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.1,500,000.00	S/.2,543,018.00	97.2
2017	Ayacucho	USE OF COMMERCIAL OPPORTUNITIES OFFERED BY PERU'S MAIN TRADING PARTNERS	S/.0.00	S/.312,500.00	76.1
2017	Ayacucho	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.500,000.00	S/.1,339,605.00	93.7
2017	Ayacucho	CAPACITY BUILDING FOR PRICKLY PEAR PRODUCTION IN THE AYACUCHO REGION	S/.1,561,087.00	S/.960,021.00	100
2017	Ayacucho	CATTLE DEVELOPMENT IN THE UPPER CACHI IRRIGATION BASIN, HUAMANGA AND CANGALLO PROVINCES, AYACUCHO	S/.2,503,441.00	2,503,44	97.3
2017	Ayacucho	SUSTAINABLE MANAGEMENT AND CONSERVATION OF THE GENETIC RESOURCE OF THE ALPACA IN THE HIGH ANDEAN COMMUNITIES OF THE AYACUCHO REGION	S/.650,000.00	S/.650,000.00	98.2
2017	Ayacucho	IMPROVEMENT OF TECHNOLOGY TRANSFER IN PRODUCTION AND COMMERCIALIZATION IN THE QUINOA PRODUCTION CHAIN, AYACUCHO REGION	S/.0.00	S/.334,414.00	100
2017	Ayacucho	IMPROVEMENT OF CAPACITY FOR CATTLE BREEDING IN 14 AREAS OF THE VILCANCHOS DISTRICT, VICTOR FAJARDO, AYACUCHO	S/.1,408,410.00	S/.852,738.00	90.8
2017	Ayacucho	IMPROVEMENT OF CAPACITY FOR THE DEVELOPMENT AND PRODUCTION OF LIVESTOCK AND ITS DERIVATIVES IN THE COMMUNITIES OF THE MARIA PARADO DE BELLIDO DISTRICT, CANGALLO, AYACUCHO	S/.1,665,586.00	S/.900,000.00	100
2017	Ayacucho	IMPROVEMENT OF THE PRODUCTIVE CAPABILITY TO INTEGRALLY MANAGE AVOCADO CROPS IN THE PROVINCES OF HUAMANGA, HUANTA, HUANCASANCOS, CANGALLO, LUCANAS, PARINACOCNAS, SUCRE, PAUCAR DEL SARA SARA, VICTOR FAJARDO AND VILCASHUAMAN, IN THE DEPARTMENT OF AYACUCHO	S/.3,195,000.00	S/.3,271,379.00	94
2017	Ayacucho	IMPROVEMENT OF BOVINE MILK PRODUCTION SERVICE IN THE PAUCAR DEL SARA SARA PROVINCE, AYACUCHO REGION	S/.0.00	S/.32,000.00	0
2017	Ayacucho	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.330,925.00	S/.330,925.00	100
2017	Ayacucho	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.2,321,660.00	S/.1,952,821.00	99.1
2015	Cajamarca	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.207,784.00	S/.208,995.00	100
2017	Cajamarca	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.6,538,862.00	S/.7,449,597.00	90.9

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Cajamarca	IMPROVEMENT OF THE PROVISION OF SUPPORT SERVICES TO THE AVOCADO PRODUCTION CHAIN IN THE DISTRICTS OF CHANCAY BAÑOS, LA ESPERANZA AND CATACHE, IN THE SANTA CRUZ PROVINCE, CAJAMARCA DEPARTMENT	S/.0.00	S/.30,000.00	0
2018	Cajamarca	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.0.00	S/.9,602.00	100
2018	Cajamarca	IMPROVEMENT OF THE PRODUCTIVE CAPACITY OF THE NAMORA FISH FARMING MODULE IN THE CAJAMARCA REGION	S/.0.00	S/.437,770.00	53.7
2018	Cajamarca	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.5,434,967.00	S/.5,633,321.00	93.9
2018	Cajamarca	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.462,044.00	91.6
2016	Cajamarca	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.6,984,284.00	S/.7,139,549.00	89.6
2015	Callao	AGENTS IN TOURIST DESTINATIONS HAVE ACCESS TO SERVICES TO DEVELOP COMPETITIVE TOURIST OFFERINGS	S/.228,163.00	S/.228,163.00	0
2016	Callao	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.228,163.00	S/.159,768.00	0
2017	Callao	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.3,165.00	S/.0.00	0
2017	Callao	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.228,163.00	S/.318,562.00	90.5
2018	Callao	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.165,768.00	S/.166,165.00	1
2018	Callao	IMPROVEMENT OF ECOTOURISM SERVICES, INTERNAL TRAILS AND THE INTERPRETATION CENTER OF THE REGIONAL WETLAND CONSERVATION AREA OF VENTANILLA, CONSTITUCIONAL DEL CALLAO PROVINCE, CALLAO REGION.	S/.4,908,565.00	S/.4,908,565.00	0
2018	Callao	AGENTS IN TOURIST DESTINATIONS HAVE ACCESS TO SERVICES TO DEVELOP COMPETITIVE TOURIST OFFERINGS	S/.228,163.00	S/.228,725.00	25.2
2014	Cusco	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.0.00	S/.54,081.00	100
2014	Cusco	IMPROVEMENT OF THE INSTITUTIONAL COMPETITIVE MANAGEMENT OF LIVESTOCK DEVELOPMENT OF THE ASSOCIATION OF RURAL MUNICIPALITIES OF APU AUSANGATE IN QUISPICANCHI, OCONGATE DISTRICT, QUISPICANCHI, CUSCO	S/.1,357,902.00	S/.943,058.00	87.1
2014	Cusco	IMPROVEMENT OF SUSTAINABLE MANAGEMENT CAPABILITIES IN THE VICUÑA AREA, IN CONSERVATION COMMUNITIES WITHIN THE CUSCO REGION	S/.3,488,552.00	S/.815,312.00	68.1
2014	Cusco	IMPROVEMENT OF THE PRODUCTIVE AND COMPETITIVE CAPABILITIES OF CATTLE BREEDERS IN THE PROVINCES OF ACOMAYO, ANTA, CALCA, CANAS, CUSCO AND PAUCARTAMBO	S/.3,743,369.00	S/.2,164,074.00	93.4

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	Cusco	IMPROVEMENT OF THE COMPETITIVENESS OF THE GUINEA PIG PRODUCTION CHAIN IN THE 8 DISTRICTS OF CANAS PROVINCE, CUSCO	S/.1,663,154.00	S/.853,948.00	94.9
2014	Cusco	IMPROVEMENT OF THE PRODUCTION OF PIJUAYO FOR PALMS IN THE DISTRICTS OF PICHARI, KIMBIRI, LA CONVENCION AND CUSCO	S/.129,393.00	S/.262,632.00	89.3
2014	Cusco	STRENGTHENING LOCAL CAPABILITY FOR THE CONSERVATION OF NATIVE CROPS OF POTATO, OCA, MASHUA, OLLUCO, CORN, TARWI, QUINOA, CCAÑIHUA, BEANS AND KIWICHA IN THE PROVINCES OF CALCA, ESPINAR, PAUCARTAMBO, LA CONVENCION AND QUISPICANCHI, IN THE CUSCO REGION	S/.1,717,249.00	S/.1,790,096.00	97.5
2014	Cusco	IMPROVEMENT OF COMPETITIVENESS OF THE PRODUCTION CHAIN OF ORGANIC QUINOA AND CAÑIHUA IN THE PROVINCES OF ACOMAYO, ANTA, CALCA, CANAS, CANCHIS, CHUMBIVILCAS, ESPINAR, PARURO, QUISPICANCHI AND URUBAMBA, CUSCO DEPARTMENT	S/.2,030,000.00	S/.1,394,514.00	91.1
2015	Cusco	CATTLE DEVELOPMENT IN THE UPPER APURIMAC, UPPER VILCANOTA AND VALLE SAGRADO DAIRY BASINS IN THE CUSCO REGION	S/.1,711,801.00	S/.1,205,546.00	99.4
2015	Cusco	IMPROVEMENT OF THE INSTITUTIONAL COMPETITIVE MANAGEMENT OF LIVESTOCK DEVELOPMENT OF THE ASSOCIATION OF RURAL MUNICIPALITIES OF APU AUSANGATE IN QUISPICANCHI, OCONGATE DISTRICT, QUISPICANCHI, CUSCO	S/.1,421,109.00	S/.1,510,225.00	98.7
2015	Cusco	IMPROVEMENT OF SUSTAINABLE MANAGEMENT CAPABILITIES IN THE VICUÑA AREA, IN CONSERVATION COMMUNITIES WITHIN THE CUSCO REGION	S/.1,579,553.00	S/.1,921,259.00	98.6
2015	Cusco	IMPROVEMENT OF THE PRODUCTIVE AND COMPETITIVE CAPABILITIES OF CATTLE BREEDERS IN THE PROVINCES OF ACOMAYO, ANTA, CALCA, CANAS, CUSCO AND PAUCARTAMBO	S/.2,400,228.00	S/.2,333,760.00	100
2015	Cusco	IMPROVEMENT OF THE COMPETITIVENESS OF THE GUINEA PIG PRODUCTION CHAIN IN THE 8 DISTRICTS OF CANAS PROVINCE, CUSCO	S/.1,597,051.00	S/.1,437,711.00	99.9
2015	Cusco	STRENGTHENING LOCAL CAPABILITY FOR THE CONSERVATION OF NATIVE CROPS OF POTATO, OCA, MASHUA, OLLUCO, CORN, TARWI, QUINOA, CCAÑIHUA, BEANS AND KIWICHA IN THE PROVINCES OF CALCA, ESPINAR, PAUCARTAMBO, LA CONVENCION AND QUISPICANCHI, IN THE CUSCO REGION	S/.1,636,303.00	S/.1,665,336.00	98.3
2015	Cusco	IMPROVEMENT OF COMPETITIVENESS OF THE PRODUCTION CHAIN OF ORGANIC QUINOA AND CAÑIHUA IN THE PROVINCES OF ACOMAYO, ANTA, CALCA, CANAS, CANCHIS, CHUMBIVILCAS, ESPINAR, PARURO, QUISPICANCHI AND URUBAMBA, CUSCO DEPARTMENT	S/.1,705,338.00	S/.2,082,168.00	99
2015	Cusco	IMPROVEMENT OF THE CUSCO GIANT WHITE CORN PRODUCTION SYSTEM IN THE SACRED VALLEY OF THE INCAS	S/.150,486.00	S/.499,859.00	100
2015	Cusco	STRENGTHENING OF ORGANIC KIWICHA PRODUCTION IN THE CUSCO REGION	S/.277,608.00	S/.764,166.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2015	Cusco	IMPROVEMENT OF DRY BROAD BEAN PRODUCTION IN THE PROVINCES OF ANTA, ACOMAYO, CANCHIS AND PAUCARTAMBO, IN THE CUSCO REGION	S/.489,855.00	S/.870,058.00	100
2015	Cusco	STRENGTHENING OF CAPABILITIES FOR ORGANIC VEGETABLE CULTIVATION AND MARKETING, PROVINCES OF ANTA, CALCA, CUSCO AND URUBAMBA	S/.1,593,796.00	S/.1,548,363.00	99.9
2016	Cusco	IMPROVEMENT OF ANIMAL HEALTH	S/.7,421,355.00	S/.7,497,513.00	95.9
2016	Cusco	IMPROVEMENT AND MAINTENANCE OF PLANT HEALTH	S/.0.00	S/.50,000.00	97.4
2016	Cusco	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.2,019,665.00	S/.2,691,337.00	91.5
2016	Cusco	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.19,172,017.00	S/.72,608,849.00	70.6
2016	Cusco	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.6,655,895.00	24.6
2017	Cusco	IMPROVEMENT OF THE INSTITUTIONAL COMPETITIVE MANAGEMENT OF LIVESTOCK DEVELOPMENT OF THE ASSOCIATION OF RURAL MUNICIPALITIES OF APU AUSANGATE IN QUISPICANCHI, OCONGATE DISTRICT, QUISPICANCHI, CUSCO	S/.0.00	S/.446,648.00	99.6
2017	Cusco	IMPROVEMENT OF SUSTAINABLE MANAGEMENT CAPABILITIES IN THE VICUÑA AREA, IN CONSERVATION COMMUNITIES WITHIN THE CUSCO REGION	S/.400,000.00	S/.1,230,419.00	96.8
2017	Cusco	IMPROVEMENT OF THE COMPETITIVENESS OF THE GUINEA PIG PRODUCTION CHAIN IN THE 8 DISTRICTS OF CANAS PROVINCE, CUSCO	S/.0.00	S/.1,205,147.00	99.4
2017	Cusco	IMPROVEMENT AND MAINTENANCE OF PLANT HEALTH	S/.0.00	S/.799,970.00	100
2017	Cusco	STRENGTHENING LOCAL CAPABILITIES FOR THE CONSERVATION OF NATIVE CROPS OF POTATO, OCA, MASHUA, OLLUCO, CORN, TARWI, QUINOA, CCAÑIHUA, BEANS AND KIWICHA IN THE PROVINCES OF CALCA, ESPINAR, PAUCARTAMBO, LA CONVENCION AND QUISPICANCHI, IN THE CUSCO REGION	S/.0.00	S/.90,722.00	100
2017	Cusco	IMPROVEMENT OF COMPETITIVENESS OF THE PRODUCTION CHAIN OF ORGANIC QUINOA AND CAÑIHUA IN THE PROVINCES OF ACOMAYO, ANTA, CALCA, CANAS, CANCHIS, CHUMBIVILCAS, ESPINAR, PARURO, QUISPICANCHI AND URUBAMBA, CUSCO DEPARTMENT	S/.400,000.00	S/.900,445.00	88.8
2017	Cusco	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.0.00	S/.31,500.00	100
2017	Cusco	IMPROVEMENT OF THE CUSCO GIANT WHITE CORN PRODUCTION SYSTEM IN THE SACRED VALLEY OF THE INCAS	S/.0.00	S/.7,500.00	100
2017	Cusco	STRENGTHENING OF ORGANIC KIWICHA PRODUCTION IN THE CUSCO REGION	S/.0.00	S/.24,500.00	100
2017	Cusco	STRENGTHENING OF CAPABILITIES FOR ORGANIC VEGETABLE CULTIVATION AND MARKETING, PROVINCES OF ANTA, CALCA, CUSCO AND URUBAMBA	S/.0.00	S/.9,000.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2017	Cusco	BETTER ACCESS OF PRODUCERS TO SUPPORT SERVICES FOR THE CORN PRODUCTION CHAIN IN THE PROVINCES OF ACOMAYO, ANT, CANCHIS, CHUMBIVILCAS, PARURO, PAUCARTAMBO, QUISPICANCHI AND LA CONVENCION, CUSCO REGION	S/.0.00	S/.300,000.00	99
2017	Cusco	IMPROVEMENT OF SERVICES TO PROVIDE COMPETITIVE CAPABILITIES TO THE ALPACA'S PRODUCTIVE CHAIN IN THE CUSCO REGION	S/.0.00	S/.248,767.00	99.9
2017	Cusco	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.0.00	S/.18,000.00	100
2017	Cusco	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.54,081.00	S/.54,081.00	100
2017	Cusco	AGRICULTURAL PRODUCERS HAVE ACCESS TO QUALITY MANAGEMENT SYSTEMS, GOOD AGRICULTURAL PRACTICES AND GOOD LIVESTOCK PRACTICES	S/.0.00	S/.253,000.00	100
2017	Cusco	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.73,636,957.00	S/.31,530,374.00	23
2018	Cusco	IMPROVEMENT OF SUSTAINABLE MANAGEMENT CAPABILITIES IN THE VICUÑA AREA, IN CONSERVATION COMMUNITIES WITHIN THE CUSCO REGION	S/.2,081,315.00	S/.2,583,945.00	97.8
2018	Cusco	IMPROVEMENT OF THE COMPETITIVENESS OF THE GUINEA PIG PRODUCTION CHAIN IN THE 8 DISTRICTS OF CANAS PROVINCE, CUSCO	S/.1,200,000.00	S/.1,200,000.00	94.4
2018	Cusco	IMPROVEMENT OF COMPETITIVENESS OF THE PRODUCTION CHAIN OF ORGANIC QUINOA AND CAÑIHUA IN THE PROVINCES OF ACOMAYO, ANTA, CALCA, CANAS, CANCHIS, CHUMBIVILCAS, ESPINAR, PARURO, QUISPICANCHI AND URUBAMBA, CUSCO DEPARTMENT	S/.1,065,757.00	S/.860,364.00	98.5
2018	Cusco	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.0.00	S/.35,000.00	100
2018	Cusco	BETTER ACCESS OF PRODUCERS TO SUPPORT SERVICES FOR THE CORN PRODUCTION CHAIN IN THE PROVINCES OF ACOMAYO, ANT, CANCHIS, CHUMBIVILCAS, PARURO, PAUCARTAMBO, QUISPICANCHI AND LA CONVENCION, CUSCO REGION	S/.0.00	S/.417,568.00	97
2018	Cusco	IMPROVEMENT OF ACCESS TO SUPPORT SERVICES FOR THE BEE PRODUCTION CHAIN IN THE PROVINCES OF ACOMAYO, ANTA, CALCA, CANAS, CANCHIS, CHUMBIVILCAS, CUSCO, LA CONVENCION, PARURO, PAUCARTAMBO, QUISPICANCHI AND URUBAMBA, IN THE CUSCO REGION	S/.1,938,131.00	S/.1,938,131.00	98.9
2018	Cusco	IMPROVEMENT OF SUPPORT SERVICES TO THE CITRUS PRODUCTION CHAIN IN THE DISTRICTS OF YANATILE, OCOBAMBA AND QUELLOUNO, PROVINCES OF CALCA AND LA CONVENCION IN THE CUSCO DEPARTMENT	S/.0.00	S/.28,177.00	0

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Cusco	IMPROVEMENT OF SERVICES TO PROVIDE COMPETITIVE CAPABILITIES TO THE ALPACA'S PRODUCTIVE CHAIN IN THE CUSCO REGION	S/.0.00	S/.80,000.00	3.3
2018	Cusco	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.0.00	S/.100,000.00	81
2018	Cusco	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.54,346.00	S/.54,346.00	100
2018	Cusco	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.0.00	S/.155,000.00	86.7
2018	Cusco	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.71,177,923.00	S/.27,792,665.00	24.1
2014	Huancavelica	RECOVERY OF THE SERVICES FOR THE PROTECTION, CONSERVATION AND RATIONAL USE OF VICUÑAS IN THE COMMUNITY OF TELAPACCHA, ACOBAMBILLA DISTRICT, PROVINCE AND DEPARTMENT OF HUANCAMELICA	S/.0.00	S/.30,000.00	100
2014	Huancavelica	IMPROVEMENT OF COMPETITIVENESS IN THE PRODUCTION CHAIN THROUGH THE INSTALLATION OF AEROPONIC POTATO PRODUCTION SYSTEMS IN HIGH ANDEAN COMMUNITIES OF THE HUANCAMELICA DEPARTMENT	S/.850,000.00	S/.762,443.00	100
2014	Huancavelica	IMPROVEMENT OF AN IRRIGATION SYSTEM'S WATER SERVICE IN PAMPALCA, SAN PEDRO DE CORIS DISTRICT, CHURCAMPAL PROVINCE, HUANCAMELICA DEPARTMENT	S/.1,141,670.00	S/.0.00	0
2014	Huancavelica	DEVELOPMENT OF COMPETITIVE CAPABILITIES IN THE PRODUCTION CHAIN OF DAIRY PRODUCTS, PROVINCES OF HUANCAMELICA AND ANGARAES	S/.0.00	S/.598,478.00	99.5
2014	Huancavelica	PROVISION OF SUSTAINABLE TROUT AND SHRIMP RESTOCKING SERVICE IN THE HUANCAMELICA REGION	S/.900,000.00	S/.11,660.00	100
2014	Huancavelica	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.0.00	S/.38,141.00	100
2015	Huancavelica	IMPROVEMENT OF COMPETITIVENESS IN THE PRODUCTION CHAIN THROUGH THE INSTALLATION OF AEROPONIC POTATO PRODUCTION SYSTEMS IN HIGH ANDEAN COMMUNITIES OF THE HUANCAMELICA DEPARTMENT	S/.0.00	S/.711,068.00	99.8
2015	Huancavelica	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.62,000.00	S/.62,000.00	92.5
2015	Huancavelica	ORGANIZED AGRICULTURAL PRODUCERS PARTICIPATE IN TRADE PROMOTION EVENTS AND CONDUCT BUSINESS	S/.85,200.00	S/.84,506.00	96.4
2016	Huancavelica	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.0.00	S/.600,000.00	80.4
2016	Huancavelica	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.185,341.00	S/.177,943.00	100
2017	Huancavelica	PROVISION OF SUSTAINABLE TROUT AND SHRIMP RESTOCKING SERVICE IN THE HUANCAMELICA REGION	S/.0.00	S/.1,217,842.00	93.6

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2017	Huancavelica	INSTALLATION OF PERMANENT FENCING AND REPOPULATION OF VICUÑAS IN THE COMMUNITY OF SAN JUAN DE DIOS, LIRCAY DISTRICT, ANGARAES PROVINCE, HUANCVELICA	S/.0.00	S/.769,209.00	99.1
2017	Huancavelica	IMPROVEMENT OF VICUÑA PROTECTION AND CONSERVATION SERVICES IN THE HIGH ANDEAN COMMUNITIES OF THE PROVINCES OF CASTROVIRREYNA, HUAYTARA AND HUANCVELICA IN THE HUANCVELICA DEPARTMENT	S/.0.00	S/.3,839,652.00	92.3
2017	Huancavelica	IMPROVEMENT OF PRODUCTIVE CAPABILITIES TO IMPROVE THE COMPETITIVENESS OF ALPACA AND SHEEP FARMERS IN THE HUACHOCOLPA DISTRICT, PROVINCE AND REGION OF HUANCVELICA	S/.0.00	S/.884,302.00	99.9
2017	Huancavelica	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.61,500.00	S/.177,200.00	99.2
2017	Huancavelica	DEVELOPMENT OF COMPETITIVE CAPABILITIES IN THE PRODUCTION CHAIN OF DAIRY PRODUCTS, PROVINCES OF HUANCVELICA AND ANGARAES	S/.0.00	S/.151,090.00	100
2017	Huancavelica	IMPROVEMENT OF SUPPORT SERVICES FOR CRAFTING ACTIVITIES IN THE HUANCVELICA DEPARTMENT	S/.0.00	S/.118,638.00	99.5
2017	Huancavelica	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.186,991.00	S/.178,191.00	100
2018	Huancavelica	IMPROVEMENT OF PRODUCTIVE CAPACITY SERVICES IN THE AVOCADO PRODUCTION CHAIN, CHURCAMPÁ PROVINCE, HUANCVELICA DEPARTMENT	S/.527,241.00	S/.0.00	0
2018	Huancavelica	IMPROVEMENT OF COMPETITIVENESS IN THE PRODUCTION CHAIN THROUGH THE INSTALLATION OF AEROPONIC POTATO PRODUCTION SYSTEMS IN HIGH ANDEAN COMMUNITIES OF THE HUANCVELICA DEPARTMENT	S/.1,135,924.00	S/.379,729.00	93.5
2018	Huancavelica	IMPROVEMENT OF SERVICES FOR AGRICULTURAL EXPANSION FOR CATTLE BREEDING IN 70 RURAL COMMUNITIES OF THE HUANCVELICA REGION	S/.1,216,546.00	S/.1,040,550.00	98.1
2018	Huancavelica	IMPROVING THE QUALITY OF SUPPORT SERVICES TO FARMERS IN THE HUANCVELICA PROVINCE, HUANCVELICA REGION	S/.996,763.00	S/.636,114.00	94.8
2018	Huancavelica	IMPROVEMENT OF SERVICES FOR AGRICULTURAL EXPANSION FOR THE ANDEAN TUBER PRODUCTION CHAIN IN FIVE PROVINCES OF THE HUANCVELICA DEPARTMENT	S/.4,000,000.00	S/.848,450.00	95.3
2018	Huancavelica	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.61,500.00	S/.90,780.00	99.5
2018	Huancavelica	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.38,691.00	S/.38,691.00	99.8
2018	Huancavelica	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.148,300.00	S/.148,300.00	98.5
2018	Huancavelica	IMPROVEMENT AND INSTALLATION OF TOURIST SERVICES IN THE CHOCLOCOCHA LAGOON, SANTA ANA-CASTROVIRREYNA DISTRICT, HUANCVELICA REGION	S/.0.00	S/.191,725.00	85.9

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Huancavelica	CHOCLOCOCHA LAKE'S ECOTOURISM RECOVERY, CHOCLOCOCHA, POMACOCOA DISTRICT, ACOBAMBA PROVINCE, HUANCANELICA DEPARTMENT	S/.0.00	S/.130,000.00	66.7
2014	Huanuco	TECHNICAL ASSISTANCE AND TRAINING IN GUINEA PIG MANAGEMENT IN THE PROVINCES OF HUANUCO, AMBO, AND PACHITEA, HUANUCO DEPARTMENT	S/.46,022.00	S/.90,535.00	100
2014	Huanuco	TECHNICAL ASSISTANCE AND TRAINING IN PEACH CULTIVATION IN THE PROVINCES OF HUANUCO AND PACHITEA, HUANUCO DEPARTMENT	S/.457,155.00	S/.456,974.00	99.2
2015	Huanuco	TRANSFER OF TECHNOLOGY FOR CATTLE BREEDING IN THE NUPE AND LAURICOCHA MICRO-BASIN, LAURICOCHA PROVINCE, HUANUCO REGION	S/.430,841.00	S/.430,841.00	99.7
2015	Huanuco	IMPROVEMENT OF THE GENETIC QUALITY OF BOVINE LIVESTOCK THROUGH EMBRYO TRANSFER IN SIERRA DE HUANUCO, LAURICOCHA PROVINCE, DOS DE MAYO PROVINCE, HUANUCO REGION	S/.0.00	S/.34,503.00	100
2015	Huanuco	TECHNICAL ASSISTANCE AND TRAINING IN PEACH CULTIVATION IN THE PROVINCES OF HUANUCO AND PACHITEA, HUANUCO DEPARTMENT	S/.270,027.00	S/.267,457.00	99.7
2015	Huanuco	FAMILIES HAVE BEEN INCORPORATED INTO INTEGRAL AND SUSTAINABLE ALTERNATIVE DEVELOPMENT	S/.5,900,000.00	S/.5,942,527.00	96.2
2015	Huanuco	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.47,724.00	S/.47,724.00	93.9
2015	Huanuco	ORGANIZED AGRICULTURAL PRODUCERS PARTICIPATE IN TRADE PROMOTION EVENTS AND CONDUCT BUSINESS	S/.380,614.00	S/.406,410.00	97.9
2015	Huanuco	AGRICULTURAL PRODUCERS HAVE ACCESS TO QUALITY MANAGEMENT SYSTEMS, GOOD AGRICULTURAL PRACTICES AND GOOD LIVESTOCK PRACTICES	S/.2,208,919.00	S/.2,398,928.00	94.4
2015	Huanuco	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.0.00	S/.284,200.00	0
2016	Huanuco	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.1,336,000.00	S/.3,066,795.00	94.5
2016	Huanuco	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,679,445.00	S/.3,982,111.00	96.5
2017	Huanuco	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.500,000.00	S/.2,627,139.00	79
2017	Huanuco	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.3,549,721.00	S/.3,788,740.00	92.2
2018	Huanuco	IMPROVEMENT OF AGRICULTURAL SERVICES FOR THE TARA (CAESALPINIA SPINOSA) AND BEAN (PHASEOLUS VULGARIS L.) PRODUCTION CHAINS IN THE HIGUERAS MICRO-BASIN, KICHKI DISTRICT, HUANUCO PROVINCE, HUANUCO REGION	S/.60,000.00	S/.99,999.00	17.9
2018	Huanuco	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.3,678,613.00	S/.4,329,213.00	98.3

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Huanuco	INSTALLATION AND IMPROVEMENT OF PUBLIC TOURIST SERVICES IN THE PIRURO I AND II ARCHAEOLOGICAL ZONE, IN THE TANTAMAYO DISTRICT, HUAMALIES PROVINCE, HUANUCO REGION	S/.220,000.00	S/.220,000.00	42.6
2015	Ica	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.860,206.00	S/.879,003.00	96
2015	Ica	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.3,545,469.00	S/.0.00	0
2016	Ica	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,169,784.00	S/.1,159,194.00	99.1
2017	Ica	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.270,495.00	S/.268,961.00	98.4
2017	Ica	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.521,136.00	S/.559,262.00	99.6
2018	Ica	LESSER DISEASES IN PRODUCER'S LIVESTOCK THANKS TO SANITARY CONTROL	S/.254,884.00	S/.284,774.00	98.5
2018	Ica	AGRICULTURAL PRODUCERS FACE LESS MAJOR PESTS	S/.247,539.00	S/.273,860.00	99.2
2018	Ica	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.322,072.00	S/.351,052.00	99
2018	Ica	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.3,604,396.00	S/.22,126,480.00	36.3
2018	Ica	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,302,532.00	S/.1,729,089.00	99.2
2015	Junin	STRENGTHENING OF CAPABILITIES IN THE CONSERVATION, MANAGEMENT AND SUSTAINABLE USE OF VICUÑA (VICUGNA VICUGNA) RESOURCES IN THE RURAL COMMUNITIES OF THE JUNIN REGION	S/.0.00	S/.59,200.00	90.2
2015	Junin	FAMILIES HAVE BEEN INCORPORATED INTO INTEGRAL AND SUSTAINABLE ALTERNATIVE DEVELOPMENT	S/.900,000.00	S/.2,089,856.00	79.6
2016	Junin	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.1,488,080.00	S/.3,558,322.00	94.9
2016	Junin	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.548,255.00	S/.548,255.00	100
2016	Junin	DEVELOPMENT AND PROMOTION OF CULTURAL INDUSTRIES AND ARTS	S/.0.00	S/.38,500.00	100
2017	Junin	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.465,900.00	S/.465,900.00	98.2
2017	Junin	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.82,355.00	S/.82,355.00	100
2017	Junin	IMPROVEMENT OF TOURIST ORIENTATION SERVICES AND BETTER ACCESS TO THE MAIN PARK, THE SEÑOR DE ANIMAS DE PACA SANCTUARY AND THE PACAPACCHA WATERFALL, PACA DISTRICT, JAUJA, JUNIN	S/.0.00	S/.249,139.00	77.7
2017	Junin	TOURIST DESTINATIONS HAVE ACCESS TO PROMOTION SERVICES	S/.393,152.00	S/.538,448.00	99.3

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Junin	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.0.00	S/.1,950,088.00	99.1
2018	Junin	IMPROVEMENT OF AGRICULTURAL SUPPORT SERVICES FOR THE STRENGTHENING OF PRODUCTION CHAINS OF THE FOLLOWING: COFFEE, COCOA, CITRUS FRUITS, QUINOA, GUINEA PIGS AND DAIRY CATTLE IN THE JUNIN DEPARTMENT	S/.0.00	S/.812,370.00	78.5
2018	Junin	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.82,355.00	S/.82,355.00	99.6
2018	Junin	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.465,900.00	S/.465,900.00	98.8
2018	Junin	FORMALIZATION OF MINERS' ACTIVITIES	S/.112,000.00	S/.282,000.00	52.7
2018	Junin	IMPROVEMENT OF TOURIST ORIENTATION SERVICES AND BETTER ACCESS TO THE MAIN PARK, THE SEÑOR DE ANIMAS DE PACA SANCTUARY AND THE PACAPACCHA WATERFALL, PACA DISTRICT, JAUJA, JUNIN	S/.0.00	S/.310,096.00	98.8
2018	Junin	TOURIST DESTINATIONS HAVE ACCESS TO PROMOTION SERVICES	S/.316,955.00	S/.556,940.00	94.8
2014	La Libertad	CONSTRUCTION OF CHUQUITAMBO-CARRIZALES IRRIGATION INFRASTRUCTURE, PATAZ DISTRICT AND PROVINCE, LA LIBERTAD REGION	S/.0.00	S/.47,000.00	75.8
2014	La Libertad	PRODUCTION AND MARKETING OF ORGANIC QUINOA, COMMITTEE OF SAN ISIDRO AGRICULTURAL AND LIVESTOCK PRODUCERS, TAURIPAMPA AREA, SARTIMBAMBA DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.55,230.00	2.8
2014	La Libertad	IMPROVEMENT IN TARWI CULTIVATION'S PRODUCTION AND INNOVATION IN THE DEL CAPULI VILLAGE, HUAMACHUCO DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.58,780.00	0.3
2014	La Libertad	IMPROVEMENT OF THE PRODUCTION OF ORGANIC QUINOA, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "AMANECER CAMPESINO". SITABAMBA DISTRICT, SANTIAGO DE CHUCO, LA LIBERTAD	S/.0.00	S/.47,272.00	0.2
2014	La Libertad	INCREASE IN THE PRODUCTION AND MARKETING OF ORGANIC CHOCHO, SAN ISIDRO LABRADOR ASSOCIATION, SANAGORAN DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.37,980.00	0.5
2014	La Libertad	IMPROVEMENT OF THE PRODUCTION OF TARWI (CHOCHO), ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "UNIDOS PARA TRABAJAR", HUANCASPATA DISTRICT, PATAZ, LA LIBERTAD	S/.0.00	S/.82,985.00	0.2
2014	La Libertad	PRODUCTION OF TARWI WITH ORGANIC TENDENCY IN THE VAQUERIA AREA OF THE PARAISO VILLAGE, AGALLPAMPA DISTRICT, OTUZCO, LA LIBERTAD	S/.0.00	S/.59,240.00	0.2
2014	La Libertad	IMPROVEMENT OF WHITE QUINOA PRODUCTION AND MARKETING IN THE VILLAGES OF CALVARIO AND HUAMANZAÑA, CURGOS DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.54,620.00	17.5

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	La Libertad	IMPROVEMENT AND TECHNIFICATION OF QUINOA, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "UNIDOS POR SIEMPRE", VILLA MARIA VILLAGE, CARABAMBA DISTRICT, JULCAN, LA LIBERTAD	S/.0.00	S/.49,450.00	0.7
2014	La Libertad	INCREASE IN THE PRODUCTION AND MARKETING OF ORGANIC QUINOA, COMMITTEE OF AGRICULTURAL AND LIVESTOCK PRODUCERS OF EL HUAYRO VILLAGE, SANAGORAN DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.35,485.00	0.7
2014	La Libertad	IMPROVEMENT OF QUINOA CULTIVATION'S COMMERCIAL AND TECHNICAL PRODUCTION CHAIN, QUIRUVILCA DISTRICT, SANTIAGO DE CHUCO, LA LIBERTAD	S/.0.00	S/.36,531.00	22.8
2014	La Libertad	PRODUCTION AND MARKETING OF ORGANIC QUINOA, COMMITTEE OF AGRICULTURAL AND LIVESTOCK PRODUCERS "GRANO DE ORO", SARTIMBAMBA DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.58,630.00	2.8
2014	La Libertad	IMPROVEMENT OF QUINOA PRODUCTION, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "PATRAMARCA", HUANCASPATA DISTRICT, PATAZ, LA LIBERTAD	S/.0.00	S/.77,565.00	0.2
2014	La Libertad	IMPROVEMENT OF QUINOA CULTIVATION'S PRODUCTION AND PRODUCTIVITY IN THE PACHIN ALTO VILLAGE, OTUZCO DISTRICT, OTUZCO, LA LIBERTAD	S/.0.00	S/.36,157.00	0.9
2014	La Libertad	IMPROVEMENT OF QUINOA PRODUCTION, WILCAYACO, PACOBAMBA AND LIBERTAD AREAS, HUANCASPATA DISTRICT, PATAZ, LA LIBERTAD	S/.0.00	S/.78,779.00	0.2
2014	La Libertad	PRODUCTION AND MARKETING OF ORGANIC QUINOA, COMMITTEE OF AGRICULTURAL AND LIVESTOCK PRODUCERS "BAZAN LYNCH", SARTIMBAMBA DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.55,230.00	2.8
2014	La Libertad	STRENGTHENING OF THE ORGANIC QUINOA PRODUCTION CHAIN IN THE HUAYATAN VILLAGE, SANTIAGO DE CHUCO DISTRICT, SANTIAGO DE CHUCO, LA LIBERTAD	S/.0.00	S/.38,107.00	23.6
2014	La Libertad	SUSTAINABLE PRODUCTION OF QUINOA, BAMBAMARCA ASSOCIATION OF SMALL AGRICULTURAL AND LIVESTOCK PRODUCERS, BAMBAMARCA DISTRICT, BOLIVAR, LA LIBERTAD	S/.0.00	S/.60,360.00	0.3
2014	La Libertad	IMPROVEMENT OF CHOCHO PRODUCTION, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS OF THE CANDOGORCO VILLAGE, SANTA CRUZ DE CHUCA DISTRICT, SANTIAGO DE CHUCO, LA LIBERTAD	S/.0.00	S/.42,660.00	0.5
2014	La Libertad	IMPROVEMENT OF TARWI PRODUCTION, AGRICULTURAL AND LIVESTOCK ASSOCIATION "AGRICULTORES PARA EL PROGRESO", SITABAMBA DISTRICT, SANTIAGO DE CHUCO, LA LIBERTAD	S/.0.00	S/.46,763.00	0.3
2014	La Libertad	IMPROVEMENT OF QUINOA PRODUCTION, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "LOS TRIUNFADORES" OF LA VIÑA AND PADAHUAMBO, CARABAMBA DISTRICT, JULCAN, LA LIBERTAD	S/.0.00	S/.51,165.00	0.5

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	La Libertad	IMPROVEMENT OF QUINOA PRODUCTION, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "RENACIMIENTO ANDINO", CARABAMBA DISTRICT, JULCAN, LA LIBERTAD	S/.0.00	S/.69,300.00	0.5
2014	La Libertad	PRODUCTION AND MARKETING OF ORGANIC QUINOA, COMMITTEE OF AGRICULTURAL AND LIVESTOCK PRODUCERS "TAYANGO", GANZUL VILLAGE, SARTIMBAMBA DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.55,230.00	2.8
2014	La Libertad	IMPROVEMENT OF ORGANIC QUINOA PRODUCTION AND COMMERCIALIZATION, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "SEÑOR DE LOS MILAGROS", DISTRICTS OF CURGOS, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.51,995.00	0
2014	La Libertad	IMPROVEMENT OF TARWI PRODUCTION, ASSOCIATION OF AGRICULTURAL AND LIVESTOCK PRODUCERS "SAN IGNACIO CARABAMBA", CARABAMBA DISTRICT, JULCAN, LA LIBERTAD	S/.0.00	S/.53,405.00	0.2
2014	La Libertad	INCREASE IN THE PRODUCTION AND COMMERCIALIZATION OF TARWI, AEO, COMMITTEE OF AGRICULTURAL AND LIVESTOCK PRODUCERS OF THE PAUCAPAMPA VILLAGE, COCHORCO DISTRICT, SANCHEZ CARRION, LA LIBERTAD	S/.0.00	S/.57,473.00	0.4
2014	La Libertad	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.536,320.00	S/.541,373.00	99.6
2014	La Libertad	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.40,000.00	S/.40,000.00	47
2014	La Libertad	AGRICULTURAL PRODUCERS HAVE ACCESS TO QUALITY ASSURANCE AND QUALITY MANAGEMENT SERVICES THROUGH GOOD AGRICULTURAL PRACTICES AND GOOD MANUFACTURING PRACTICES IN THEIR AGRICULTURAL UNITS	S/.1,882,908.00	S/.1,914,727.00	99.7
2014	La Libertad	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.0.00	S/.79,385.00	100
2015	La Libertad	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.287,152,264.00	S/.405,466,750.00	0
2015	La Libertad	STRENGTHENING OF MANUAL FISHING	S/.0.00	S/.363,182.00	100
2015	La Libertad	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,822,633.00	S/.4,364,164.00	90.8
2016	La Libertad	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,802,093.00	S/.5,670,406.00	94.8
2017	La Libertad	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,802,091.00	S/.3,929,399.00	96.7
2018	La Libertad	IMPROVEMENT AND EXPANSION OF INSPECTION SERVICES OF FISHERIES AND AQUACULTURE BY THE FISHERIES MANAGEMENT OFFICE OF THE LA LIBERTAD REGIONAL GOVERNMENT, DISTRICT TRUJILLO, TRUJILLO PROVINCE, LA LIBERTAD DEPARTMENT	S/.0.00	S/.549,700.00	0

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	La Libertad	IMPROVEMENT OF TECHNOLOGY IN THE PRODUCTION OF ORGANIC NATIVE POTATO IN THE DISTRICTS OF JULCAN, CARABAMBA, CALAMARCA AND HUASO, IN THE JULCAN PROVINCE, LA LIBERTAD REGION	S/.0.00	S/.93,765.00	45.9
2018	La Libertad	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.369,089.00	S/.369,089.00	98
2018	La Libertad	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.2,520,364.00	S/.2,523,444.00	97.9
2014	Lambayeque	IMPROVEMENT OF CAPABILITIES FOR THE MANAGEMENT OF MARICULTURE DEVELOPMENT IN THE CHERREPE INLET, LAMBAYEQUE DEPARTMENT	S/.0.00	S/.37,107.00	0
2014	Lambayeque	FISH FARMERS HAVE ACCESS TO SERVICES FOR THE PROMOTION OF INVESTMENTS AND THE MANAGEMENT OF AQUACULTURE	S/.254,349.00	S/.258,550.00	83.6
2014	Lambayeque	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.0.00	S/.49,559.00	87.5
2015	Lambayeque	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,726,710.00	S/.2,246,435.00	99.1
2015	Lambayeque	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.6,256,065.00	S/.3,071,771.00	3.8
2016	Lambayeque	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.3,000,000.00	S/.136,058,572.00	98.3
2016	Lambayeque	MANAGEMENT AND DEVELOPMENT OF AQUACULTURE	S/.189,011.00	S/.206,186.00	91.6
2016	Lambayeque	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,726,710.00	S/.2,651,946.00	99.8
2016	Lambayeque	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.7,639,770.00	71.4
2017	Lambayeque	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.3,570,000.00	S/.148,504,211.00	84.1
2017	Lambayeque	CRAFTSPEOPLE HAVE MECHANISMS TO DEVELOP COMPETITIVE CRAFT OFFERINGS	S/.36,492.00	S/.36,583.00	98.1
2017	Lambayeque	CRAFTSPEOPLE HAVE MECHANISMS TO LINK THEIR MERCHANDISE TO THE COMMERCIAL SYSTEM	S/.26,500.00	S/.26,500.00	97
2017	Lambayeque	FISH FARMERS HAVE ACCESS TO SERVICES FOR THE PROMOTION OF INVESTMENTS AND THE MANAGEMENT OF AQUACULTURE	S/.178,179.00	S/.190,108.00	97.5
2017	Lambayeque	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.1,726,710.00	S/.2,589,326.00	99.8
2017	Lambayeque	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.206,691.00	S/.1,014,709.00	75.1
2017	Lambayeque	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.480,828.00	S/.4,180,976.00	24.6
2018	Lambayeque	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.8,583,175.00	S/.155,421,152.00	84.3

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Lambayeque	CRAFTSPEOPLE HAVE MECHANISMS TO DEVELOP COMPETITIVE CRAFT OFFERINGS	S/.35,083.00	S/.42,010.00	98.3
2018	Lambayeque	CRAFTSPEOPLE HAVE MECHANISMS TO LINK THEIR MERCHANDISE TO THE COMMERCIAL SYSTEM	S/.26,800.00	S/.26,800.00	83.7
2018	Lambayeque	FISH FARMERS HAVE ACCESS TO SERVICES FOR THE PROMOTION OF INVESTMENTS AND THE MANAGEMENT OF AQUACULTURE	S/.182,334.00	S/.207,560.00	97.4
2018	Lambayeque	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.255,537.00	S/.328,666.00	79.6
2018	Lambayeque	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.523,611.00	S/.3,748,486.00	19.5
2016	Lima	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.93,927.00	S/.94,027.00	82.5
2017	Lima	IMPROVEMENT OF THE ALPACA FIBRE CHAIN PRODUCTION CAPACITY IN THE DISTRICTS OF TANTA, VITIS, ALIS, TOMAS, LARAOS AND HUANTAN, YAUYOS PROVINCE, LIMA REGION	S/.0.00	S/.30,933.00	100
2017	Lima	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.93,927.00	S/.93,927.00	76
2018	Lima	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.0.00	S/.660,000.00	14.4
2018	Lima	IMPROVEMENT OF THE MONITORING, CONTROL AND SURVEILLANCE SERVICES FOR SMALL-SCALE FISHING WITHIN THE REGIONAL GOVERNMENT OF LIMA	S/.0.00	S/.149,620.00	100
2018	Lima	IMPROVEMENT OF THE PRODUCTIVE CAPACITY OF VINE PRODUCERS IN THE PROVINCES OF BARRANCA, HUAURA, HUARAL AND CAÑETE, IN THE LIMA REGION 4 PROVINCES OF THE LIMA DEPARTMENT	S/.0.00	S/.499,064.00	88.7
2018	Lima	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.93,927.00	S/.93,927.00	79.3
2018	Lima	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,288,255.00	S/.1,081,246.00	76.8
2018	Lima	FORMALIZATION OF MINERS' ACTIVITIES	S/.397,940.00	S/.132,000.00	98
2014	Loreto	TECHNICAL ASSISTANCE TO IMPROVE AGRICULTURAL PRODUCTION OF PEANUTS IN CONTAMANA, UCAYALI PROVINCE, DEPARTMENT OF LORETO	S/.976,080.00	S/.732,683.00	93.7
2014	Loreto	IMPROVEMENT AND EXPANSION OF THE YANAYACU TIBILO IRRIGATION SYSTEM, LAGUNAS DISTRICT, ALTO AMAZONAS, LORETO	S/.4,000,000.00	S/.4,416,406.00	99.3
2014	Loreto	FAMILIES HAVE BEEN INCORPORATED INTO INTEGRAL AND SUSTAINABLE ALTERNATIVE DEVELOPMENT	S/.0.00	S/.1,000,000.00	100
2014	Loreto	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.0.00	S/.74,324.00	100
2015	Loreto	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.325,362.00	S/.386,626.00	99.4
2015	Loreto	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.3,682,191.00	S/.0.00	0

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2015	Loreto	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,225,055.00	S/.2,324,600.00	98
2015	Loreto	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.0.00	S/.256,264.00	42.1
2015	Loreto	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.426,055.00	S/.295,509.00	39.1
2016	Loreto	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.0.00	S/.4,151,033.00	23.4
2016	Loreto	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.1,504,800.00	S/.2,104,800.00	99
2016	Loreto	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,288,255.00	S/.4,150,936.00	99.9
2016	Loreto	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.426,055.00	S/.205,055.00	0
2017	Loreto	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,288,255.00	S/.3,927,202.00	99.4
2017	Loreto	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.41,521.00	100
2014	Madre de Dios	IMPROVEMENT OF THE PAPAYA (CARICA PAPAYA L) PRODUCTION CHAIN IN THE TAMBOPATA PROVINCE, MADRE DE DIOS REGION	S/.590,420.00	S/.631,484.00	98.7
2014	Madre de Dios	IMPROVEMENT OF BEEKEEPERS' COMPETITIVE CAPABILITIES WHILE LINKING THEM TO AGRICULTURE AND IMPROVED USE OF FORESTS IN THE TAMBOPATA PROVINCE, MADRE DE DIOS	S/.0.00	S/.43,000.00	99.5
2014	Madre de Dios	IMPROVEMENT OF THE PAPAYA (CARICA PAPAYA L) PRODUCTION CHAIN IN THE TAHUAMANU PROVINCE, MADRE DE DIOS REGION	S/.0.00	S/.58,000.00	98.9
2014	Madre de Dios	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.0.00	S/.28,850.00	99.9
2015	Madre de Dios	IMPROVEMENT OF BACKYARD BIRD BREEDING IN MANU PROVINCE, MADRE DE DIOS REGION	S/.0.00	S/.329,948.00	99.7
2015	Madre de Dios	IMPROVEMENT OF THE PAPAYA (CARICA PAPAYA L) PRODUCTION CHAIN IN THE TAMBOPATA PROVINCE, MADRE DE DIOS REGION	S/.0.00	S/.7,477.00	87
2015	Madre de Dios	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.732,786.00	S/.767,810.00	98.7
2015	Madre de Dios	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.164,752.00	S/.170,766.00	100
2016	Madre de Dios	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.3,997,538.00	S/.5,705,887.00	99.9
2017	Madre de Dios	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.691,443.00	S/.869,357.00	97.3
2017	Madre de Dios	INSTITUTIONAL STRENGTHENING OF THE AGRICULTURAL OFFICES OF TAMBOPATA, LAS PIEDRAS, LABERINTO AND INAMBARI IN THE MADRE DE DIOS REGION	S/.0.00	S/.4,535.00	100
2017	Madre de Dios	IMPROVEMENT OF THE TECHNOLOGICAL SERVICES PROVIDED BY THE LIVESTOCK DEVELOPMENT CENTRE (CEDEGA) OF THE REGIONAL GOVERNMENT OF MADRE DE DIOS, IN ORDER TO INCREASE CATTLE PRODUCTIVITY AND PRODUCTION IN THE MADRE DE DIOS REGION	S/.500,000.00	S/.2,630,583.00	91.3

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2017	Madre de Dios	IMPROVEMENT OF AGRICULTURAL SERVICES IN THE AGRICULTURAL STRIP, MANU PROVINCE, MADRE DE DIOS	S/.100,000.00	S/.100,000.00	87.8
2017	Madre de Dios	IMPROVEMENT OF THE SERVICES PROVIDED BY THE AGRICULTURAL DEVELOPMENT MANAGEMENT OF THE MADRE DE DIOS SPECIAL PROJECT (PEMD) FOR THE HABILITATION OF CLEARED LAND FOR AGRICULTURAL AND FISH FARMING USE IN THE PROVINCE TAHUAMANU, MADRE DE DIOS REGION	S/.1,500,000.00	S/.300,000.00	72.7
2017	Madre de Dios	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.134,422.00	S/.132,326.00	100
2017	Madre de Dios	ORGANIZED AGRICULTURAL AND LIVESTOCK PRODUCERS HAVE ACCESS TO FORMAL FINANCIAL SERVICES	S/.5,969.00	S/.5,969.00	100
2017	Madre de Dios	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.165,322.00	S/.173,516.00	99.9
2017	Madre de Dios	ORGANIZED AGRICULTURAL PRODUCERS PARTICIPATE IN TRADE PROMOTION EVENTS AND CONDUCT BUSINESS	S/.29,011.00	S/.30,541.00	100
2017	Madre de Dios	AGRICULTURAL PRODUCERS HAVE ACCESS TO QUALITY MANAGEMENT SYSTEMS, GOOD AGRICULTURAL PRACTICES AND GOOD LIVESTOCK PRACTICES	S/.669,340.00	S/.662,683.00	99.9
2018	Madre de Dios	IMPROVEMENT OF THE TECHNOLOGICAL SERVICES PROVIDED BY THE LIVESTOCK DEVELOPMENT CENTRE (CEDEGA) OF THE REGIONAL GOVERNMENT OF MADRE DE DIOS, IN ORDER TO INCREASE CATTLE PRODUCTIVITY AND PRODUCTION IN THE MADRE DE DIOS REGION	S/.0.00	S/.5,747,071.00	58.7
2018	Madre de Dios	IMPROVEMENT OF AGRICULTURAL SERVICES IN THE AGRICULTURAL STRIP, MANU PROVINCE, MADRE DE DIOS	S/.5,274,312.00	S/.2,736,464.00	85.4
2018	Madre de Dios	IMPROVEMENT OF THE SERVICES PROVIDED BY THE AGRICULTURAL DEVELOPMENT MANAGEMENT OF THE MADRE DE DIOS SPECIAL PROJECT (PEMD) FOR THE HABILITATION OF CLEARED LAND FOR AGRICULTURAL AND FISH FARMING USE IN THE PROVINCE TAHUAMANU, MADRE DE DIOS REGION	S/.0.00	S/.4,090,050.00	29
2018	Madre de Dios	IMPROVEMENT OF THE VALUE CHAIN OF ORGANIC MUSA BANANA PRODUCTION IN THE MANU PROVINCE, MADRE DE DIOS DEPARTMENT	S/.0.00	S/.50,000.00	64
2018	Madre de Dios	INSTITUTIONAL IMPROVEMENT OF THE IIAP-MDD (PERUVIAN AMAZON RESEARCH INSTITUTE-MADRE DE DIOS), AQUACULTURE AND AGRICULTURAL PRODUCTION AND BIOLOGICAL CONTROL APPLIED TO INDUSTRY PRODUCERS IN THE MADRE DE DIOS REGION	S/.0.00	S/.75,000.00	83.3
2018	Madre de Dios	IMPROVEMENT OF COMPETITIVE CAPABILITIES OF CATTLE PRODUCERS IN THE TAHUAMANU PROVINCE, MADRE DE DIOS REGION	S/.0.00	S/.45,000.00	93
2018	Madre de Dios	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.105,068.00	S/.419,057.00	98

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Madre de Dios	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.462,665.00	S/.194,375.00	96.9
2015	Moquegua	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.10,038,427.00	S/.18,834,078.00	97.3
2015	Moquegua	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.10,193.00	S/.9,383.00	95.4
2015	Moquegua	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.10,552.00	S/.11,635.00	99.1
2015	Moquegua	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.50,849.00	S/.49,498.00	99.8
2015	Moquegua	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.238,427.00	13.1
2016	Moquegua	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.71,594.00	S/.71,594.00	0
2016	Moquegua	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.0.00	S/.207,111.00	81.7
2016	Moquegua	IMPROVEMENT OF ANIMAL HEALTH	S/.450,000.00	S/.439,483.00	99.3
2016	Moquegua	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.0.00	2,738,89	90.9
2016	Moquegua	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.49,274.00	S/.6,535,805.00	97.7
2016	Moquegua	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.1,337,600.00	S/.3,426,024.00	96.4
2016	Moquegua	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.31,106.00	S/.38,402.00	100
2017	Moquegua	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.51,882.00	S/.57,297.00	99.2
2017	Moquegua	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.16,793.00	S/.16,793.00	99.9
2017	Moquegua	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.52,830.00	S/.52,950.00	99.8
2017	Moquegua	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.110,036.00	67.2
2018	Moquegua	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.54,009.00	S/.54,009.00	100
2018	Moquegua	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.283,138.00	47.9
2014	Pasco	DEVELOPMENT OF ALPACA PRODUCTION ACTIVITIES IN THE PASCO REGION	S/.0.00	S/.45,814.00	40.2
2014	Pasco	PROMOTION AND ENCOURAGEMENT OF ALPACA BREEDING IN THE DANIEL CARRION PROVINCE, PASCO	S/.0.00	S/.8,816.00	94.7
2014	Pasco	INTEGRAL STRENGTHENING OF DAIRY CATTLE IN THE DANIEL CARRION PROVINCE	S/.0.00	S/.27,515.00	100
2014	Pasco	IMPROVEMENT OF COMMUNITY MANAGEMENT CAPABILITIES THROUGH THE PROMOTION OF AGRICULTURAL AND HANDICRAFT FAIRS FOR ECONOMIC AND TOURIST DEVELOPMENT IN THE PROVINCES OF PASCO, OXAPAMPA AND DANIEL CARRION, PASCO REGION	S/.0.00	S/.200,000.00	98.7

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	Pasco	IMPROVEMENT AND RECOVERY OF THE SERVICE TO IMPROVE THE PRODUCTIVE CAPABILITIES OF THE COFFEE PRODUCERS AFFECTED BY THE ADVERSE BIOTIC PHENOMENON OF THE COFFEE LEAF RUST, OXAPAMPA PROVINCE, PASCO REGION	S/.0.00	S/.2,618,840.00	100
2014	Pasco	AGRICULTURAL PRODUCERS SKILLED IN THE USE OF WATER RESOURCES FOR AGRICULTURAL USE	S/.48,514.00	S/.48,814.00	99.9
2015	Pasco	IMPROVEMENT OF ANIMAL HEALTH	S/.0.00	S/.691,302.00	100
2015	Pasco	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.3,500,000.00	S/.3,004,000.00	99.9
2015	Pasco	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.360,274.00	S/.6,408,768.00	1.4
2015	Pasco	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.2,000,000.00	S/.2,800,000.00	62
2015	Pasco	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.31,106.00	S/.31,106.00	100
2017	Pasco	IMPROVEMENT OF COMMUNITY MANAGEMENT CAPABILITIES THROUGH THE PROMOTION OF AGRICULTURAL AND HANDICRAFT FAIRS FOR ECONOMIC AND TOURIST DEVELOPMENT IN THE PROVINCES OF PASCO, OXAPAMPA AND DANIEL CARRION, PASCO REGION	S/.0.00	S/.100,495.00	100
2017	Pasco	: IMPROVEMENT AND RECOVERY OF THE SERVICE TO IMPROVE THE PRODUCTIVE CAPABILITIES OF THE COFFEE PRODUCERS AFFECTED BY THE ADVERSE BIOTIC PHENOMENON OF THE COFFEE LEAF RUST, OXAPAMPA PROVINCE, PASCO REGION	S/.0.00	S/.176,675.00	99.4
2017	Pasco	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.0.00	S/.51,990.00	100
2017	Pasco	ORGANIZED AGRICULTURAL PRODUCERS PARTICIPATE IN TRADE PROMOTION EVENTS AND CONDUCT BUSINESS	S/.0.00	S/.15,000.00	100
2017	Pasco	AGRICULTURAL PRODUCERS HAVE ACCESS TO QUALITY MANAGEMENT SYSTEMS, GOOD AGRICULTURAL PRACTICES AND GOOD LIVESTOCK PRACTICES	S/.0.00	S/.28,221.00	100
2018	Pasco	IMPROVEMENT AND RECOVERY OF THE SERVICE TO IMPROVE THE PRODUCTIVE CAPABILITIES OF THE COFFEE PRODUCERS AFFECTED BY THE ADVERSE BIOTIC PHENOMENON OF THE COFFEE LEAF RUST, OXAPAMPA PROVINCE, PASCO REGION	S/.0.00	S/.60,000.00	100
2018	Pasco	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.31,106.00	S/.168,361.00	98.3
2014	Piura	CRAFTSPEOPLE HAVE ACCESS TO COMMERCIAL PROMOTION MECHANISMS	S/.55,748.00	S/.64,291.00	100
2014	Piura	A QUALITY MANAGEMENT SYSTEM HAS BEEN IMPLEMENTED FOR CRAFTSPEOPLE	S/.18,581.00	S/.59,945.00	100
2014	Piura	THE AQUACULTURE PRODUCTION UNIT CAN ACCESS TECHNOLOGY PACKAGE TRANSFER SERVICES AND ADDRESS MANAGEMENT ISSUES	S/.2,564,989.00	S/.3,095,445.00	98
2014	Piura	TRADITIONAL FISHING AGENTS ARE TRAINED IN MANAGEMENT FOR THE MARKETING OF HYDROBIOLOGICAL PRODUCTS	S/.275,928.00	S/.268,264.00	95.6

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2014	Piura	TRADITIONAL FISHING AGENTS ACCESS TECHNICAL ASSISTANCE REGARDING GOOD FISHING PRACTICES	S/.38,268.00	S/.28,267.00	96.2
2015	Piura	CRAFTSPEOPLE HAVE MECHANISMS TO DEVELOP COMPETITIVE CRAFT OFFERINGS	S/.59,448.00	S/.59,448.00	97.7
2015	Piura	CRAFTSPEOPLE HAVE MECHANISMS TO LINK THEIR MERCHANDISE TO THE COMMERCIAL SYSTEM	S/.47,006.00	S/.47,006.00	100
2015	Piura	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.347,528.00	S/.399,344.00	91.2
2015	Piura	MANAGEMENT AND DEVELOPMENT OF AQUACULTURE	S/.2,196,060.00	S/.3,593,410.00	71.6
2015	Piura	STRENGTHENING OF MANUAL FISHING	S/.249,526.00	S/.653,765.00	96.2
2015	Piura	IMPROVEMENT OF AGRICULTURAL SERVICES OFFERED BY PIURA'S REGIONAL DIRECTORATE OF AGRICULTURE, PIURA DEPARTMENT	S/.0.00	S/.154,142.00	99.9
2015	Piura	IMPROVEMENT OF COMPETITIVENESS OF THE ORGANIC BANANAS' PRODUCTION CHAIN AIMED TO IMPROVE THE EXPORTABLE SUPPLY OF THE PIURA REGION.	S/.3,359,687.00	S/.2,974,892.00	61.3
2015	Piura	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.1,100.00	S/.1,100.00	100
2015	Piura	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.237,581.00	4.5
2015	Piura	AGENTS IN TOURIST DESTINATIONS HAVE ACCESS TO SERVICES TO DEVELOP COMPETITIVE TOURIST OFFERINGS	S/.29,752.00	S/.57,952.00	99.8
2016	Piura	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.67,426,179.00	S/.117,399,548.00	28
2016	Piura	USE OF COMMERCIAL OPPORTUNITIES OFFERED BY PERU'S MAIN TRADING PARTNERS	S/.72,167.00	S/.71,974.00	100
2016	Piura	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.80,000.00	S/.80,311.00	99.9
2016	Piura	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.341,628.00	S/.395,916.00	99
2016	Piura	MANAGEMENT AND DEVELOPMENT OF AQUACULTURE	S/.2,235,874.00	S/.2,375,038.00	98.4
2016	Piura	STRENGTHENING OF MANUAL FISHING	S/.3,134,154.00	S/.2,165,092.00	81.5
2016	Piura	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.0.00	S/.379,781.00	62.9
2016	Piura	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.111,915.00	S/.146,162.00	91.7
2017	Piura	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.0.00	S/.41,724.00	19.2
2017	Piura	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.80,000.00	S/.83,900.00	98.3
2017	Piura	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.337,843.00	S/.436,218.00	93.9
2017	Piura	MANAGEMENT AND DEVELOPMENT OF AQUACULTURE	S/.681,819.00	S/.773,955.00	93.1
2017	Piura	STRENGTHENING OF MANUAL FISHING	S/.1,928,431.00	S/.2,411,605.00	79.4
2017	Piura	IMPROVEMENT OF AGRICULTURAL SERVICES OFFERED BY PIURA'S REGIONAL DIRECTORATE OF AGRICULTURE, PIURA DEPARTMENT	S/.0.00	S/.8,000.00	78

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2017	Piura	IMPROVEMENT OF COMPETITIVENESS OF THE ORGANIC BANANAS' PRODUCTION CHAIN AIMED TO IMPROVE THE EXPORTABLE SUPPLY OF THE PIURA REGION.	S/.2,000,000.00	S/.2,728,010.00	100
2017	Piura	AGRICULTURAL PRODUCERS HAVE BEEN ORGANIZED AND ADVISED, AND THEIR ORGANIZATIONS ARE MANAGED AS BUSINESSES	S/.0.00	S/.141,284.00	51.6
2017	Piura	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.50,631.00	S/.50,631.00	99.4
2017	Piura	AGRICULTURAL PRODUCERS HAVE ACCESS TO QUALITY MANAGEMENT SYSTEMS, GOOD AGRICULTURAL PRACTICES AND GOOD LIVESTOCK PRACTICES	S/.0.00	S/.176,992.00	24.7
2017	Piura	FORMALIZATION OF MINERS' ACTIVITIES	S/.5,000.00	S/.339,268.00	51.3
2017	Piura	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.111,915.00	S/.117,915.00	98
2018	Piura	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.0.00	S/.48,780.00	91
2018	Piura	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.80,000.00	S/.88,213.00	99.3
2018	Piura	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.304,953.00	S/.347,869.00	99.4
2018	Piura	MANAGEMENT AND DEVELOPMENT OF AQUACULTURE	S/.549,604.00	S/.691,932.00	98.8
2018	Piura	STRENGTHENING OF MANUAL FISHING	S/.1,697,022.00	S/.1,999,815.00	74.1
2018	Piura	IMPROVEMENT OF AGRICULTURAL SERVICES OFFERED BY PIURA'S REGIONAL DIRECTORATE OF AGRICULTURE, PIURA DEPARTMENT	S/.0.00	S/.5,923,487.00	90.1
2018	Piura	IMPROVEMENT OF COMPETITIVENESS OF THE ORGANIC BANANAS' PRODUCTION CHAIN AIMED TO IMPROVE THE EXPORTABLE SUPPLY OF THE PIURA REGION.	S/.2,000,000.00	S/.2,085,338.00	99.8
2018	Piura	AGRICULTURAL PRODUCERS ADOPT APPROPRIATE TECHNOLOGY PACKAGES	S/.0.00	S/.240,903.00	56.6
2018	Piura	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.50,631.00	S/.50,926.00	99.6
2018	Piura	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.0.00	S/.293,592.00	96.9
2018	Piura	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.500,181.00	63.6
2018	Piura	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.111,835.00	S/.114,522.00	96.3
2015	Puno	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.667,015.00	S/.17,700,653.00	96.5
2015	Puno	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.900,000.00	S/.1,900,000.00	91.4
2015	Puno	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.702,973.00	S/.666,228.00	88.8
2015	Puno	STRENGTHENING OF MANUAL FISHING	S/.0.00	S/.2,187,162.00	93.7

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2015	Puno	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,197,680.00	S/.1,197,680.00	99.3
2015	Puno	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.0.00	S/.456,000.00	0
2017	Puno	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.3,484,357.00	S/.7,276,666.00	96.5
2017	Puno	INSTALLATION OF TECHNICAL ASSISTANCE SERVICES FOR SUCHI AND PEJERREY CULTIVATION BY PEOPLE IN THE PUNO REGION	S/.0.00	S/.1,159,702.00	91.7
2017	Puno	TRADITIONAL FISHING AGENTS ARE TRAINED IN MANAGEMENT FOR THE MARKETING OF HYDROBIOLOGICAL PRODUCTS	S/.15,000.00	S/.15,000.00	0
2017	Puno	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,392,555.00	S/.6,175,035.00	91.7
2017	Puno	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.479,279.00	86.5
2018	Puno	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.0.00	S/.94,492.00	53.7
2018	Puno	COMPANY WORKERS AND DRIVERS RECEIVE TRAINING AND TECHNICAL ASSISTANCE SERVICES	S/.37,948.00	S/.37,948.00	95.7
2018	Puno	AQUACULTURE PRODUCTION UNIT ACCESSES SERVICES TO INNOVATE AND DEVELOP AQUACULTURE ACTIVITIES	S/.36,032.00	S/.36,032.00	93.2
2018	Puno	INSTALLATION OF TECHNICAL ASSISTANCE SERVICES FOR SUCHI AND PEJERREY CULTIVATION BY PEOPLE IN THE PUNO REGION	S/.732,590.00	S/.877,779.00	98.4
2018	Puno	IMPROVEMENT OF TECHNOLOGICAL CAPABILITIES IN THE MANAGEMENT OF THE TROUT PRODUCTION CHAIN IN THE PUNO REGION	S/.0.00	S/.163,000.00	100
2018	Puno	TRADITIONAL FISHING AGENTS ARE TRAINED IN MANAGEMENT FOR THE MARKETING OF HYDROBIOLOGICAL PRODUCTS	S/.44,307.00	S/.44,307.00	66.1
2018	Puno	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.7,177,906.00	S/.15,852,008.00	58.3
2018	Puno	FORMALIZATION OF MINERS' ACTIVITIES	S/.240,942.00	S/.700,942.00	52.1
2016	Puno	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.14,488,210.00	S/.25,660,577.00	92.3
2016	Puno	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.1,672,000.00	S/.3,277,781.00	89
2016	Puno	INCREASED COMPETITIVENESS OF THE CRAFTING AREA	S/.0.00	S/.20,609.00	99.1
2016	Puno	STRENGTHENING OF MANUAL FISHING	S/.3,000,000.00	S/.3,264,470.00	97.8
2016	Puno	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,209,680.00	S/.1,643,468.00	95.4
2016	Puno	MINING FORMALIZATION OF SMALL-SCALE AND MANUAL MINING	S/.0.00	S/.494,820.00	51.8
2016	San Martin	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.1,000,000.00	S/.1,014,522.00	99.8
2016	San Martin	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.2,326,651.00	S/.4,351,027.00	99.6
2016	San Martin	REDUCTION OF AGRICULTURAL SOIL DEGRADATION	S/.0.00	S/.360,309.00	99.6

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2016	San Martin	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.1,288,556.00	S/.4,636,893.00	98.1
2016	San Martin	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.575,224.00	95.8
2017	San Martin	IMPROVEMENT OF MICROENTERPRISES' COMPETITIVENESS IN PRODUCTION CHAINS INVOLVING ORGANIZED YOUNG WORKERS IN THE SAN MARTIN REGION	S/.0.00	S/.1,000,000.00	99.4
2017	San Martin	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,197,402.00	S/.7,765,199.00	84.8
2017	San Martin	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.70,000.00	27.1
2017	San Martin	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.25,915.00	96.5
2014	San Martin	IMPROVEMENT OF COCOA PROCESSING CHAIN'S COMPETITIVENESS IN EIGHT TOWNS IN THE PROVINCES OF MARISCAL CACERES, TOCACHE AND SAN MARTIN, SAN MARTIN DEPARTMENT	S/.950,000.00	S/.517,917.00	99.6
2014	San Martin	IMPROVEMENT OF MICROENTERPRISES' COMPETITIVENESS IN PRODUCTION CHAINS INVOLVING ORGANIZED YOUNG WORKERS IN THE SAN MARTIN REGION	S/.1,246,479.00	S/.1,000,000.00	99.3
2014	San Martin	IMPROVEMENT OF THE PRODUCTIVE CHAIN OF COCOA AND PIJUAYO FOR PALM IN THE LOWER HUALLAGA-CAYNARACHI COMMUNITY , SAN MARTIN	S/.0.00	S/.2,490,469.00	92
2014	San Martin	FAMILIES HAVE BEEN INCORPORATED INTO INTEGRAL AND SUSTAINABLE ALTERNATIVE DEVELOPMENT	S/.1,600,000.00	S/.4,224,447.00	99.4
2018	San Martin	IMPROVEMENT OF MICROENTERPRISES' COMPETITIVENESS IN PRODUCTION CHAINS INVOLVING ORGANIZED YOUNG WORKERS IN THE SAN MARTIN REGION	S/.1,139,382.00	S/.1,189,551.00	75.5
2018	San Martin	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.2,649,049.00	S/.6,823,716.00	88.8
2018	San Martin	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.126,000.00	40.3
2015	San Martin	IMPROVEMENT OF COCOA PROCESSING CHAIN'S COMPETITIVENESS IN EIGHT TOWNS IN THE PROVINCES OF MARISCAL CACERES, TOCACHE AND SAN MARTIN, SAN MARTIN DEPARTMENT	S/.500,000.00	S/.796,420.00	99.8
2015	San Martin	IMPROVEMENT OF MICROENTERPRISES' COMPETITIVENESS IN PRODUCTION CHAINS INVOLVING ORGANIZED YOUNG WORKERS IN THE SAN MARTIN REGION	S/.1,000,000.00	S/.1,143,728.00	98.9
2015	San Martin	IMPROVEMENT OF THE PRODUCTIVE CHAIN OF COCOA AND PIJUAYO FOR PALM IN THE LOWER HUALLAGA-CAYNARACHI COMMUNITY, SAN MARTIN	S/.1,143,533.00	S/.2,014,999.00	100
2015	San Martin	FAMILIES HAVE BEEN INCORPORATED INTO INTEGRAL AND SUSTAINABLE ALTERNATIVE DEVELOPMENT	S/.6,400,000.00	S/.8,504,437.00	98.9
2014	Tacna	IMPROVEMENT OF CAPACITY FOR THE DEVELOPMENT OF THE VINE PRODUCTION CHAIN IN THE PROVINCE TACNA, TACNA	S/.1,209,113.00	S/.1,418,332.00	89
2014	Tacna	STRENGTHENING OF THE AQUACULTURE PRODUCTION CHAIN OF THE MARINE BENTHIC RESOURCES THAT ARE COMMERCIALY IMPORTANT IN THE TACNA REGION	S/.1,390,749.00	S/.2,409,581.00	57

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2015	Tacna	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.462,558.00	S/.724,391.00	97.7
2015	Tacna	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.6,517,000.00	S/.3,564,566.00	76.5
2015	Tacna	MANAGEMENT AND DEVELOPMENT OF AQUACULTURE	S/.1,300,000.00	S/.1,694,319.00	97
2015	Tacna	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.27,441.00	S/.27,441.00	100
2016	Tacna	IMPROVEMENT AND MAINTENANCE OF PLANT HEALTH	S/.0.00	S/.60,074.00	0
2016	Tacna	IMPROVEMENT OF AGRICULTURAL FOOD SAFETY	S/.0.00	S/.319,818.00	66.7
2016	Tacna	MANAGEMENT AND DEVELOPMENT OF AQUACULTURE	S/.1,112,366.00	S/.1,673,962.00	61.4
2016	Tacna	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.27,441.00	S/.27,441.00	100
2017	Tacna	IMPROVEMENT OF AGRICULTURAL HEALTH SERVICES IN THE TACNA REGION	S/.1,285,212.00	S/.60,000.00	0
2017	Tacna	IMPROVEMENT OF CAPACITY FOR THE DEVELOPMENT OF THE VINE PRODUCTION CHAIN IN THE PROVINCE TACNA, TACNA	S/.0.00	S/.53,230.00	100
2017	Tacna	STRENGTHENING OF THE AQUACULTURE PRODUCTION CHAIN OF THE MARINE BENTHIC RESOURCES THAT ARE COMMERCIALY IMPORTANT IN THE TACNA REGION	S/.0.00	S/.410,915.00	88.8
2017	Tacna	IMPROVEMENT OF SHEEP PRODUCTION CHAIN IN THE PROVINCES OF CANDARAVE AND TARATA, TACNA REGION	S/.0.00	S/.3,000.00	0
2017	Tacna	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.27,441.00	S/.27,441.00	100
2018	Tacna	STRENGTHENING OF THE AQUACULTURE PRODUCTION CHAIN OF THE MARINE BENTHIC RESOURCES THAT ARE COMMERCIALY IMPORTANT IN THE TACNA REGION	S/.0.00	S/.543,555.00	94.7
2018	Tacna	IMPROVEMENT OF SHEEP PRODUCTION CHAIN IN THE PROVINCES OF CANDARAVE AND TARATA, TACNA REGION	S/.432,889.00	S/.178,400.00	0
2016	Tumbes	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.0.00	S/.17,000.00	100
2016	Tumbes	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.58,344.00	S/.648,530.00	8.7
2016	Tumbes	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.4,822,289.00	13.4
2017	Tumbes	STRENGTHENING OF MANUAL FISHING	S/.0.00	S/.680,935.00	98.4
2017	Tumbes	IMPROVEMENT OF AGRICULTURAL PRODUCTION IN THE DISTRICTS OF SAN JUAN DE LA VIRGEN AND LA CRUZ, AND THE CONTRALMIRANTE VILLAR PROVINCE, TUMBES REGION	S/.663,614.00	S/.897,736.00	95.5
2017	Tumbes	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.116,052.00	S/.116,052.00	100
2017	Tumbes	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.162,690.00	99.9

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Tumbes	TRADITIONAL FISHING AGENTS ACCESS TECHNICAL ASSISTANCE REGARDING GOOD FISHING PRACTICES	S/.0.00	S/.410,061.00	97.7
2018	Tumbes	IMPROVEMENT OF AGRICULTURAL PRODUCTION IN THE DISTRICTS OF SAN JUAN DE LA VIRGEN AND LA CRUZ, AND THE CONTRALMIRANTE VILLAR PROVINCE, TUMBES REGION	S/.0.00	S/.783,162.00	98.8
2018	Tumbes	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.125,250.00	S/.123,650.00	99.9
2018	Tumbes	FORMALIZATION OF MINERS' ACTIVITIES	S/.0.00	S/.150,000.00	88.6
2018	Tumbes	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.1,756,054.00	S/.3,282,732.00	95.6
2014	Ucayali	SUPPORT OF COCOA CULTIVATION IN THE SEPAHUA DISTRICT, ATALAYA PROVINCE	S/.345,068.00	S/.345,068.00	100
2014	Ucayali	SUPPORT OF COCOA CULTIVATION IN THE TOWN OF HUIPOCA, PADRE ABAD PROVINCE	S/.109,877.00	S/.109,877.00	99.8
2014	Ucayali	SUPPORT OF COCOA CULTIVATION IN THE NUEVA REQUENA DISTRICT, CORONEL PORTILLO PROVINCE, UCAYALI REGION	S/.287,471.00	S/.287,471.00	100
2014	Ucayali	MEMBERS OF THE AGRO-FOOD CHAIN APPLY GOOD PRODUCTION, HYGIENE, PROCESSING, STORAGE AND DISTRIBUTION PRACTICES	S/.0.00	S/.3,573,757.00	94.2
2014	Ucayali	IMPROVEMENT AND DEVELOPMENT OF CAPABILITIES IN THE ORGANIC COCOA CULTIVATION'S PRODUCTION CHAIN IN THE PADRE ABAD DISTRICT, PADRE ABAD PROVINCE, UCAYALI	S/.0.00	S/.20,000.00	57
2014	Ucayali	STRENGTHENING OF AGUAJE CULTIVATION IN THE CAMPO VERDE DISTRICT, UCAYALI REGION	S/.0.00	S/.141,770.00	78.3
2014	Ucayali	IMPROVEMENT OF THE RICE PRODUCTION CHAIN IN THE CALLERIA DISTRICT, CORONEL PORTILLO PROVINCE, UCAYALI REGION	S/.0.00	S/.300,585.00	99.8
2015	Ucayali	USE OF WATER RESOURCES FOR AGRICULTURAL PURPOSES	S/.0.00	S/.366,162.00	98.3
2015	Ucayali	SUSTAINABLE AND INTEGRAL ALTERNATIVE DEVELOPMENT PROGRAM, PIRDAIS	S/.4,638,950.00	S/.4,730,139.00	99.8
2015	Ucayali	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.450,591.00	S/.528,255.00	99.1
2015	Ucayali	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.3,122,799.00	94.8
2016	Ucayali	IMPROVEMENT OF THE INTERACTION OF SMALL PRODUCERS WITH THE MARKET	S/.3,580,392.00	S/.2,483,889.00	82.8
2016	Ucayali	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.1,116,624.00	89.3
2017	Ucayali	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.0.00	S/.248,820.00	97
2017	Ucayali	IMPROVEMENT OF THE FISH FARMING PRODUCTION CHAIN IN PADRE ABAD DISTRICT, PADRE ABAD PROVINCE, UCAYALI REGION	S/.0.00	S/.813,868.00	40.4
2017	Ucayali	IMPROVEMENT OF THE OPERATIONAL CAPACITY THROUGH AGRICULTURAL MACHINERY, AS PART OF THE AGRICULTURAL, AGRO-INDUSTRIAL AND HEAVY MACHINERY PROGRAMME OF THE REGIONAL DIRECTORATE OF AGRICULTURE, UCAYALI	S/.0.00	S/.5,855,652.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2017	Ucayali	IMPROVEMENT OF COCOA TECHNICAL PRODUCTION CAPACITY THROUGH TECHNOLOGY TRANSFER IN PADRE ABAD PROVINCE AND THE DISTRICTS OF NUEVA REQUENA AND RAYMONDI, IN THE UCAYALI DEPARTMENT	S/.4,104,755.00	S/.3,567,529.00	81.3
2017	Ucayali	IMPROVEMENT OF TECHNICAL PRODUCTION CAPACITY TO INCREASE PRODUCTIVITY AND COMPETITIVENESS IN THE COFFEE PRODUCTION CHAIN IN THE DISTRICTS OF PADRE ABAD AND RAYMONDI, PROVINCES OF PADRE ABAD AND ATALAYA, UCAYALI REGION	S/.0.00	S/.3,602,474.00	100
2017	Ucayali	IMPROVEMENT OF SUPPORT SERVICES TO IMPROVE THE CAMU CAMU PRODUCTION CHAIN'S PRODUCTIVITY AND MARKET MANAGEMENT IN BENEFIT OF PRODUCERS, CORONEL PORTILLO PROVINCE, DEPARTMENT UCAYALI	S/.0.00	S/.32,000.00	100
2017	Ucayali	IMPROVEMENT OF CASSAVA PRODUCERS' TECHNICAL PRODUCTION CAPACITIES, DISTRICTS OF CAMPO VERDE, YARINACOCHA AND CALLERIA, CORONEL PORTILLO PROVINCE, UCAYALI REGION	S/.0.00	S/.30,000.00	100
2017	Ucayali	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.70,559.00	S/.73,459.00	100
2017	Ucayali	ORGANIZED AGRICULTURAL PRODUCERS PARTICIPATE IN TRADE PROMOTION EVENTS AND CONDUCT BUSINESS	S/.404,867.00	S/.405,326.00	98.9
2017	Ucayali	IMPROVEMENT OF TOURIST DESTINATIONS' COMPETITIVENESS	S/.0.00	S/.36,023.00	97.2
2017	Ucayali	PROMOTION OF PRIVATE INVESTMENT	S/.70,000.00	S/.0.00	0
2018	Ucayali	IMPROVEMENT OF THE TECHNICAL PRODUCTIVE CAPABILITIES OF THE HANDICRAFT INDUSTRY IN THE PURUS PROVINCE, UCAYALI REGION	S/.0.00	S/.31,239.00	84.7
2018	Ucayali	PRODUCTIVE DEVELOPMENT OF COMPANIES	S/.0.00	S/.3,910,915.00	86.7
2018	Ucayali	IMPROVEMENT OF THE FISH FARMING PRODUCTION CHAIN IN PADRE ABAD DISTRICT, PADRE ABAD PROVINCE, UCAYALI REGION	S/.0.00	S/.837,334.00	95.7
2018	Ucayali	IMPROVEMENT OF FISHERY AND AQUACULTURE MONITORING, CONTROL AND SURVEILLANCE SERVICES BY THE REGIONAL DIRECTORATE OF PRODUCTION IN THE UCAYALI REGION	S/.0.00	S/.434,935.00	80.3
2018	Ucayali	IMPROVEMENT OF COCOA TECHNICAL PRODUCTION CAPACITY THROUGH TECHNOLOGY TRANSFER IN PADRE ABAD PROVINCE AND THE DISTRICTS OF NUEVA REQUENA AND RAYMONDI, IN THE UCAYALI DEPARTMENT	S/.0.00	S/.834,811.00	99.3
2018	Ucayali	IMPROVEMENT OF TECHNICAL PRODUCTION CAPACITY TO INCREASE PRODUCTIVITY AND COMPETITIVENESS IN THE COFFEE PRODUCTION CHAIN IN THE DISTRICTS OF PADRE ABAD AND RAYMONDI, PROVINCES OF PADRE ABAD AND ATALAYA, UCAYALI REGION	S/.613,523.00	S/.3,065,969.00	99.3
2018	Ucayali	IMPROVEMENT OF SUPPORT SERVICES TO IMPROVE THE CAMU CAMU PRODUCTION CHAIN'S PRODUCTIVITY AND MARKET MANAGEMENT IN BENEFIT OF PRODUCERS, CORONEL PORTILLO PROVINCE, DEPARTMENT UCAYALI	S/.0.00	S/.219,303.00	100

Year	Region	Policy	IOB*	MIB**	Effectiveness (%)
2018	Ucayali	AGRICULTURAL PRODUCERS RECEIVE AND HAVE PROPER ACCESS TO AGRICULTURAL INFORMATION SERVICES	S/.70,739.00	S/.46,688.00	100
2018	Ucayali	AGRICULTURAL PRODUCERS IMPROVE THEIR COMMERCIAL CAPABILITIES BY MANAGING THEIR BUSINESS IN ORDER TO BETTER CATER THE MARKET	S/.410,392.00	S/.378,217.00	96.8
*IOB: Institutional Opening Budget					
**MIB: Modified Institutional Budget					



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2020
NATIONAL
OPINION POLL

CANADIAN VIEWS ON ASIA

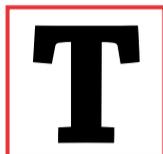
NOVEMBER 2020

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ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA



The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada.

APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development, and Asia Competency.

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, and a regular Asia Watch newsletter that together support these thematic areas.

APF Canada also works with business, government, and academic stakeholders to provide custom research, data, briefings and Asia Competency training for Canadian organizations. Consulting services are available by request. We would be pleased to work with you to meet your research and business intelligence needs.

Contact us at info@asiapacific.ca or visit us online at www.asiapacific.ca.

EXECUTIVE SUMMARY

The year 2020 has posed momentous challenges for the entire world, including Canada. As the country grows, both in terms of population and global standing, Canadians are closely watching the federal government's approach to foreign policy, its alliance with the United States, international trade and investment, and domestic policies that can foster economic growth. Canadians recognize the need for diversifying and building alliances that go beyond neighbourly relations. These, and other important subjects, are explored in APF Canada's 2020 National Opinion Poll (NOP), where 3,519 Canadian adults share their opinion on the current and future state of Canada-Asia relations.

In this year's NOP, we review various legacy questions from our past polls on subjects such as Asia Pacific identity, feelings toward Asia, the perceived economic importance of Asia for the future of Canada, support for free trade agreements, and provincial policies to foster better relations with Asian counterparts. The report traces the trajectory of Canadians' opinions over the past 15 years, highlighting continuing trends as well as significant shifts in Canadians' views on Asia.

The poll also poses new questions on current contentious topics, seeking Canadians' views on Asia in light of the COVID-19 pandemic, unsteady Sino-Canadian relations, immigration and Canadian identity, and, finally, anti-Asian racism in Canada.

2020 NATIONAL OPINION POLL: 17 KEY TAKEAWAYS

- 1. Canadians are starting to feel less connected to the Asia Pacific.** Only 38% of respondents consider Canada a part of the Asia Pacific region, a five percentage-point drop from 2018. Since 2013, when agreement with this statement was at an all-time low of 18%, Canadians' perception of Canada as part of the Asia Pacific increased steadily. But 2020 shows a sharp turnaround.
- 2. In light of the COVID-19 pandemic, Canadian perceptions of the United States and China are worsening, while perceptions of other Asian countries remain largely unaffected. Two-thirds of Canadians are distrustful of China's initial response to the COVID-19 crisis.** Seventy-eight per cent said that their perception of the U.S. has worsened due to COVID-19, compared to 55% for China. Furthermore, a majority of Canadians (67%) disagree that the Chinese government acted responsibly at the beginning of the COVID-19 outbreak, while 68% feel that Canada should support an independent inquiry into the origins of the COVID-19 virus.
- 3. Canadian views of China and the United States are growing unfavourable, hitting the lowest point since the question was introduced in APF Canada NOPs in 2010.** On a scale of 1 to 10, with 10 meaning "very warm, favourable" feelings, China's average score has dropped to 3.6, and the United States to 4.9 in 2020. In comparison, feelings toward Japan, South Korea, Vietnam, and Taiwan have warmed slightly since 2018.
- 4. Despite unfavourable feelings, China remains important for Canada's future economic well-being, according to Canadians.** China's economic importance rating dropped from 5.6 in 2018 to 5.0 in 2020 (on a scale of 1 to 7), but it remains an important region for Canada's future economic well-being. Meanwhile, perceptions of the United States' economic importance have risen from 6.0 in 2018 to 6.1 in 2020.
- 5. China's rise is considered more of a threat than an opportunity by Canadians, while India's economic growth continues to be seen as more of an opportunity than a threat.** Canadians are growing wary of China, with only 35% of respondents agreeing that China's growing economic power is more of an opportunity than a threat, down from a 60% high in 2018. The majority of Canadians (83%) feel that Canada should stand up to China as Canadian national values such as the rule of law, human rights, and democracy are on the line.

- 6. Canadians want to see their government secure the two Michaels' release from China, whether with a stick or a carrot.** About 73% of Canadians feel that Canada should continue to engage China behind closed doors to secure the two Michaels' release, 67% think Canada should work alongside the U.S. and other allies to pressure China, and about 67% also believe Canada should take a more aggressive approach towards China.
- 7. The majority of Canadians think Canada needs to diversify its trade relations away from the United States, but only 49% of Canadians believe that in 10 years, trade with Asia will be more important than trade with the United States.** The latter marks a significant decline since 2018, when 59% of Canadians believed that in 10 years, trade with Asia would be more important than trade with the United States. Nonetheless, 58% of Canadians think that the export of goods and services to Asia offers more of an opportunity than interprovincial trade.
- 8. Less than half of Canadians think Canada would benefit from more Asian investment, and while the majority support investments from Japan and South Korea, they are wary of investments from China.** Even though the proportion of Canadians who think Canada would benefit from more investment from Asia has dropped from 59% in 2018 to 47% in 2020, most Canadians remain open to more investment from Japan, South Korea, and India in the sectors of high-tech and biomedical. Conversely, investment from China receives 35% or less support for all sectors.
- 9. Most Canadians express support for their government to negotiate FTAs with India, ASEAN, and the Pacific Alliance.** Canadians support their government going forward on an FTA with India (63%) and the Pacific Alliance (76%). Sixty-eight per cent also support entering into an FTA with ASEAN countries, a five per cent increase since 2018. Furthermore, 68% of respondents support Taiwan joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- 10. Disenchantment with the United States continues to grow; more respondents think Canada should align more closely with other democracies than align its foreign policy with its southern neighbour.** Reflecting on Canada's foreign policy approach, 56% of respondents felt that Canada's topmost priority should be to align itself more closely with other like-minded democracies like Australia, Japan, South Korea, the EU, and the U.K. Interestingly, 53% ranked alignment with the United States as the fourth and last priority for the Canadian government.

11. Canadians are increasingly worried about cybersecurity issues and consider cyber warfare a critical threat to Canadian national interests.

Most Canadians feel cybersecurity issues (67%), environmental and climate change (63%), and public health issues (54%) are “very critical” areas of engagement with Asian economies. Interestingly, cyberattacks on Canadian networks are also top of mind for Canadians, as 74% think it is a critical threat to Canadian national interests in the next 10 years. Amid the COVID-19 crisis, 61% of respondents also find potential epidemics to be a critical threat, followed closely by the possibility of an international financial crisis (60%).

12. Canadians perceive a rapidly declining human rights situation in China, and six in seven think that the government of Canada must engage with Asia on democracy and human rights issues.

Only 20% of respondents believe the human rights situation in China has improved over the last 10 years. The proportion of Canadians who think the human rights situation in China is no better than it was 10 years ago has doubled over the past decade.

13. Canadians are mostly positive about immigration from Asia and believe that Canadian values and language proficiency are important for building a common Canadian identity.

Most Canadians (78%) feel immigration from Asia positively impacts the Canadian economy, and 64% feel that immigrants from Asia integrate well into Canadian society. In terms of integration, according to 72% of Canadians, immigrants should not be discouraged from maintaining their cultural identities, but newcomers should adopt core Canadian values, such as equality, democracy, and respect for minority rights.

14. Fifty-three per cent of respondents think Canadians of East Asian origin have been negatively treated since the COVID-19 outbreak.

Furthermore, 84% believe that anti-Asian racism existed in Canada since before the pandemic. To that end, 78% of Canadians think the authorities need to implement policies that address racial crime as punishable offences. This poll also finds 53% of Canadians feeling that even post-pandemic, Canada’s anti-Asian hostility will not go away.

15. Canadians largely support an increased emphasis on Asia in the provincial curricula and funding for more student exchanges.

Across all provinces, 60% or more Canadians support policies that would allow for added focus on Asia in the school curriculum and more funding for exchange and co-op programs for Canadian students to gain experience in Asia. However, about 50% of Canadians oppose the idea of provincial governments placing more emphasis on teaching Asian languages in schools to build stronger ties with Asia; Saskatchewanians and Manitobans are the most opposed.

16. Canadians are not wholly supportive of further investment from Asian countries in their province, but the majority support opening provincial trade offices in Asia and promoting twinning relations with Asian cities/provinces. In this poll, only 52% of Canadians support further investment from Asian countries, while 39% oppose it. Respondents from Ontario (55%) and the Atlantic provinces (57%) show the most support.

17. More than half of Canadians believe the media does not provide adequate information about current issues and developments in Asia. About 52% of Canadians disagree that Canadian news media offer adequate information on current Asian issues. Interestingly, news from traditional news sources is identified by Canadians as the top source of information about Asia/Asians.

SURVEY RESULTS

The following sections highlight the key findings from this year’s National Opinion Poll, and where relevant, we have tracked the trends in Canadian opinion over time. It is pertinent to note that the analysis presented in this report provides an overview of Canadian opinions, along with regional disparities. Variations in attitudes across population groups (gender, age, ethnicity, education, and language) require further analysis.

For the purpose of regional analysis and given the sample size (see Methodology for details), some provinces/territories were collapsed into one region, resulting in the following provinces/regions:

- British Columbia
- Alberta
- Saskatchewan & Manitoba
- Ontario
- Quebec
- Atlantic provinces
 - New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador

Provinces categorized as Northern Canada (Yukon, Northwest Territories, and Nunavut) had just seven respondents and are therefore not considered in the regional analysis.

For historical data and regional analysis, the provinces of Alberta, Saskatchewan, and Manitoba have been grouped as “the Prairies” to account for smaller sample sizes in certain years.

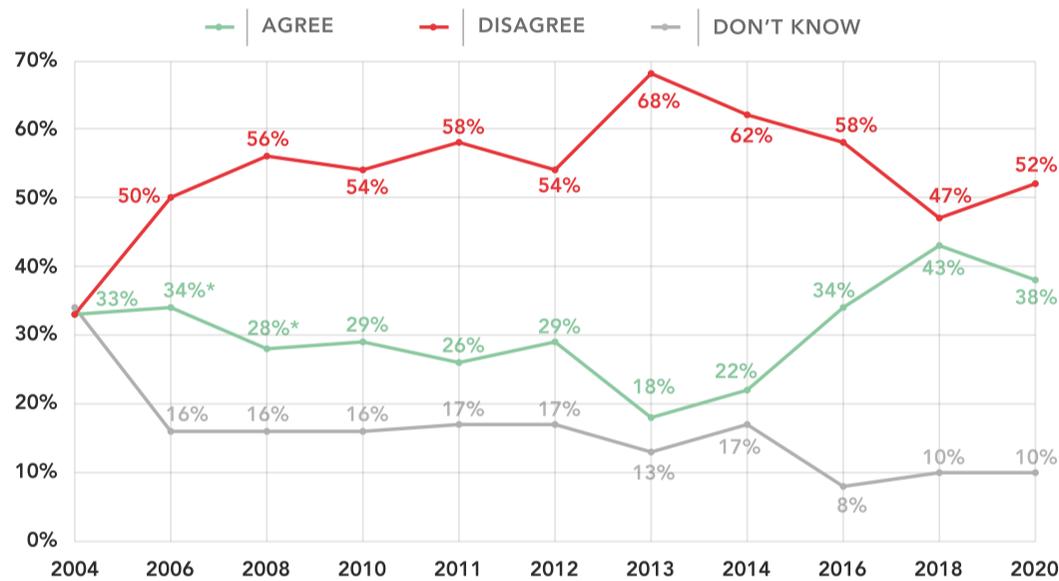
CANADA'S ASIA PACIFIC IDENTITY

More Canadians consider Canada a part of the Asia Pacific region in 2020 than 10 years ago, despite a recent setback.

FIGURE 1
I consider Canada to be part of the Asia Pacific region

Question: Do you agree or disagree with this statement?

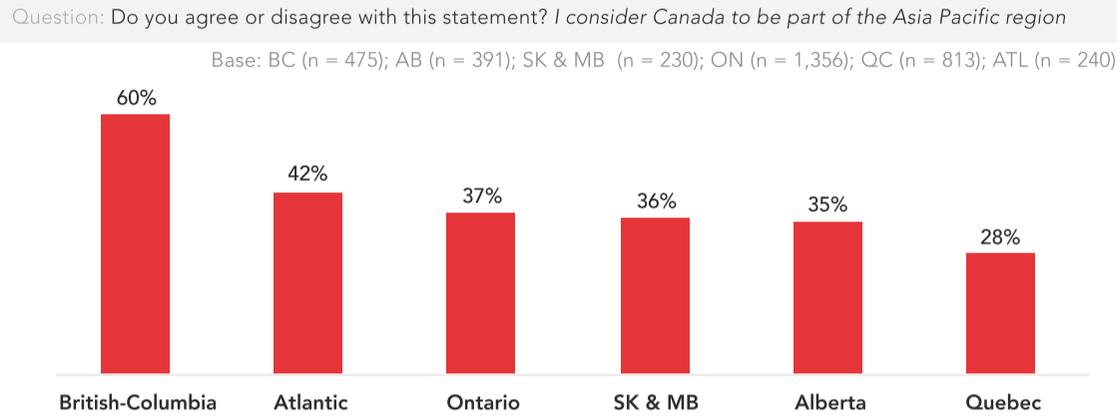
Base: All respondents, 2004 (n=529); 2006 (n=1,014); 2010 (n=2,903), 2011 (n=2,926), 2012 (n=3,129); 2013 (n=3,474); 2014 (n=3,487); 2016 (n=3,526); 2018 (n=3,561); 2020 (n=3,519)



*Data for 2006 and 2008 were adjusted for the lack of "don't know" option in the question for those years.

Although there has been a slight decline in 2020, Canadians continue to consider Canada a part of the Asia Pacific region more than they did before 2016. In 2020, 38% of Canadians consider Canada a part of the Asia Pacific, compared to 43% in 2018 (see Figure 1). The five-percentage-point drop marks the end of the growth in the share of Canadians considering Canada a part of the Asia Pacific that lasted since 2013, when it stood at only 18%. However, in every APF Canada National Opinion Poll since 2004, more Canadians have disagreed with the statement, “I consider Canada a part of the Asia Pacific region” than agreed with it, and 2020 is not an exception.

FIGURE 2
Share to consider Canada as part of the Asia Pacific region



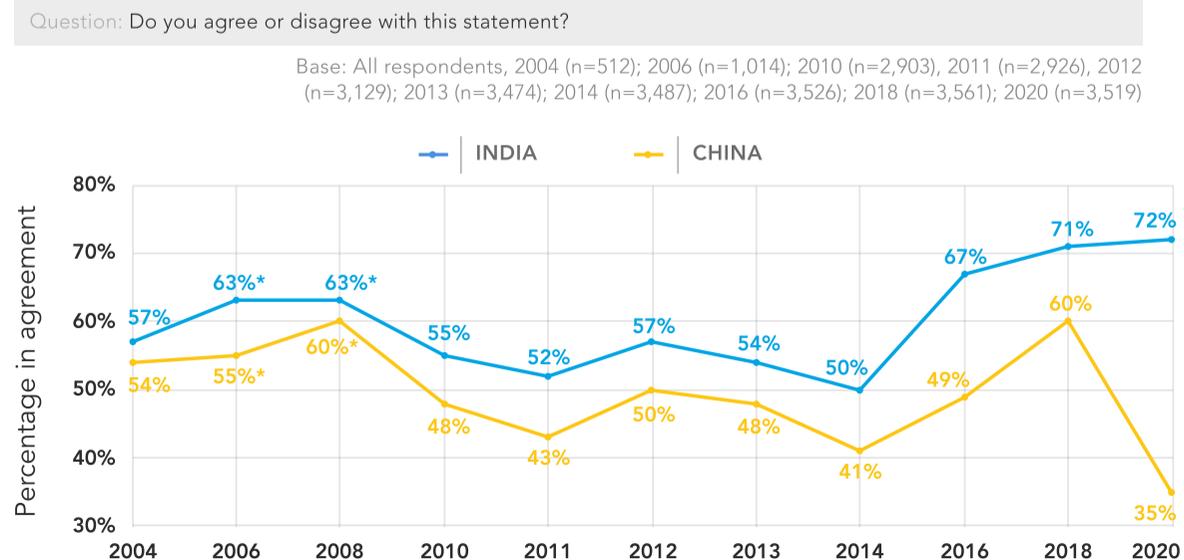
As seen in Figure 2, most British Columbians (60%) consider Canada part of the Asia Pacific, compared to 42% or less in the other provinces.

Canadians’ perceptions of India’s growing economic power contrasts with their perceptions of China’s growing economic power.

APF Canada has been tracking Canadians’ perceptions of China and India’s growing economic power since 2004. Between 2018 and 2020, the change in perceptions for China and India has followed opposing paths, something we have not observed before. While 72% of Canadians agree that the growing economic power of India more as an opportunity than a threat, a modest increase since 2018 (71%), only 35% of Canadians agree that the growing economic power of China more as an opportunity than a threat, down from 60% in 2018 (see Figure 3).

Exploring the number of Canadians who disagree with the statement, we find that 57% of Canadians disagree that China’s growing economic power presents more of an opportunity than a threat – the first time disagreement has reached the 50% mark. The share of disagreement that India’s growth offers more of an opportunity than a threat is at an all-time low, at 18%.

FIGURE 3
The growing importance of China and India as economic powers is more of an opportunity than a threat to Canada



Across Canadian provinces, the perception of China’s and India’s growing economic power has evolved similarly over the past decade, with two noticeable exceptions. First, as seen in Figure 4, between 2018 and 2020, there is a decline in the share of Quebecers who perceive India’s growing economic power more as an opportunity than a threat, while the opposite is true for other provinces. In 2020, Quebecers’ perceptions of India’s growing economic power more as an opportunity than a threat has dropped to 61%, while it has jumped to 79% for British Columbians. Second, the Atlantic provinces’ perception of China’s growing economic power more as an opportunity than a threat is the highest of any Canadian region in 2020, whereas it was by far the lowest in 2013 (see Figure 5). This reversal parallels the booming trade relationship between China and Atlantic Canada [since 2014](#).

FIGURE 4
The growing importance of **India** as an economic power is more of an opportunity than a threat to Canada

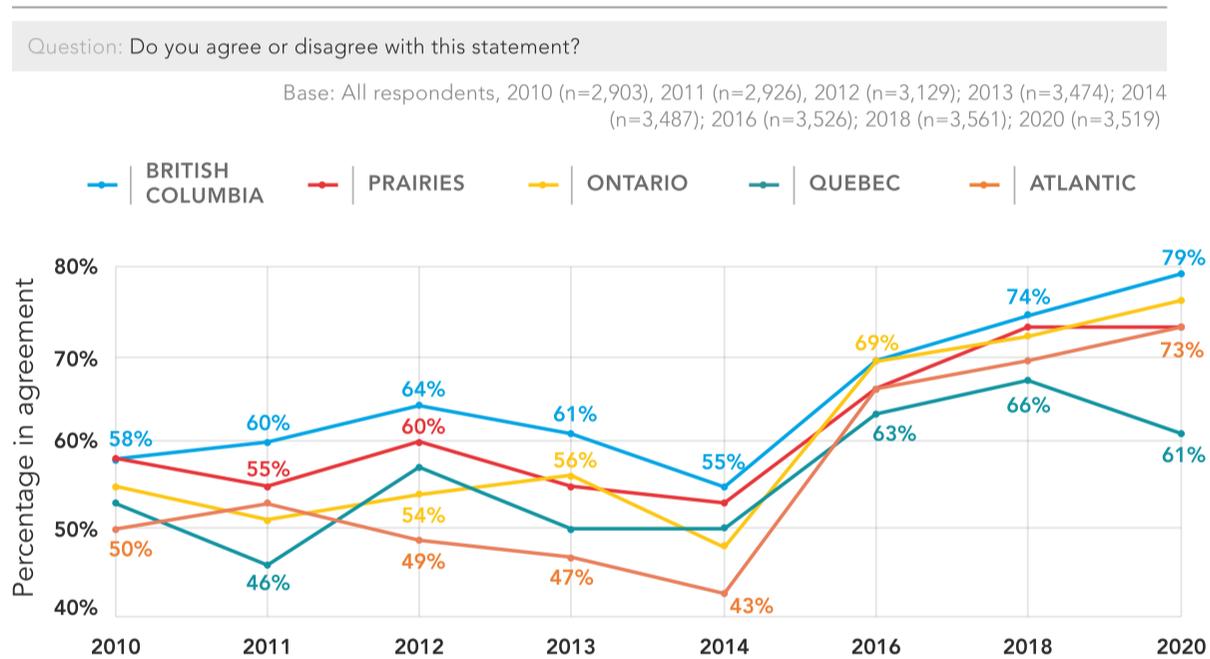
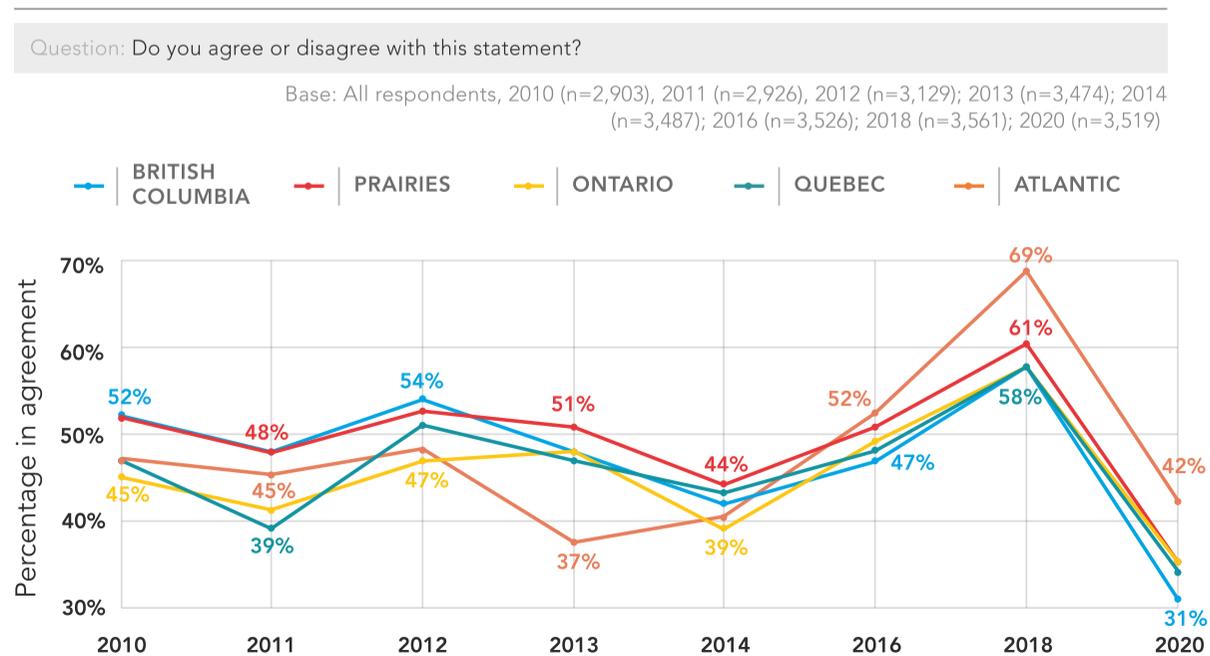


FIGURE 5
The growing importance of **China** as an economic power is more of an opportunity than a threat to Canada



FEELINGS TOWARDS ASIA

In light of the pandemic, four out of five Canadians say their perceptions of the United States have worsened, and about half say the same of China.

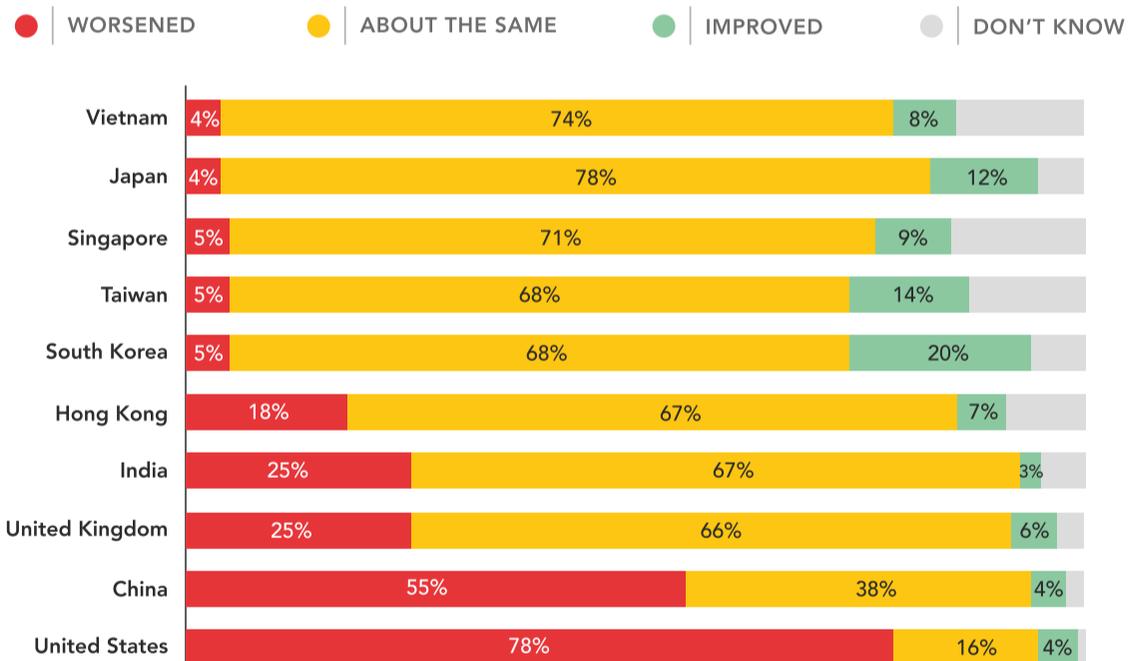
Foreign governments' responses to the COVID-19 outbreak seem to have dramatically affected Canadians' perceptions of foreign jurisdictions. Seventy-eight per cent of respondents said that their perceptions of the United States have worsened due to COVID-19; the country has the highest death toll globally. While China had a relatively effective response to COVID-19, the government has been highly criticized for its handling of the initial outbreak. As a result, 55% of Canadians said that their perceptions of China have worsened due to the pandemic.

FIGURE 6

Changing perceptions of jurisdictions in light of the COVID-19 pandemic

Question: In light of the COVID-19 pandemic, has your perception of the following jurisdictions improved, worsened, or has it stayed about the same as before the pandemic?

Base: All respondents (n = 3,519)



Twenty-five per cent of respondents said their perceptions of India and the United Kingdom have worsened due to their handling of the pandemic, two countries that have also struggled to contain COVID-19. But Canadians' perceptions have not dropped as significantly for these countries as they have for the United States or China.

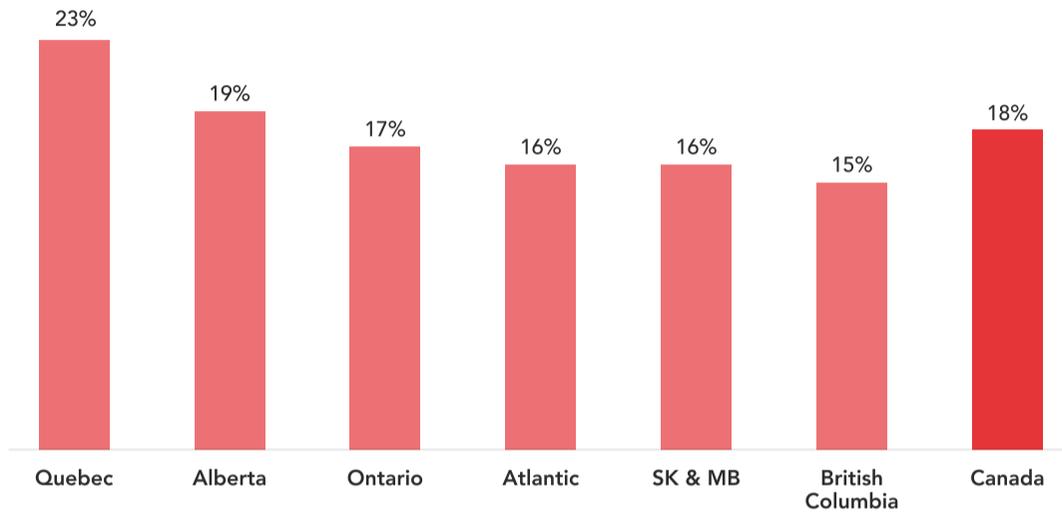
The story is different for South Korea, Taiwan, Singapore, Japan, and Vietnam. All of these jurisdictions have been cited as good examples, at some point, for their response to COVID-19. Interestingly, only 4% to 5% of Canadians said their perceptions of these jurisdictions have worsened due to the pandemic (see Figure 6).

FIGURE 7

*Regional breakdown of **worsening** perception of Asia due to the COVID-19 pandemic*

Question: In light of the COVID-19 pandemic, has your perception of the following countries/regions/territories improved, worsened, or has it stayed about the same as before the pandemic?

Base: Canada (n = 3, 519), BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



Overall, 71% of Canadians said that their perceptions of Asia have remained the same as they were before the pandemic, 18% said they have worsened, 6% said they have improved, and 5% responded with “don’t know.”

Significantly more Quebecers (23%) and Albertans (19%) than Canadians of other provinces said that their perceptions of Asia have worsened due to the pandemic; in British-Columbia, only 15% said so (see Figure 7).



Source: Photo by macau-photo-agency on Unsplash

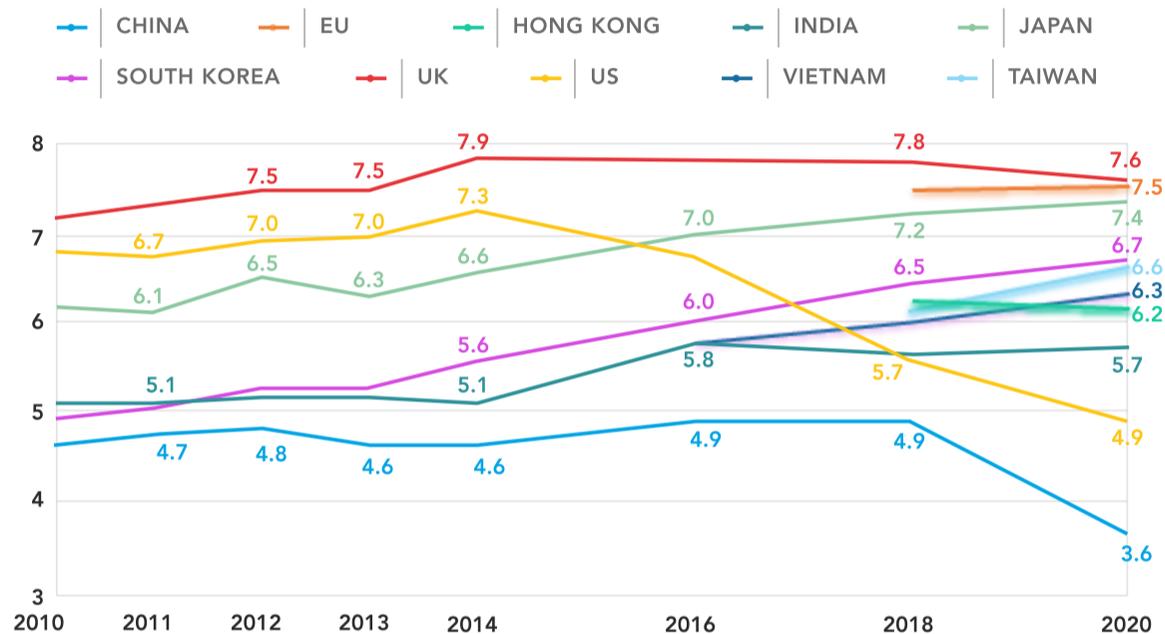
Canadians’ feelings toward Asia are warming, except their sentiments toward China, which dropped significantly in 2020 amid the pandemic and China-Canada tensions.

FIGURE 8

Canadians feelings towards each country, region, or territory, on a scale of 1 to 10, with 10 meaning a “very warm, favourable” feeling

Question: Please rate your feelings towards each of the following countries, regions, or territories, with 1 meaning you have a “very cold, unfavourable” feeling, and 10 meaning you have a “very warm, favourable” feeling. If you have no opinion of that country/region/territory, please also indicate this.

Base: All respondents, 2010 (n = 2,903); 2011 (n = 2,926); 2012 (n = 3,129); 2013 (n = 3,474); 2014 (n = 3,487); 2016 (n = 3,526); 2018 (n = 3,561); 2020 (n = 3,519)



Since 2010, APF Canada has surveyed Canadians on their general feelings towards Asia Pacific countries. Over the years, Canadians have expressed the warmest feelings toward Japan of all Asian countries identified in our NOPs (see Figure 8). On a scale of 1 to 10, feelings toward Japan, at 7.4, reached a new high in 2020 following a steady increase over the past 10 years. Similarly, feelings toward South Korea have improved steadily since 2010, reaching 6.7 in 2020, the second-highest among Asian countries.

The general feeling toward India has been stable over the past decade, except for a jump from 5.1 to 5.8 between 2014 and 2016. Over the past decade, the governments of India and Canada have been making efforts to build a mutually beneficial relationship, which can only prosper further if the Canadian public also holds a positive view. Today, Canadians’ feelings toward India stand at 5.7.

On the flip side, Canadians’ feelings toward China, which had been remarkably stable for the past decade until 2018, dropped from 4.9 to 3.6 in 2020. In comparison, the decline in sentiment toward the United States, over a more extended period, is even more pronounced. In 2014, feelings toward the United States ranked second behind the United Kingdom, at 7.3, but it has dropped to the second-lowest score in 2020, at 4.9. Potential factors driving the decline in

sentiment toward the United States and China may include the Donald Trump presidency and the trade war between the U.S. and China, tensions between Canada and China, China’s aggressive approach to international affairs, and, finally, the COVID-19 pandemic.

In 2020, Quebecers (4.0) and Canadians in the Atlantic provinces (3.9) expressed warmer feelings toward China than the Canadian average. While British Columbians’ sentiments toward China (3.6) is on par with the Canadian average, British Columbians have warmer feelings toward South Korea (6.9), India (5.9), Vietnam (6.5), and Taiwan (6.8) compared to other provinces. Although small, the aforementioned differences are statistically significant (see Table 2)..

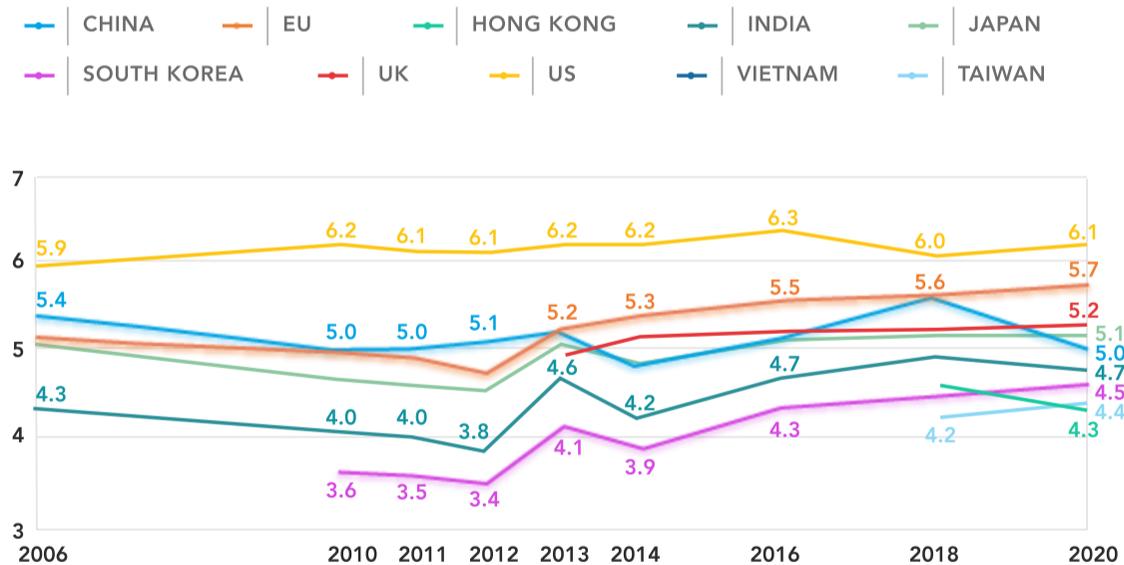
The perceived economic importance of the United States and China remains high despite drops in feelings, and Canadians also increasingly recognize the economic importance of other Asian nations.

FIGURE 9

Economic importance of each country, region, or territory, on a scale of 1 to 7, with 7 meaning “very important”

Question: Would you say each of the following countries, regions or territories will be important to the economic well-being of Canada’s future generations? Please rate from 1 to 7, with 1 meaning “not important at all” and 7 meaning “very important.” If you have no opinion of that region, indicate this.

Base: All respondents, 2006 (n = 1,014); 2010 (n = 2,903); 2011 (n = 2,926); 2012 (n = 3,129); 2013 (n = 3,474); 2014 (n = 3,487); 2016 (n = 3,526); 2018 (n = 3,561); 2020 (n = 3,519)



During much of the past 14 years, Canadians have perceived China as the most important Asian economy for the economic well-being of Canada’s future generations (see Figure 9). However, in 2020, the perceived importance of Japan, which has remained steady at 5.1 since 2016, stands slightly higher than China (5.0). China’s economic importance score fell from a 5.6 high in 2018 back to its 2010 level, at 5.0. In contrast, the perceived economic importance of India (4.7) and South Korea (4.5) has been growing for most of the past decade.

The smaller economies of Hong Kong and Taiwan naturally hold less economic importance in the eyes of Canadians. Interestingly, Canadians' perceptions of the two economies have followed opposing paths since 2018. Taiwan's score rose from 4.2 to 4.4 today, while Hong Kong's score fell from 4.6 to 4.3. However, one could have expected a steeper decline in Canadians' perceptions of Hong Kong's economic importance, given the new national security law, which erodes the independence of institutions in Hong Kong and made headlines in Canada at the time of the survey.

The perceived economic importance of Canada's most important trade partner, the United States, has remained consistently at the top, at 6.1. However, Asian economies such as Japan, India, and South Korea have been narrowing the gap with the U.S. in terms of their importance for future Canadian generations' economic well-being.

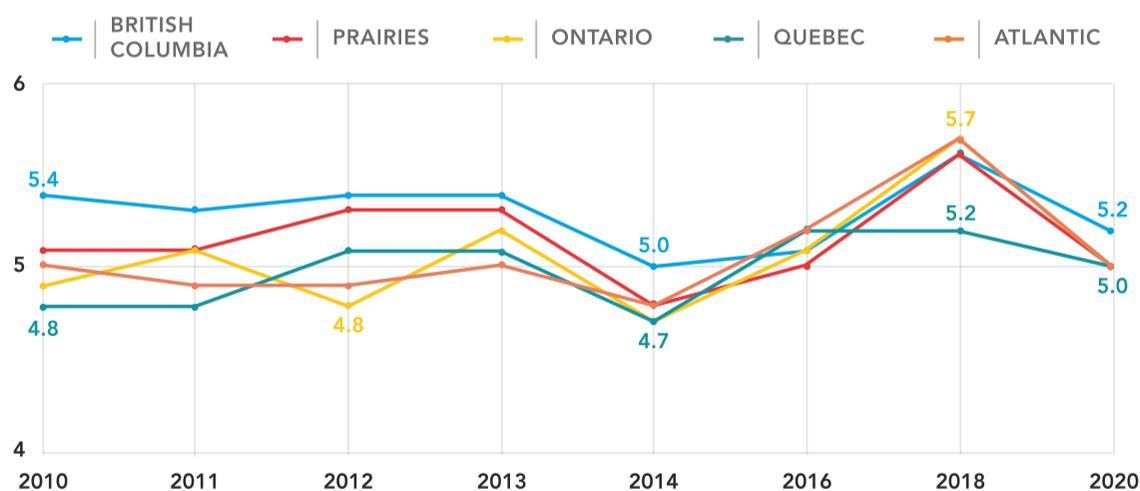
In 2020, the perceived economic importance of Japan, India, South Korea, and Taiwan is significantly higher in the minds of British Columbians and markedly lower for Quebecers. Most interestingly, Quebecers' perceived economic importance of India stands at only 4.3, while it stands much higher, above 4.9, in Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia (see Table 3). This aligns with our finding that Quebecers perceive India's growing economic power more as a threat than an opportunity, more so than the rest of Canada.

FIGURE 10

Economic importance of China, by province, on a scale of 1 to 7, with 7 meaning "very important"

Question: Would you say each of the following countries, regions or territories will be important to the economic well-being of Canada's future generations? Please rate from 1 to 7, with 1 meaning "not important at all" and 7 meaning "very important." If you have no opinion of that region, indicate this.

Base: All respondents, 2010 (n = 2,903); 2011 (n = 2,926); 2012 (n = 3,129); 2013 (n = 3,474); 2014 (n = 3,487); 2016 (n = 3,526); 2018 (n = 3,561); 2020 (n = 3,519)



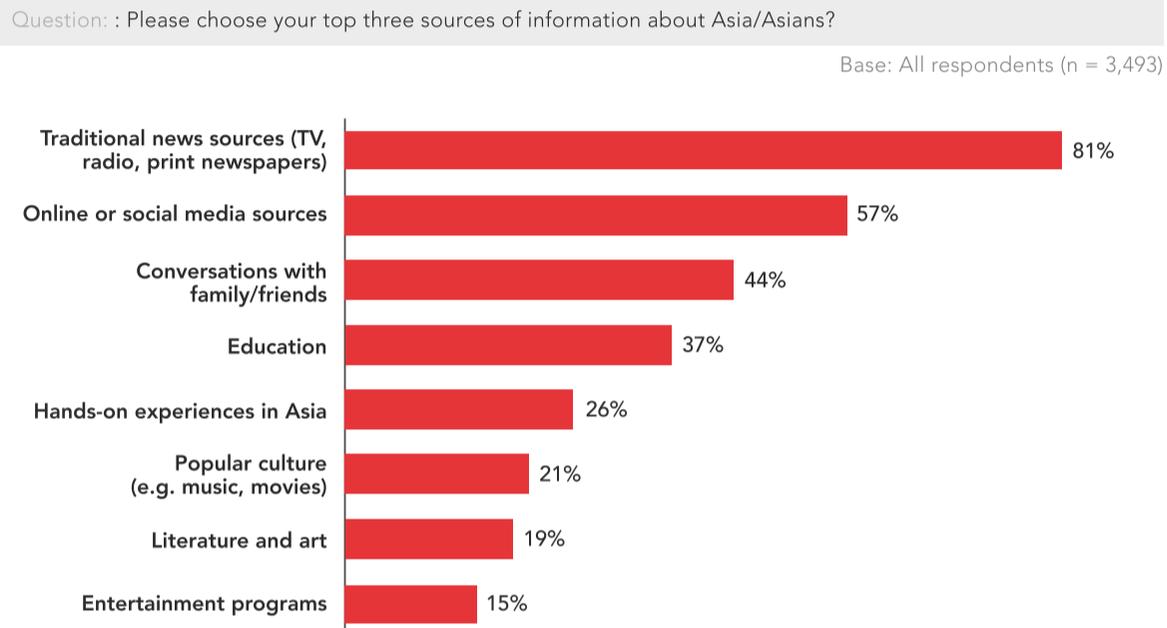
For China, at the beginning of the decade, there were large differences across provinces (see Figure 10), but the perceived economic importance of China across Canadian provinces has converged in recent years.

MEDIA RELATIONS

Traditional news sources such as television and newspapers are the top source of information about Asia and Asians for Canadians.

FIGURE 11

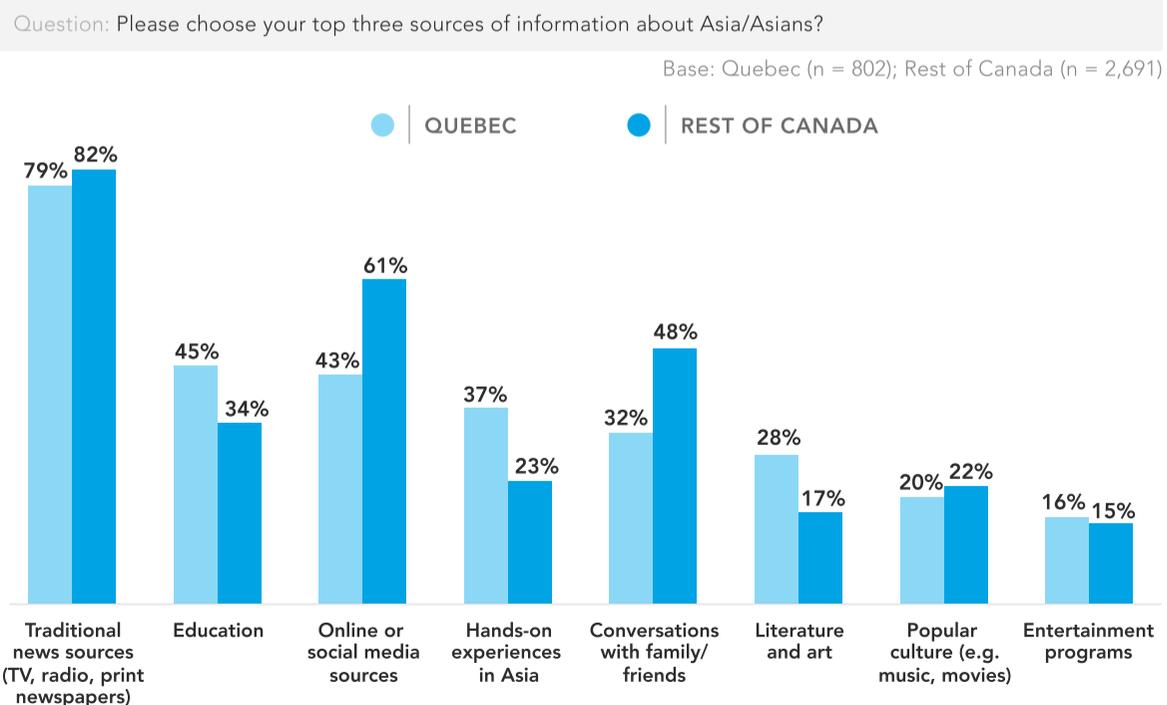
Canadians top sources of information about Asia/Asians



Eighty-one per cent of survey respondents included traditional news sources such as television, radio, and print newspaper in their top three sources of information about Asia (see Figure 11). Online or social media sources is the second most common source of information (57%), followed by conversations with family, colleagues, and friends (44%).

FIGURE 12

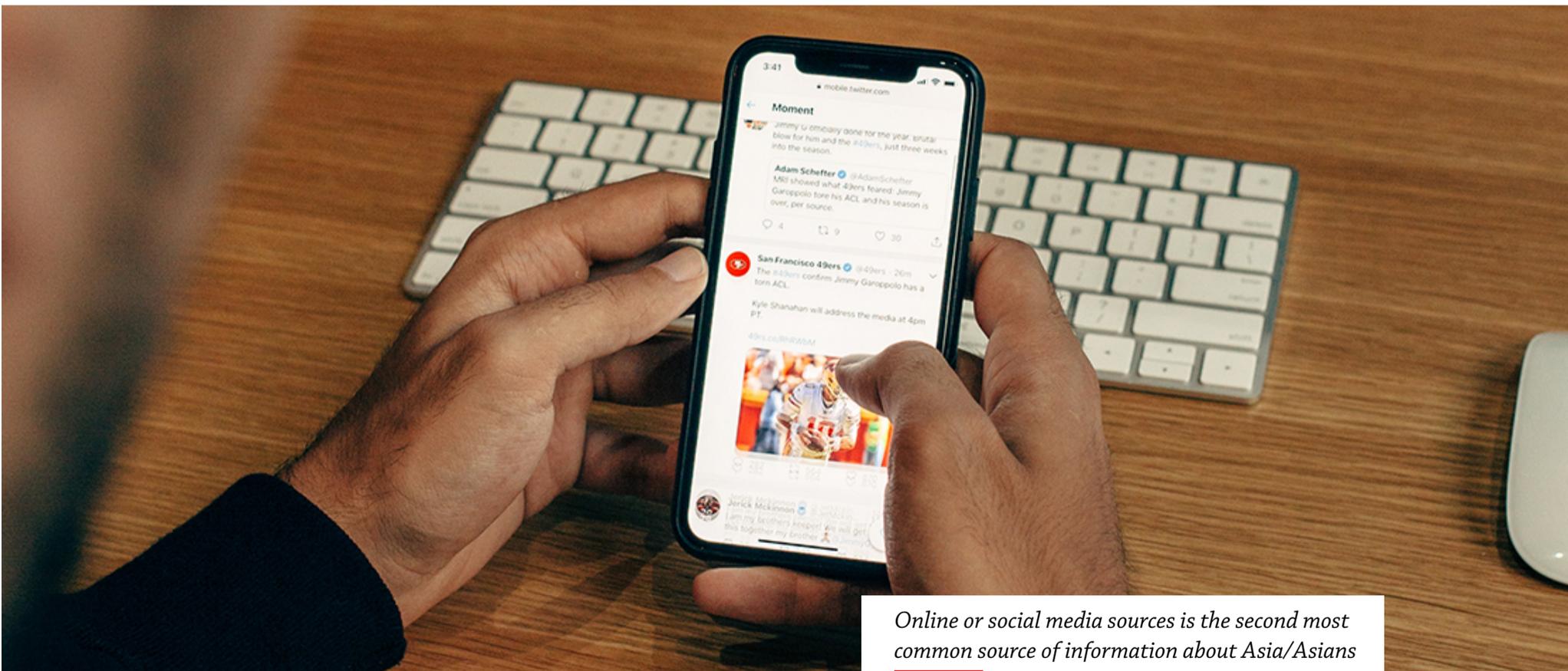
Top sources of information about Asia/Asians



In Quebec, the most common sources of information about Asia and Asians differ significantly. While traditional news sources remain the most common (79%), Quebecers identified online or social media and conversation (43%) in their top three sources of information about Asia markedly less often than the rest of Canadians (61%, see Figure 12). Similarly, only 32% said conversations were among the top three sources of information compared to 48% for the rest of Canada. Instead, education (45%) is second to traditional news sources in Quebec. Quebecers also identified hands-on experiences in Asia (37%) and literature and art (28%) in their top three significantly more often than the rest of Canada. This suggests that these sources have more relative importance in Quebecers' learning experiences about Asia and Asians. Perhaps this is because Quebec media features less content about Asia and because there are fewer Asians in [Quebec](#) (7.1% of the population compared to 17.7% in Canada).

A majority disagree that Canadian news media, the most common source of information about Asia, provide adequate information about Asia.

Most Canadians (52%) disagree that Canadian news media provide adequate information on current issues and developments in Asia, with 18% in strong disagreement (38% agree). Canadians in the Western provinces disagree more with this statement than Canadians in the Eastern provinces (see Figure 13). Canadians in the Atlantic provinces are the only ones to agree, more than disagree, with this statement.



Online or social media sources is the second most common source of information about Asia/Asians

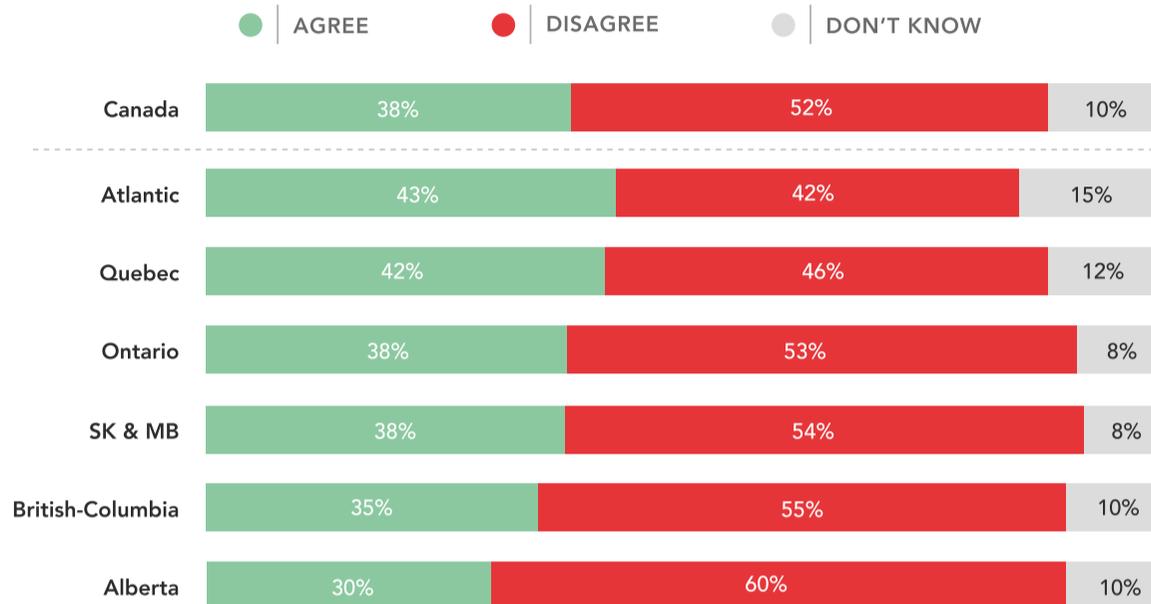
Source: Photo by Charles Deluvio on Unsplash

FIGURE 13

Most Canadians believe that Canadian news media does not provide adequate information on current issues and developments in Asia

Question: Do you agree or disagree with the following: Canadian news media provides adequate information on current issues and developments in Asia?

Base: Canada (n = 3,519); BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



In 2008, we asked Canadians whether they agreed, or not, that the Canadian media *does not* provide adequate information on current issues and developments in Asia. While there was not an option to respond with “don’t know,” responses were similar, as 73% agreed with the statement, and 37% disagreed.

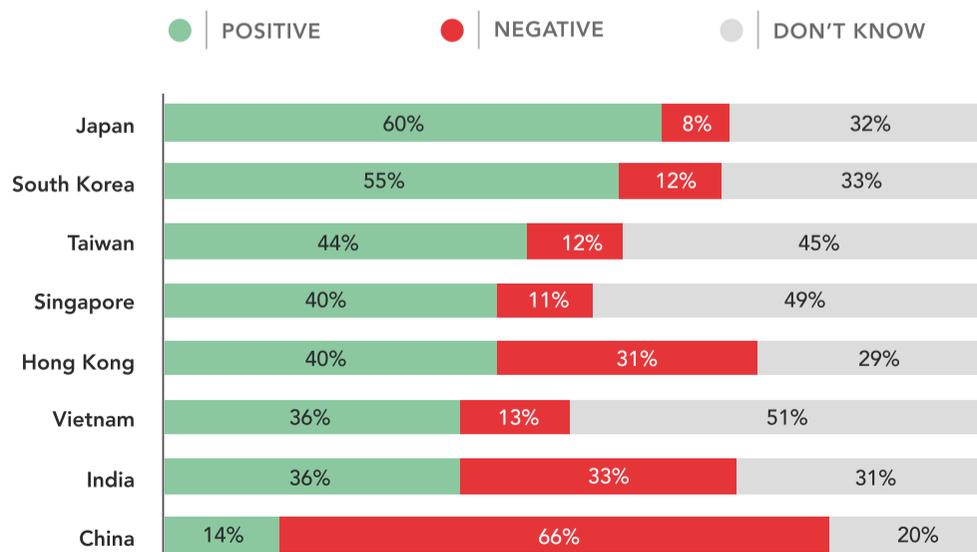
Media coverage of Asian jurisdictions positively impacts Canadian perceptions of these territories.

FIGURE 14

Impacts of Canadian media on Canadians' perception of Asian jurisdictions

Question: Does the Canadian media have a positive or negative impact on your perception of the following Asian jurisdictions?

Base: All respondents (n = 3,519)



A majority of Canadians agree that news coverage of current issues in Asia is inadequate, but that does not necessarily mean that the coverage is negatively biased. More Canadians believe that Canadian media coverage of Japan has a positive impact (60%) than a negative impact on their perception of Japan (see Figure 14). The same is true for Canadians concerning coverage of most Asian jurisdictions identified in our 2020 NOP. In contrast, a majority of Canadians believe that the Canadian media coverage of China has a negative impact on their perception of China, and only 14% believe it has a positive impact.

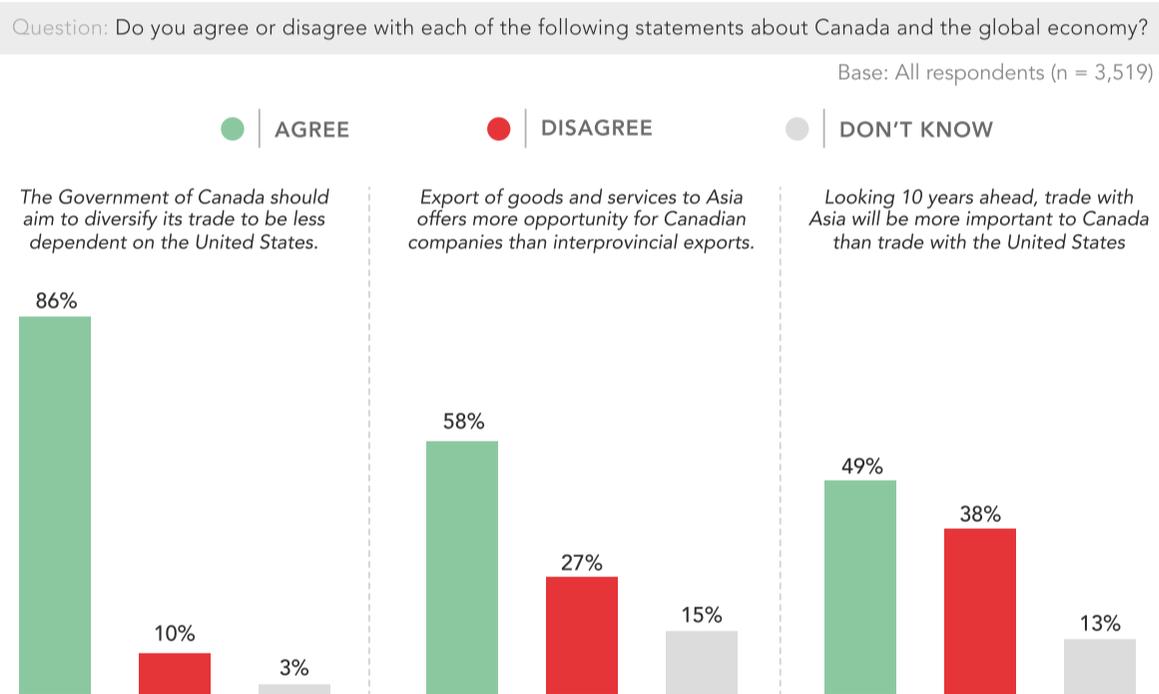
Our historical data shows that dissatisfaction with the Canadian media coverage of Asia, and the perception that media coverage of China in Canada is negative, is not new. Chinese government officials and Canadian policy-makers have often pointed to this perception as a detriment to Canada-China bilateral relations. In recent years, media content [research](#) identified a predominantly negative tone in Canadian news articles about China on financial markets and government topics.

TRADE AND INVESTMENT

Canadians increasingly understand the need to diversify trade away from the United States, and a high but decreasing share of Canadians believe Asia will become a more important trading partner than the United States.

Eighty-six per cent of Canadians agree that Canada should diversify its trade to be less dependent on the United States (see Figure 15). The level of agreement with this statement has always been high, but it has been increasing steadily since 2004 when it stood at 75%.

FIGURE 15
Canadian opinions on trade and global economy



Indeed, [71%](#) of Canada’s goods and services exports went to the United States in 2019, and [62%](#) of Canada’s imports came from the United States. The share of international exports and imports with the U.S. has remained remarkably stable for the past decade.

Source: Photo by Asael Pena on Unsplash

Canadians welcome the idea of diversifying trade relations beyond the U.S.



Concurrently, Canadians see a lot of potential for growth in trade flows with Asia. Looking 10 years ahead, 49% of Canadians agree that trade with Asia will be more important to Canada than trade with the United States (see Figure 15). That is significantly higher than the share of Canadians who disagree with this statement (38%), but is a decline from 59% agreement in 2018. Similarly, most Canadians (58%) believe exports of goods and services to Asia offers more opportunity for Canadian companies than interprovincial exports (see Figure 15).

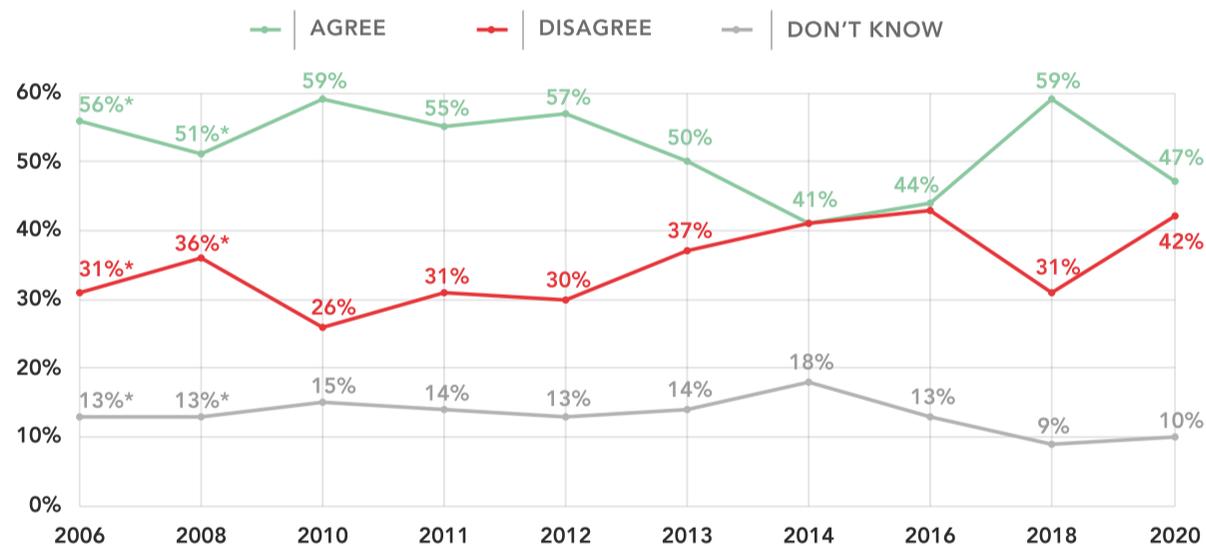
Canadians are increasingly divided on whether Canada would benefit from more FDI from Asia and if the government should encourage Canadian companies to set up operations in Asia.

FIGURE 16

Overall, Canadians believe Canada would benefit from more Asian investment in our country

Question: Do you agree or disagree with the following statements: Overall, Canada would benefit from more Asian investment in our country.

Base: All respondents, 2006 (n = 1,014); 2010 (n = 2,903); 2011 (n = 2,926); 2012 (n = 3,129); 2013 (n = 3,474); 2014 (n = 3,487); 2016 (n = 3,526); 2018 (n = 3,561); 2020 (n = 3,519)



*Data for 2006 and 2008 were adjusted for the lack of "don't know" option in the question for those years.
Note: The 2006 question specified "including in the energy sector"

More Canadians agree than disagree that Canada would benefit from more Asian investment in the country. That has been the case for the past 15 years, and this year, 47% agreed with the statement (see Figure 16).

While the value of foreign direct investment (FDI) to Canada from the Asia Pacific almost [quadrupled](#) between the periods 2004-2007 (C\$15B) and 2016-2019 (C\$56B), less than half of Canadians support encouraging more FDI from Asia into Canada. In terms of Canadian investment in Asia, 43% of Canadians agree (46% disagree) that Canada should provide economic incentives to encourage Canadian companies to set up operations in Asia compared with 44% in 2016.

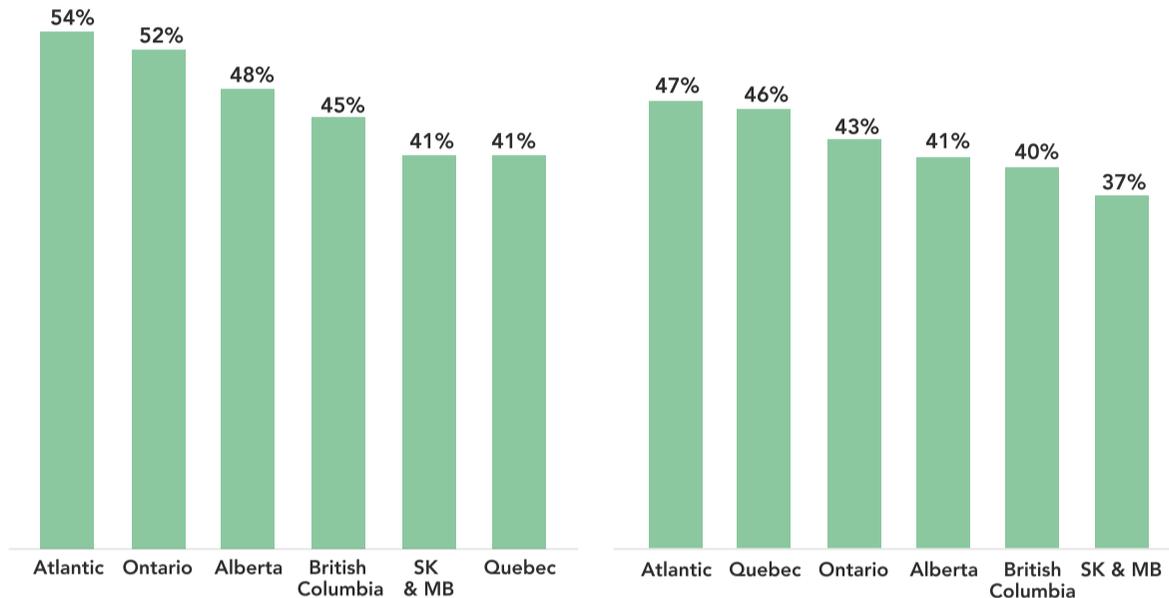
FIGURE 17
*Share of Canadians in **agreement** that Canada would benefit from more Asian investment in our country*

Question: Overall, Canada would benefit from more Asian investment in our country.

FIGURE 18
*Share of Canadians in **agreement** that Canada should provide economic incentives to encourage more Canadian companies to set up operations in Asia*

Question: Canada should provide economic incentives to encourage more Canadian companies to set up operations in Asia.

Base: BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



There are statistically significant differences across provinces in survey responses regarding Asian investment. First, more than half of Canadians in the Atlantic provinces (54%) and Ontario (52%) agree that Canada would benefit from more Asian investment (see Figure 17). In contrast, more people disagree than agree with this statement in British Columbia, Saskatchewan, Manitoba, and Quebec. Interestingly, Ontario received the most investment from the Asia Pacific in 2019 (C\$3.71B), according to APF Canada’s [Investment Monitor](#). British Columbia (C\$1.97B) and Quebec (C\$1.67B) were the second and third most important Canadian destinations for Asian investment. Second, Canadians in Eastern provinces agree more that Canada should provide economic incentives to encourage more Canadian companies to set up Asia operations (see Figure 18). In Saskatchewan and Manitoba, only 37% agree with this statement.

CANADIAN VIEWS ON INVESTMENT FROM ASIA

Amid the COVID-19 crisis and accelerated digitalization, Canadians show strong support for letting in more Asian FDI in the high-tech and the biomedical and health-care sectors.

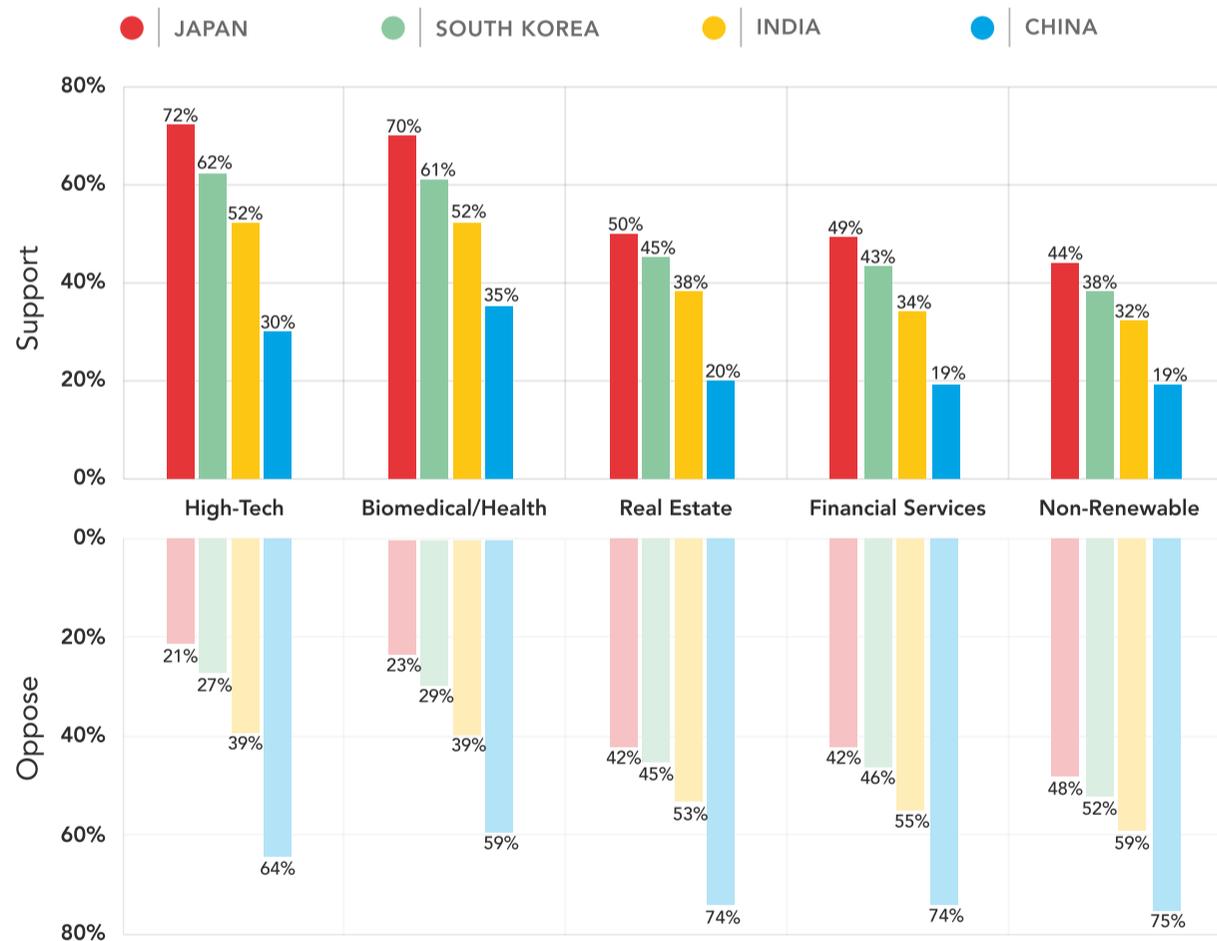
Canadians support more investment from Asia in the high-tech and biomedical and health-care sectors, except from China (see Figure 19). In those sectors, the majority of Canadians support allowing more investment coming from Japan, South Korea, and India, while 35% or less support more investment from China.

FIGURE 19

Share of Canadians who support and oppose the Canadian government allowing more FDI from these Asian economies into different sectors

Question: Would you support or oppose the Canadian government allowing more foreign direct investment from these Asian economies into the following sectors?

Base: All respondents (n = 3,519)



Generally, more Canadians oppose than support more Asian investment in the real estate and financial sectors in Canada. About 74% oppose more investment from China in those sectors, about 55% oppose if it comes from India, and around 46% oppose if it comes from South Korea. Japan is the only economy for which more Canadians support than oppose more investment in the real estate and financial sectors.

Finally, more Canadians oppose than support more FDI in the non-renewable energy sector for all countries. Seventy-five per cent oppose Chinese investment in the sector, and 48% oppose Japanese investment in the sector.

In 2019, APF Canada polled Canadians on inbound FDI from Asia. More than 50% of the respondents opposed the government allowing more FDI in each of the non-renewable, real estate, high-tech, and financial services sectors. When asked in 2020 about FDI coming from specific Asian economies, Canadians showed support for allowing more Asian FDI from Japan in almost all sectors and from South Korea and India in the high-tech and the biomedical and health-care sectors. The support for allowing more Asian investment in the high-tech sector was 41% in 2019, and the average support across Asian countries in 2020 is up to 56%, the most considerable change in support of all sectors between the years 2019 and 2020.



There is strong support for letting in more Asian FDI in the biomedical and health-care sectors

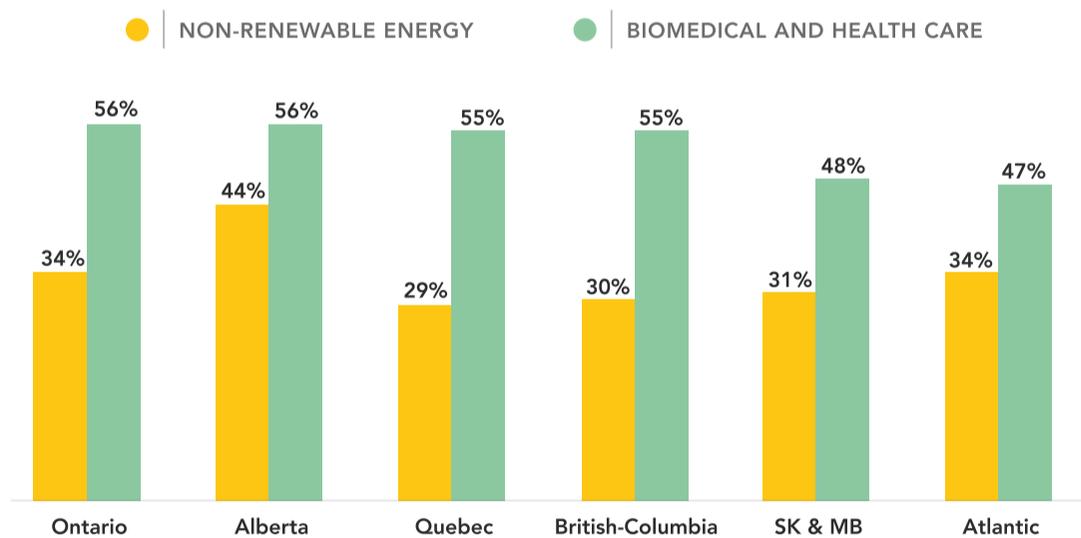
Source: Photo by Raeng on Unsplash

FIGURE 20

*Canadians' in **support** for allowing more Asian investment in the sectors of Non-renewable energy and Biomedical and health care*

Question: Would you support or oppose the Canadian government allowing more FDI from these Asian economies (Japan, South Korea, India, China) into the following sectors?

Base: BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



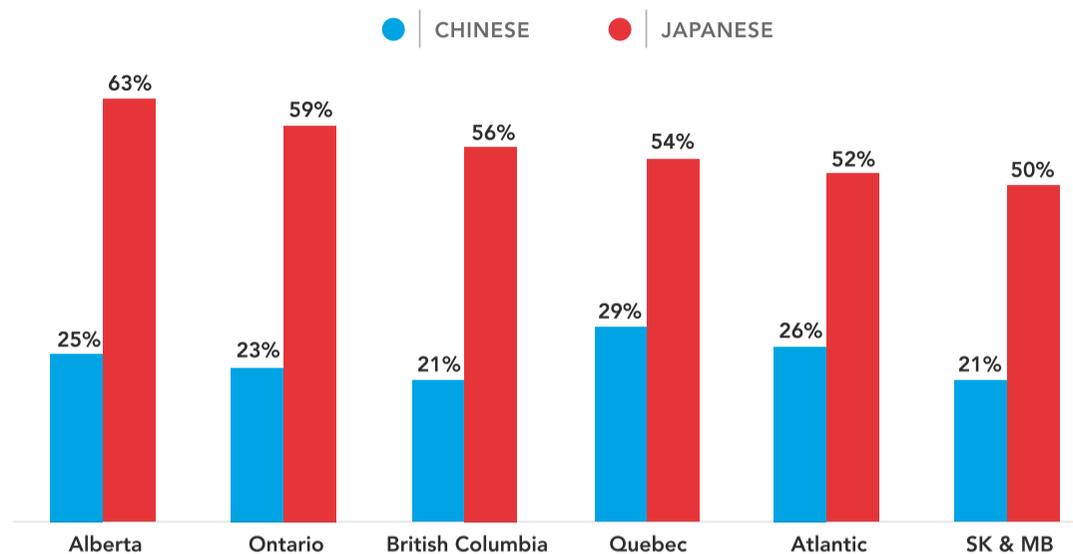
Canadians across provinces show support for different types of investment (see Figure 20). Most notably, Albertans are the most supportive of allowing more Asian investments in the non-renewable energy sector, although support is still low, at 44%. Canadians in the Atlantic provinces, meanwhile, are the least supportive (47%) for allowing more Asian investment in the biomedical and health-care sectors.

FIGURE 21

Comparing Canadians' **support** for allowing more investment in Canada from China and Japan

Question: Would you support or oppose the Canadian government allowing more FDI from these Asian economies (Japan, South Korea, India, China) into the following sectors?

Base: BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



For investment coming from specific Asian economies, there are statistically significant differences in opinion for investment coming from China and Japan (see Figure 21). Albertans and Ontarians are the most supportive of allowing more investment from Japan, while Quebecers are the most supportive of allowing more investment from China.

CANADIAN VIEWS ON FREE TRADE AGREEMENTS (FTAs)

Canadians' support for ratifying a Free Trade Agreement with ASEAN nations and India is booming.

This year, Canadians are the most supportive (76%) for Canada to enter an FTA with the Pacific Alliance, comprising Chile, Columbia, Mexico, and Peru. Ongoing FTA negotiations between Canada and the Pacific Alliance began in October 2017.

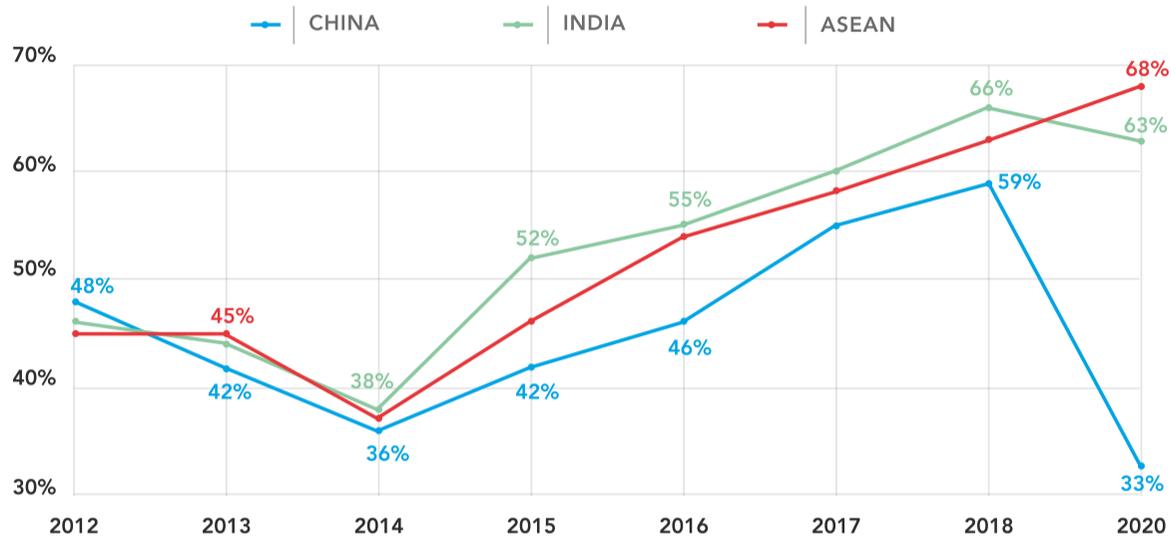
The Canadian government also held exploratory discussions for a possible [Canada-ASEAN FTA](#) between September 2017 and September 2019, and the Canadian government continues to engage on a possible agreement with the Association of Southeast Asian Nations. An increasing share of Canadians supports the government entering into an FTA with ASEAN. Sixty-eight per cent of respondents voiced their support for it in 2020, compared with 63% in 2018 (see Figure 22). Support for entering FTAs with both ASEAN nations and India has risen steadily since 2014.

FIGURE 22

Support for the Canadian government to ratify an FTA with...

Question: Would you support or oppose the Canadian government entering into/ratifying an FTA with...?

Base: respondents, 2012 (n=3,129); 2013 (n=3,474); 2014 (n=3,487); 2015 (n = 1, 554); 2016 (n=3,526); 2018 (n=3,561); 2020 (n=3,519)



Note: No observation for India in 2017, and for ASEAN in 2015 and 2017 (trend line). About 12% responded "don't know."

On September 19, 2020, Canada abandoned FTA negotiations with China due to the bilateral relationship's impasse. We polled Canadians on their support for a Canada-China FTA before the federal announcement to end talks. Nonetheless, general public opinion is in line with the government's decision. While more Canadians were supporting, rather than opposing, Canada entering into an FTA with China in 2017 and 2018 (55% and 59%, respectively), that is no longer the case in 2020. Only 33% of this year's respondents said they would support a Canada-China FTA, with 59% responding that they would not. This marks the lowest support for an FTA with China since we started polling Canadians on the subject in 2012.

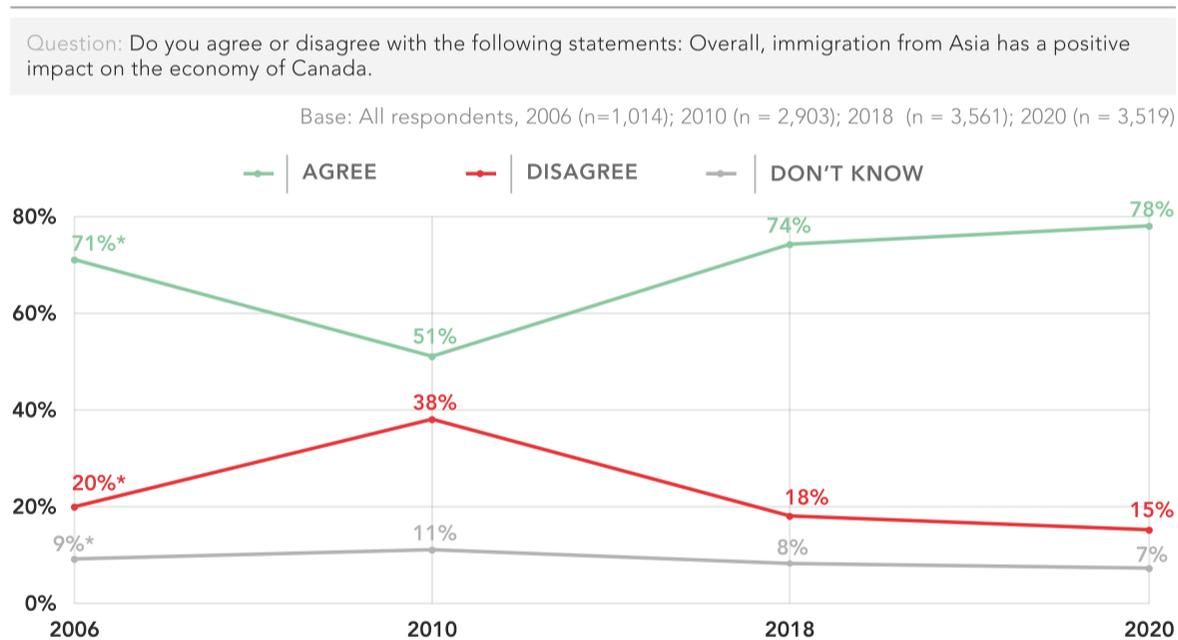
CANADIAN VIEWS ON IMMIGRATION

Canadians’ perceptions of immigrants from Asia are largely positive.

In a Gallup Poll, [Migrant Acceptance Index](#), published in 2020, Canada was considered the most-accepting country in the world for migrants in 2019, followed by Iceland and New Zealand. APF Canada’s 2020 National Opinion Poll shows a similar trend, as we find that Canadians are mainly positive about immigrants, particularly from Asia. This trend has grown increasingly positive over the last decade (see Figure 23).

FIGURE 23

Over the past decade, an increasing number of Canadians perceive immigrants from Asia have a positive impact on Canada

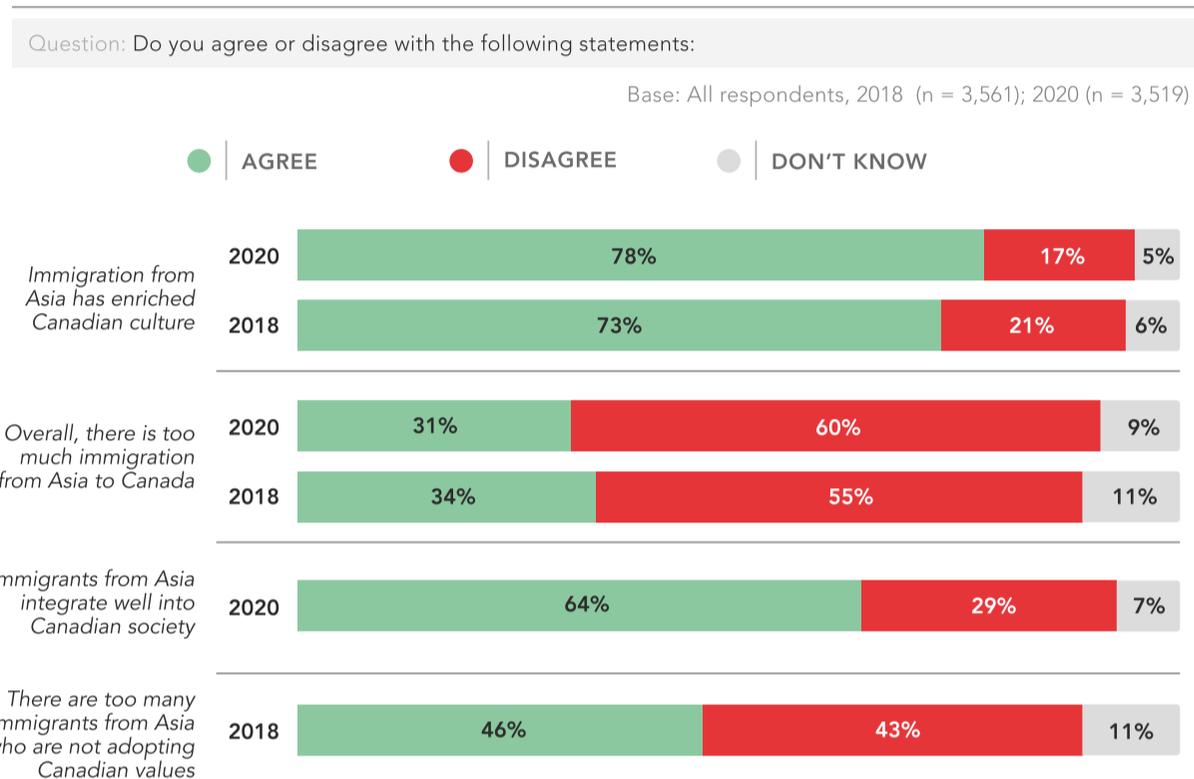


NOTE: Prior to 2018, the question asked: "The overall impact of Asian immigration on Canada is positive."
 *Data for 2006 was adjusted for the lack of "don't know" option in the question for those years.

In our 2018 National Opinion Poll, we adapted four questions from the [Environics Institute for Survey Research](#) to assess Canadian perceptions of immigration from Asia. In 2020, we have revisited those questions and find that Canadians generally hold a positive attitude towards immigrants from Asia. In 2020, 78% of Canadians find immigration from Asia has enriched Canadian culture, and only 31% (3 percentage-point drop from 2018) feel that there is too much immigration from Asia to Canada (see Figure 24). Most provinces hold a similar view to the national average on these statements.

In 2018, we found that 46% of survey respondents felt that too many newcomers were not adopting Canadian values. In 2020, we asked a different question – about newcomers’ integration into Canadian society. We find that 64% of Canadians agree that immigrants from Asia are integrating well into Canadian society (see Figure 24).

FIGURE 24

Canadian views on immigration from Asia remains positive

PUSH AND PULL BETWEEN ASSIMILATION AND ACCOMMODATION

New immigrants are often faced with the need to strike a balance between assimilating into a new culture and maintaining their cultural roots. In 2019, there were 184,565 new permanent residents from the Asia Pacific, making it the largest source region for new immigrants to Canada.¹ This number has increased by almost 29% since 2015. This spike underscores the need to recognize and understand how Canadians perceive immigrants and what they expect from newcomers. To that end, we sought Canadian opinions on how best to balance building a common Canadian identity that encompasses the diversity of culture, language, and values that new immigrants bring to this country.

We find with this year’s survey that the majority of Canadians (72%) believe newcomers should not be discouraged from maintaining their cultural identities, but they should adopt core Canadian values on things like equality, democracy, and

¹ Asia Pacific region as defined by Immigration, Refugees and Citizenship Canada (IRCC). Data sourced from IRCC.

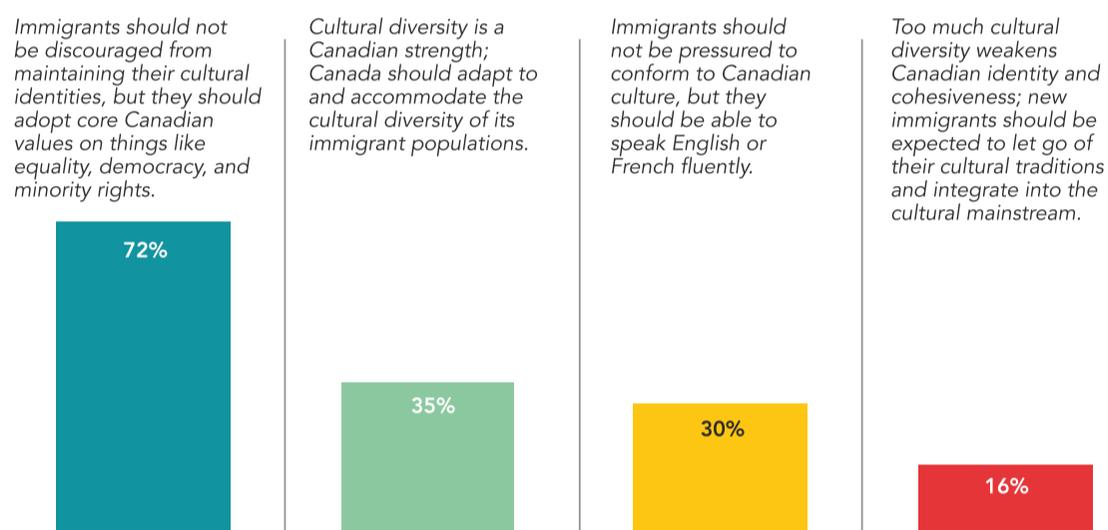
respect for minority rights (see Figure 25). About 35% of Canadians also believe that “cultural diversity is a Canadian strength” and that “Canada should adapt to and accommodate the cultural diversity of its immigrant populations,” while 30% believe that while immigrants need not conform to Canadian culture, they should be able to speak fluent English or French.

FIGURE 25

The majority of Canadians believe that immigrants should not be discouraged from maintaining their cultural identities, but adoption of core Canadian values is pertinent

Question: The 2016 Census shows that one-fifth of Canadians are foreign-born. In your opinion, what is the appropriate balance between building a common Canadian identity and accommodating differences in culture, language, and values?

Base: Canada (n = 3,519)



This trend remains the same across all provinces. However, 21% of Quebecers feel that new immigrants need to let go of their cultural traditions and integrate into the cultural mainstream, compared to less than 15% of Canadians outside Quebec.

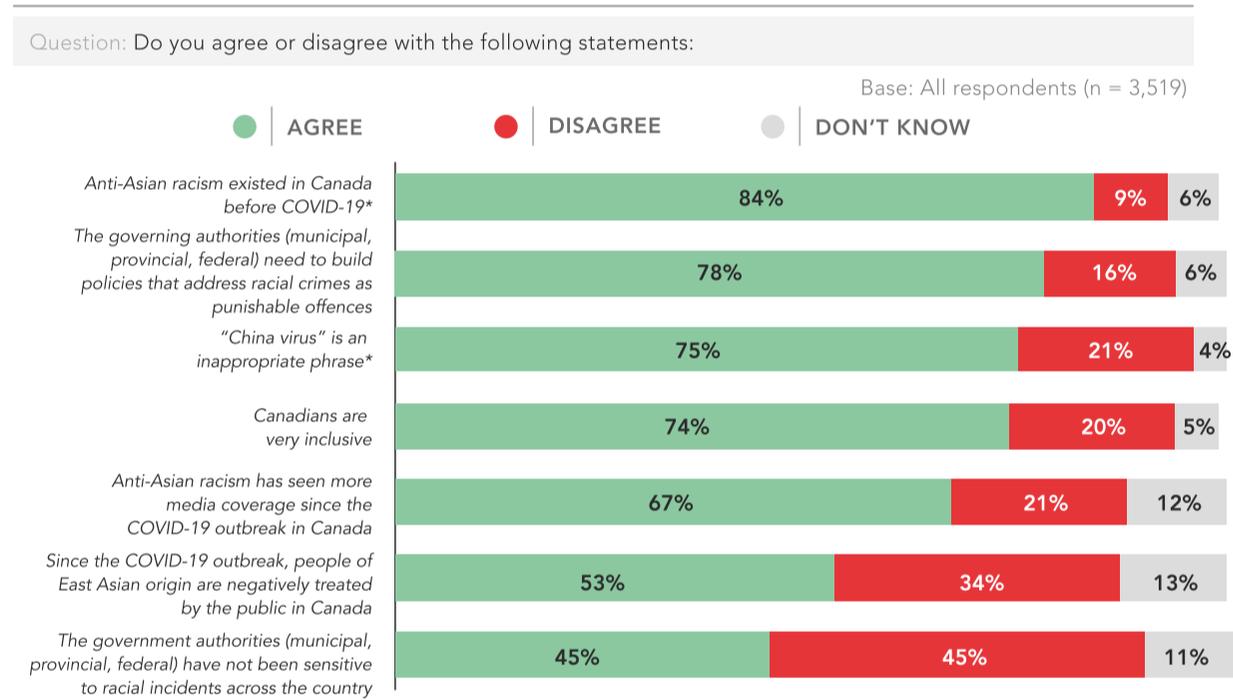
CANADIAN VIEWS ON ANTI-ASIAN RACISM

Most Canadians believe that anti-Asian racism existed in Canada before COVID-19 and feel that such racist attitudes are here to stay.

Aside from the pandemic, 2020 has seen a significant amplification of the public discourse around racism in North America. Race and ethnicity, or the social categorization of humans by their ethnic origins and skin colour, has never been a more pertinent topic that requires investigation and understanding of how we can tackle the issue at its very roots. In that vein, we asked Canadians for their opinions around racism in Canada, particularly anti-Asian racism, and how they view the roles of governing authorities' in addressing the issue.

Canadians are very inclusive – that is the view held by 74% of Canadians. Nevertheless, 84% of Canadians also believe that anti-Asian racism was present in Canada well before COVID-19 (see Figure 26). Sixty-seven per cent of respondents said anti-Asian racism has seen more media coverage since the COVID-19 outbreak, arguably due to the rise in racial incidents against Asians, and an increased conversation sparked by the Black Lives Movement in the U.S. and elsewhere. Furthermore, 53% feel that the public has negatively treated people of East Asian origin in Canada since the COVID-19 outbreak. We also find that 75% of Canadians find “China virus” an inappropriate phrase, but 21% feel it is acceptable.

FIGURE 26
Canadians believe Anti-Asian racism existed in Canada well before COVID-19 and there is a need for reform in policies against such hate crimes



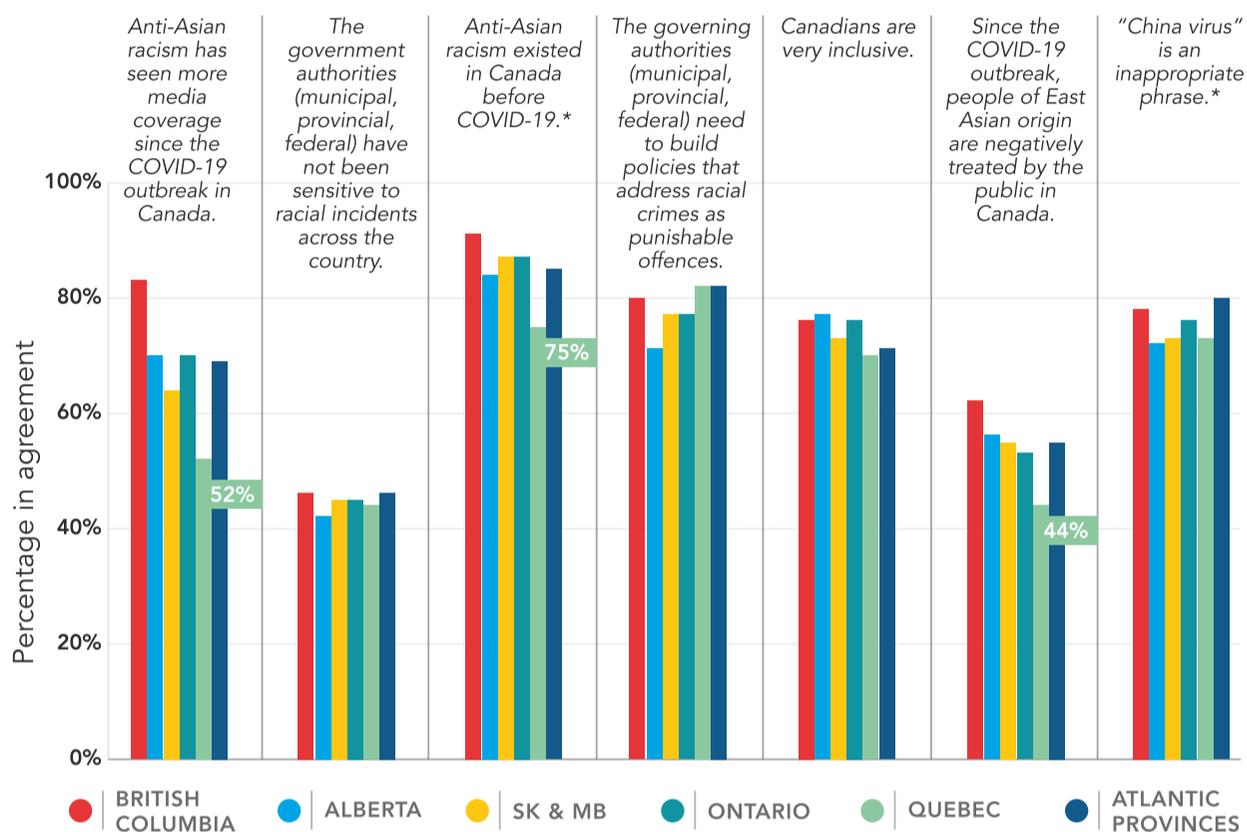
*This statement was reverse worded in the survey.

When asked if government authorities have been sensitive to racial incidents across the country, we find an equal proportion of Canadians agreeing and disagreeing (see Figure 26). Irrespective of where they stand on government sensitivity to racism, 78% of Canadians believe the authorities, at all levels – municipal, provincial, federal – need to build policies that address racial crimes as punishable offences.

FIGURE 27
Canadian views on anti-Asian racism varies across provinces

Question: Keeping in mind the current socio-political climate in Canada, do you agree or disagree with the following statements:

Base: n = 1,088



NOTE: Provinces with their percentages marked have statistically significant difference in average opinion on the statement than other provinces. | *This statement was reverse worded in the survey.

There is a statistically significant difference in opinion across the provinces on some statements, particularly between Quebecers and the other provinces. While 52% of Quebecers agree that anti-Asian racism has seen more media coverage since the COVID-19 outbreak, significantly more British Columbians, Ontarians, and Albertans think the same (see Figure 27).

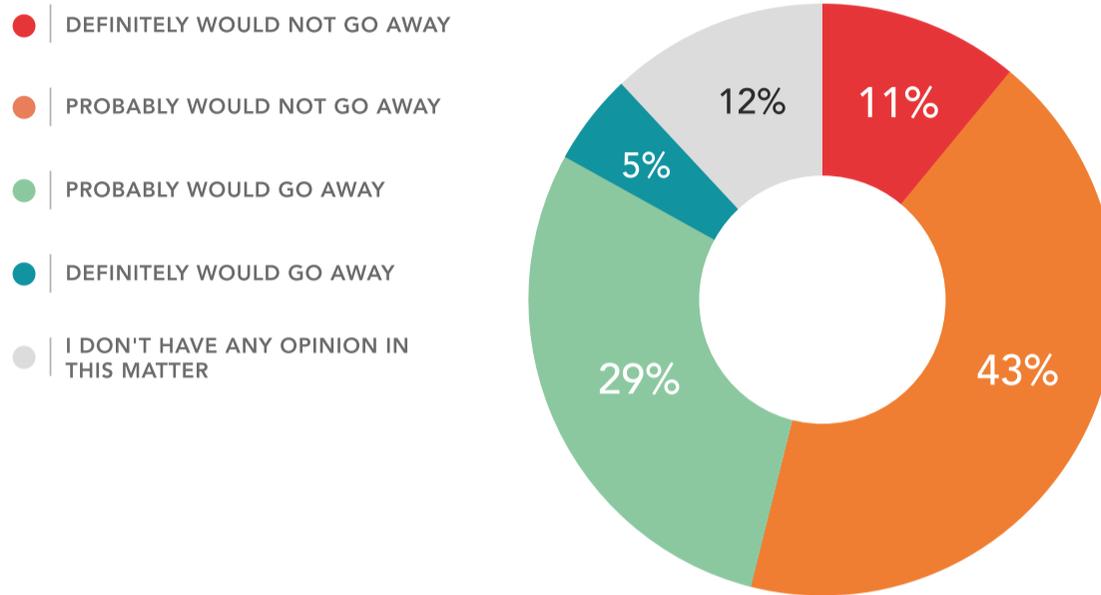
Quebecers also differ from other provinces on the issue of whether anti-Asian racism existed in Canada before COVID-19. Even though a majority (75%) of respondents from Quebec agree with the statement, the proportion of respondents in agreement is much lower than in other provinces. Forty-four per cent of Quebecers feel that people of East Asian origin have been negatively treated by the public in Canada since the COVID-19 outbreak, where more than 53% across the other provinces feel similarly. However, 82% of Quebecers feel government authorities need to build policies that address racial crimes as punishable offences, similar to most other provinces except Alberta – which has the lowest proportion of respondents in agreement, at 71%.

FIGURE 28

Post-pandemic, anti-Asian sentiment and hostility in Canada...

Question: Do you feel that the recent surge of anti-Asian sentiment and hostility in Canada will go away once the COVID-19 pandemic ends?

Base: All Respondents (n = 3,519)



Unfortunately, most respondents believe that the recent surge in anti-Asian racism and hostility in Canada is here to stay, and only 34% believe that such anti-Asian racism may diminish with the end of the pandemic (see Figure 28).

Among the provinces, Quebecers are the most optimistic, as 38% believe that anti-Asian racism will die down with the end of the pandemic, while 61% of British Columbians feel that these divisive and hateful attitudes will not go away.

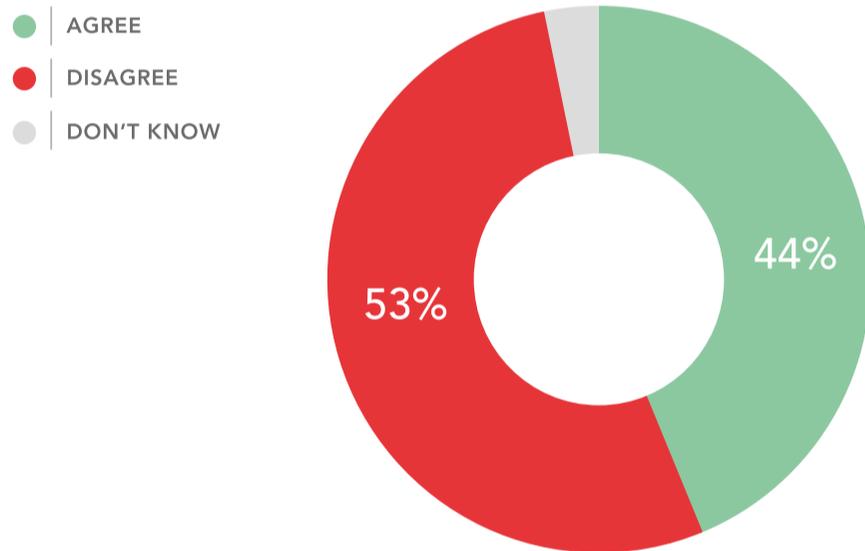
FOREIGN POLICY ISSUES

A majority of Canadians disagree that Canada has “a lot” of impact on either global or Asian affairs.

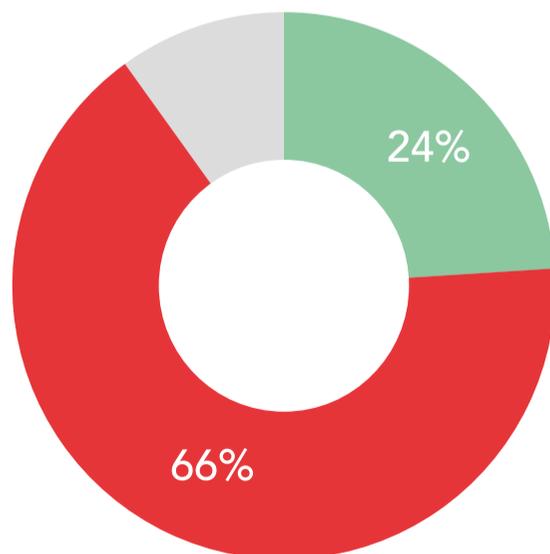
Canadians recognize that as a middle power, there are limits to Canada’s impact on global affairs. Just over half of Canadians (53%) disagree that Canada has a lot of impact on global affairs, while two-thirds of Canadians (66%) disagree that Canada has a lot of impact on Asian affairs (see Figure 29). Despite the perception that Canada does not have a lot of impact on Asian affairs, Canadians indicate that there is potential for engagement with Asian countries on specific issues.

FIGURE 29
*Canada has a lot of impact on **global** affairs*

Question: Do you agree or disagree with the following statements?
Base: (n = 3,519)

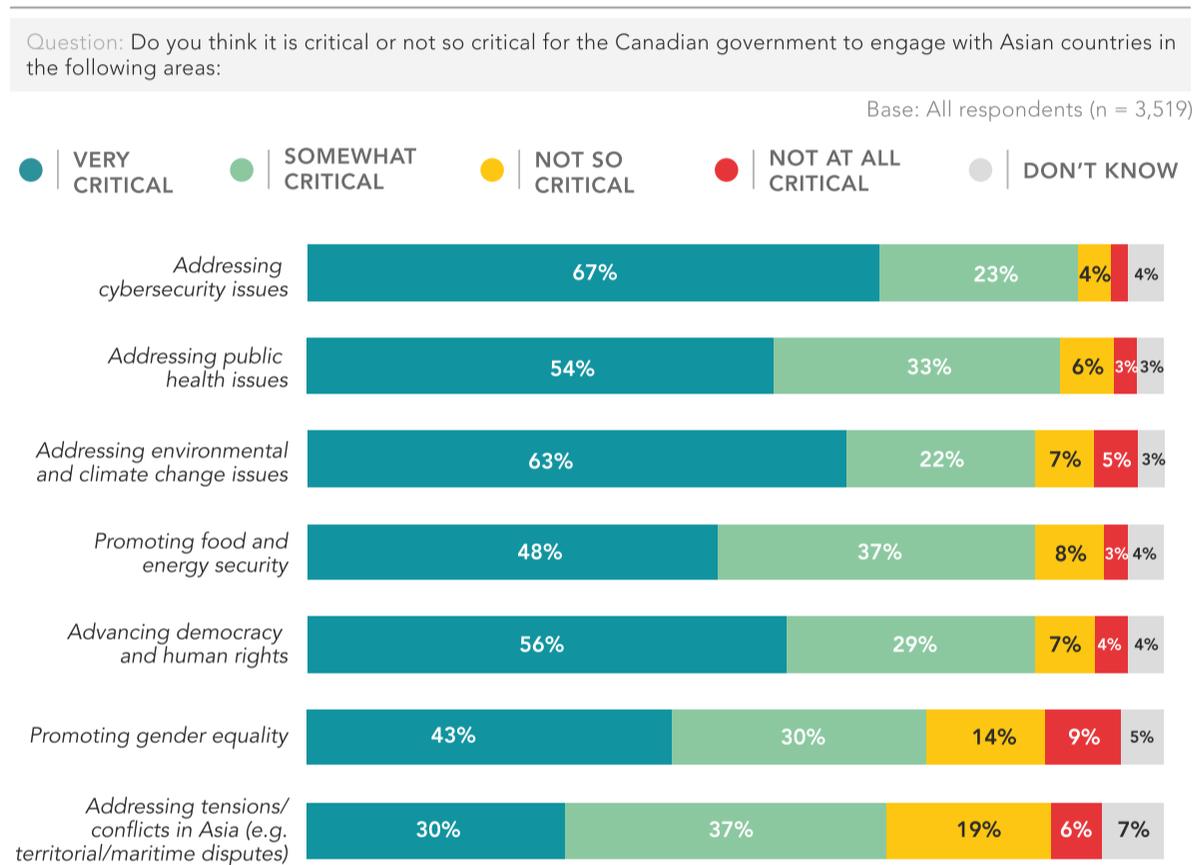


*Canada has a lot of impact on **Asian** affairs*



Among the seven areas identified as potential areas of engagement with Asian countries, the majority of respondents find all of the issues as “somewhat” to “very” critical areas of engagement. Cybersecurity (90%), public health (87%), and environmental and climate change (85%) are among the top three (see Figure 30). It is interesting to note here that cybersecurity also emerges as an important area of concern for Canada’s security, which is discussed later in this report. At the provincial level, we find statistically significant but small differences in average opinion.

FIGURE 30
Canadian Views on Areas of Engagement with Asian countries



CANADIAN FOREIGN POLICY APPROACH

Aligning foreign, trade, economic, and security policies more closely with other like-minded democracies should be Canada’s top priority, say Canadians.

Multilateralism and independence are at the core of Canada’s foreign policy approach. Currently, Canada is aggressively diversifying its trade and investment relations as the country grows in population and economic position globally. To that end, it is pertinent to understand public opinion on the Canadian government’s approach to foreign policies and international relations.



Source: Photo by National Cancer Institute on Unsplash

Canadians identify public health as an important area for engagement with Asia

This year, we asked Canadians to rank four such foreign policy approaches in order of priority – (1) Canada maintains its multilateral diplomacy; (2) Canada builds bilateral and regional networks in the Asia Pacific; (3) Canada aligns itself on trade, economic, security, and foreign policy with other like-minded democracies; and, (4) Canada prioritizes its alignment with the U.S.

We find that, on average, Canadians choose option three as the top priority: “Canada should align its foreign, trade, economic, and security policies more closely with other like-minded democracies such as Australia, Japan, South Korea, the European Union, and the United Kingdom.” The second highest priority is for Canada to continue treating “multilateralism” as the core of its foreign policy. The third-ranking priority is building bilateral trade and regional networks in the Asia Pacific through free trade agreements such as the CPTPP, or institutions like Asia-Pacific Economic Cooperation (APEC). Aligning Canadian foreign, security, trade, and economic policies in line with the United States is considered the lowest priority by most Canadians.

To further elucidate the rankings (see Figure 31), 56% of NOP survey respondents choose aligning Canadian foreign policy closely with like-minded democracies as their first priority, whereas 53% choose alignment with the United States as the fourth priority. This trend is also reflected across all provinces.

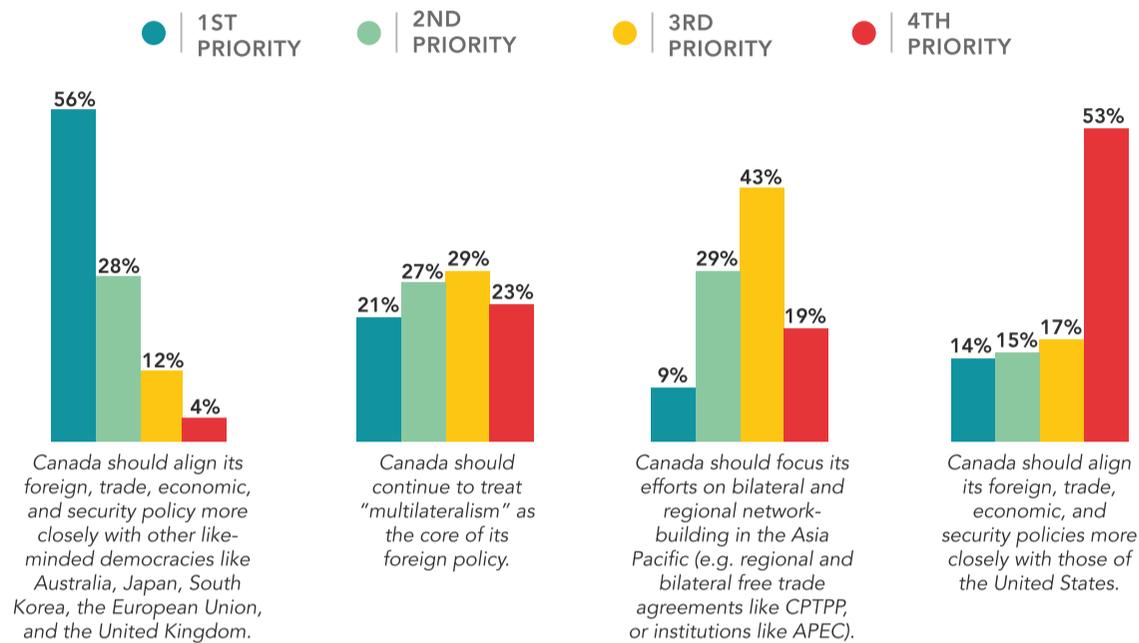
The options provided in this poll are by no means an exhaustive list of Canadian foreign policy considerations. However, they offer meaningful insight into public perceptions of Canadian international relations and policies. The responses, meanwhile, indicate a strong move away from the U.S. and de-prioritizing that relationship for the sake of building broader foreign relations and perhaps a more stable standing in the global economy.

FIGURE 31

Canadians prioritize Foreign Policy alignment with other like-minded democracies more than with the United States

Question: Reflecting on Canada's foreign policy approach, please rank the following statements in terms of priority:

Base: All Respondents (n = 3,519)



TOWARDS BUILDING BETTER RELATIONS WITH ASIA – PROVINCIAL POLICIES

Canadians support provincial policies that can foster better relations with Asia through twinning agreements and opening provincial trade offices in the region.

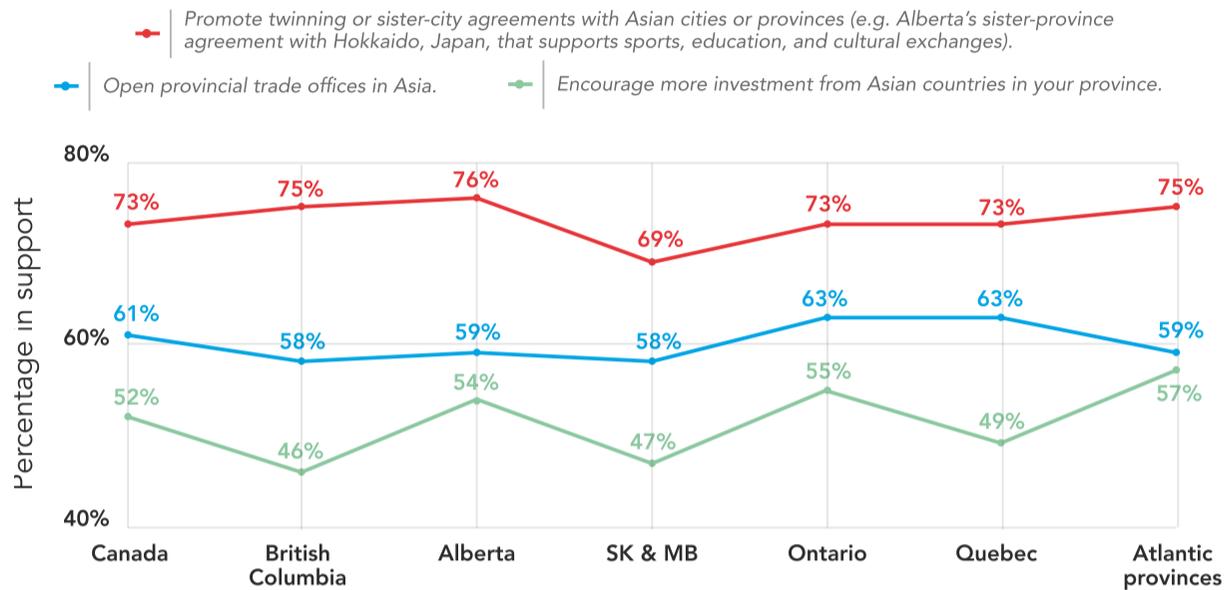
Most Canadians (61% support) would like to see their provincial governments open provincial trade offices in Asia, and 73% express support for their provincial governments promoting twinning relations with Asian cities or provinces. We find statistically significant differences in average opinion across provinces, but the differences are minimal, as shown in Figure 32.

FIGURE 32

Canadians would like to see their provincial government promoting more twinning agreements and opening provincial trade offices

Question: Would you support or oppose your provincial government doing each of the following to build stronger ties with Asia?

Base: Canada (n = 3,519); BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



Only 52% of Canadians support their provincial government encouraging more Asian investment in their provinces (see Figure 32). Intriguingly, overall support has dropped by eight percentage-points since 2018. This is in line with previous findings around the decreasing number of Canadians that approve of FDI from Asia (see Figure 16). There is also a statistically significant difference in average opinion held by Ontarians (55% support, 37% oppose) and respondents from Atlantic provinces (57% support, 33% oppose) on the one end, and British Columbians (46% support, 46% oppose) and Saskatchewanians and Manitobans (47% support, 44% oppose) on the other end.

Canadian Views on Provincial Policies on Education

Most Canadians support building Asia competency through education and exchange programs, but are not very approving of emphasizing Asian language studies in schools.

In APF Canada polls, we have consistently recorded Canadian opinions on including more Asia-focused curricula, Asian languages, and student exchange programs in our national education systems. Since 2012, we find steadily growing support for a more ‘Asia competent’ education program and more emphasis on teaching Asian languages.

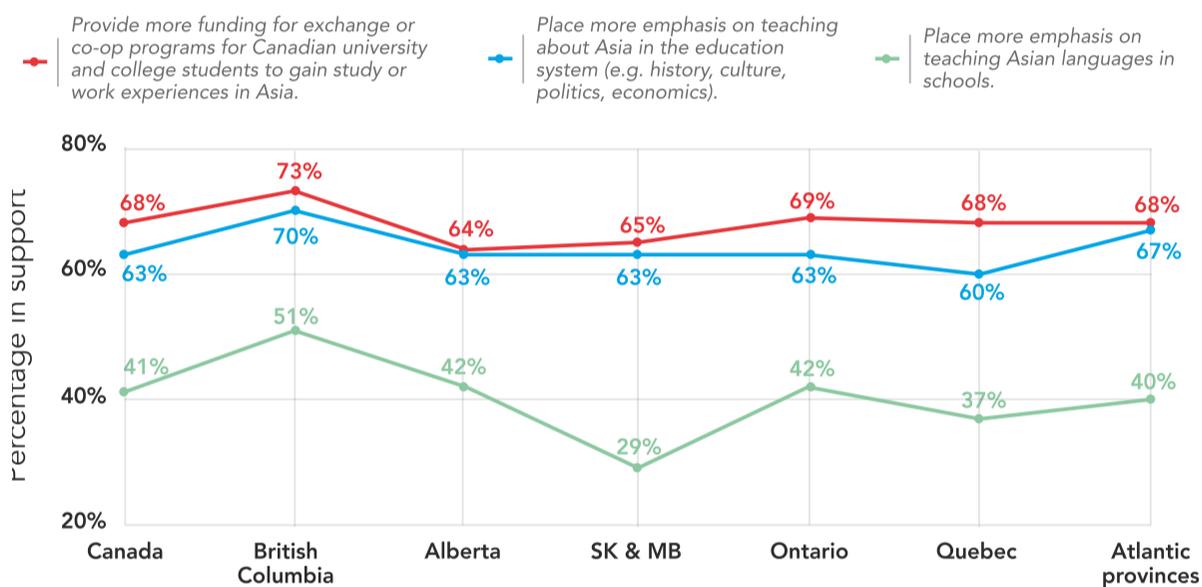
In our 2020 NOP, 68% of Canadians express support (25% oppose) for their provincial government providing more funding for exchange or co-op programs for Canadian university and college students to gain study or work experience in Asia. This is a decline of four percentage-points since 2018 (72% support, 21% oppose), but the average opinion is not significantly different.

FIGURE 33

Canadians support more funding for exchange programs and teaching about Asia in schools, but teaching Asian languages receives little support

Question: Would you support or oppose your provincial government doing each of the following to build stronger ties with Asia?

Base: Canada (n = 3,519); BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



Furthermore, 63% of Canadians in 2020 support their provincial government placing more emphasis on teaching about Asia in their education system (29% oppose). While there are differences in the proportion of respondents from each province supporting this policy, the average opinion is not significantly different (see Figure 33).

British Columbians significantly differ from the other provinces in supporting their provincial government in placing more emphasis on teaching Asian languages in schools (see Figure 33). While overall support for an increased emphasis on teaching Asian languages in school is relatively low, at 41%, we find that most British Columbians (51% support, 41% oppose) support their provincial government in emphasizing Asian languages in schools. Most Albertans (42% support, 50% oppose), Ontarians (42% support, 49% oppose), Quebecers (37% support, 52% oppose), and Saskatchewanians and Manitobans (29% support, 63% oppose) oppose their provincial government considering a policy that would encourage the opportunity to build Asian language skills. While determining if the support is low for all foreign languages or just Asian languages is beyond the scope of this opinion poll, this segment does indicate a need to take a closer

look at Canadians' perceptions of foreign languages and the reasons behind most Canadians' opposition to an emphasis on including Asian languages in schools.



There is support for teaching about Asia in Canadian schools

Source: Photo by NeONBRAND on Unsplash

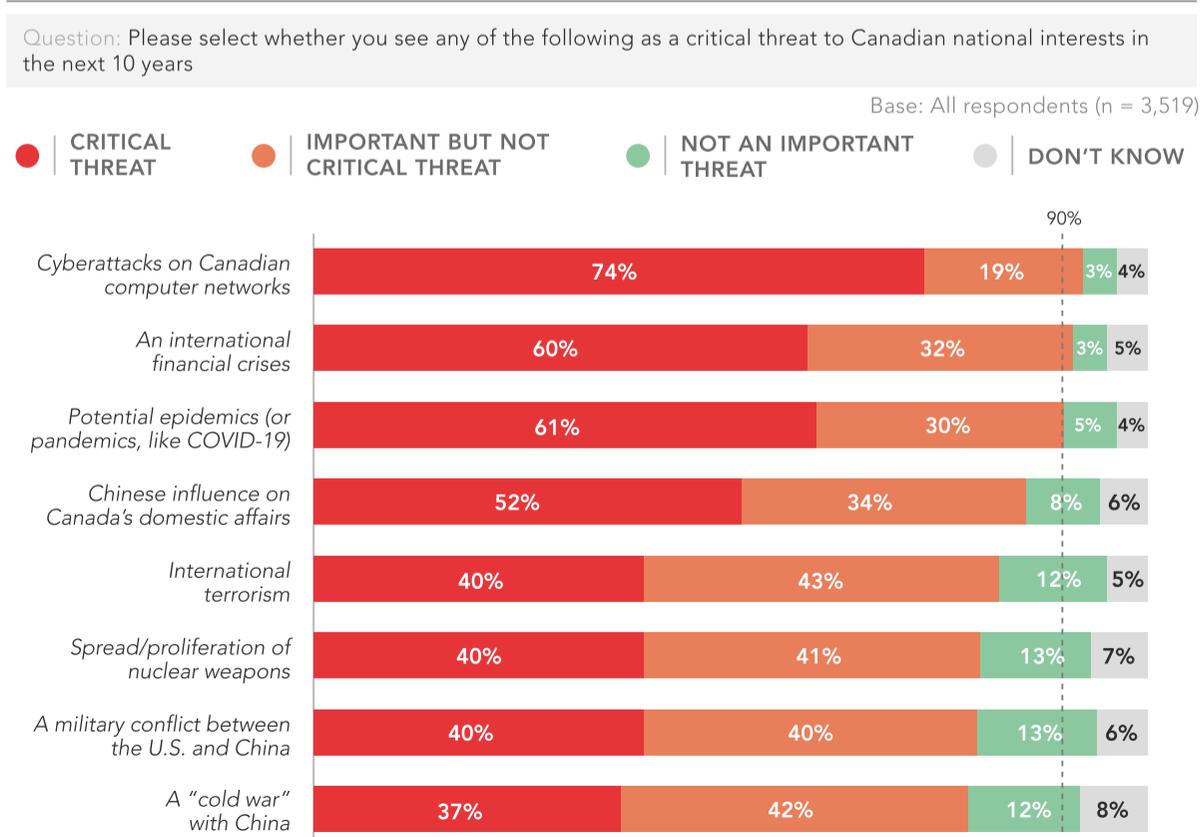
CANADIAN VIEWS ON SECURITY ISSUES

In the coming decade, Canadians perceive cyberattacks, an international financial crisis, and potential pandemics among the top threats to Canadian national interests.

Cyberattacks and cybersecurity are top-of-mind for most Canadians. While most Canadians feel that cybersecurity is a critical area of engagement with Asian countries (see Figure 30), we also find that 74% of Canadians consider that cyberattacks on Canadian computer networks will be the most “critical threat” to Canadian national interests in the next 10 years (Figure 34).

On average, Canadians indicate that each of the potential events identified in this poll will pose a significant threat to Canadian national interests in the coming decade. However, the nature of this threat being “critical,” as opposed to “important but not critical,” varies. More than 60% of Canadians believe cyberattacks, international financial crises, and potential pandemics such as COVID-19 will be a “critical threat” to Canadian national interests. Coupled with those who consider these as “important but not critical threat(s),” the proportion of respondents crosses 90% (see Figure 34).

FIGURE 34
Most Canadians consider cyberattacks, international financial crises, and potential epidemics as critical threats to Canadian national interests in the next 10 years



Overall, there is a statistically significant but minimal difference in average opinion between provinces for most threat statements. To underscore the most significant differences, we find that across all provinces, a potential epidemic or pandemic such as COVID-19 is considered an important threat for Canadian national interests in the next 10 years, with some provinces finding it to be a significantly more critical threat. Fifty-four per cent of Albertans, for instance, think that a potential epidemic will be a critical threat, compared to 65% of Quebecers.

There is a statistically significant but minimal difference in average opinion across provinces about the threat of Chinese influence on Canadian domestic affairs. Compared to 60% of British Columbians and 60% of Albertans, only 46% of Quebecers consider China's influence a critical threat to Canadian national interests in the coming decade.

The majority of Canadians (87%) indicate that they would like to see Canada increase military and defence collaboration with other like-minded democracies such as Australia, Japan, South Korea, the European Union, and the U.K. (see Figure 35).

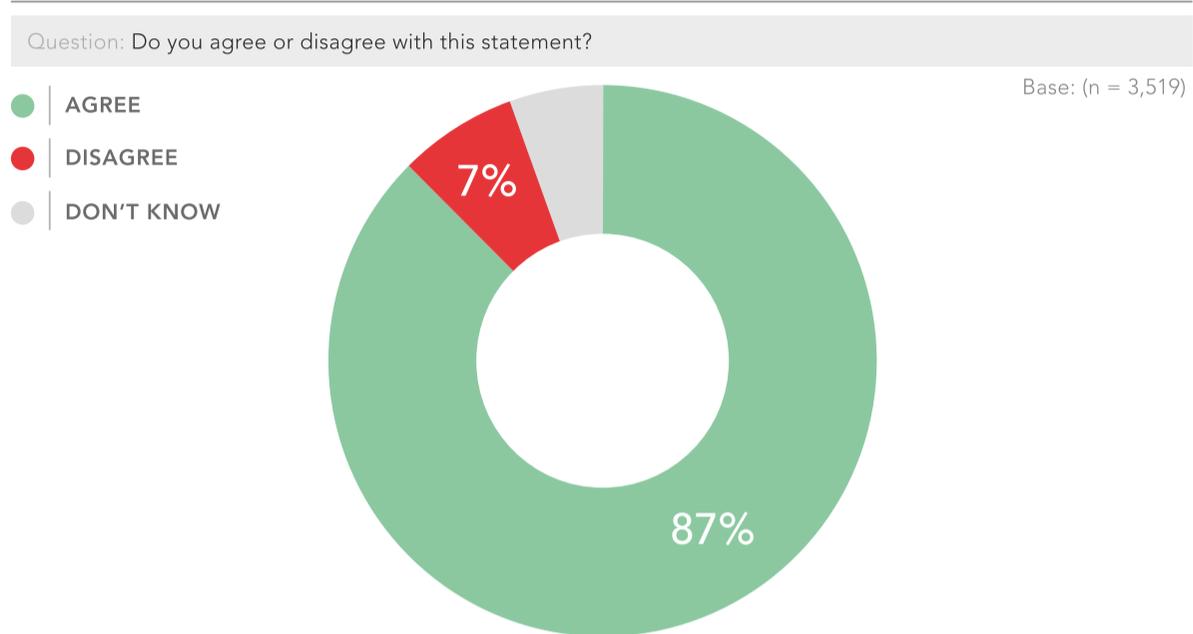


Collaborating on security and defence with like-minded democracies is of significant importance to Canadians

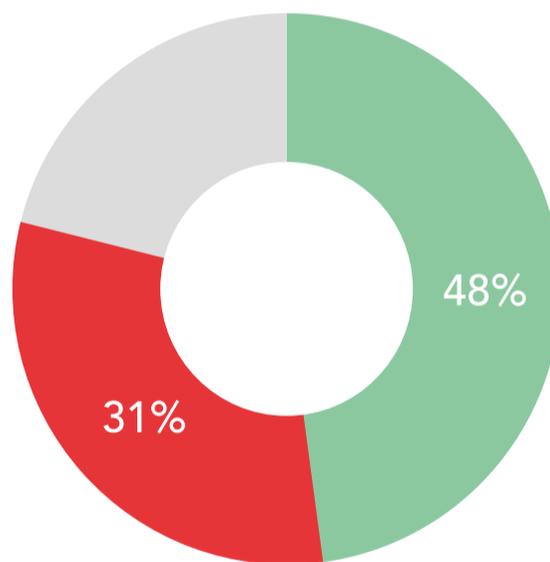
Source: Photo by SARINYAPINNGAM on Getty Images

FIGURE 35

Canada should increase collaboration with other like-minded democracies such as Australia, Japan, South Korea, the European Union, and the United Kingdom for increased military and defence co-operation



Outright military conflict between countries in the Asia Pacific is likely in the next 10 years



Despite security issues and ongoing tensions in the Asia Pacific, we find that only 48% of Canadians think an outright military conflict between countries in the Asia Pacific is likely in the next 10 years. There is a minimal but significant difference in the average opinion expressed by respondents from different provinces. In particular, where 53% of Quebecers believe that a military conflict in the Asia Pacific is likely in the next 10 years, almost all other provinces have less than 50% who hold the same opinion.

CANADIAN VIEWS ON HUMAN RIGHTS IN ASIA

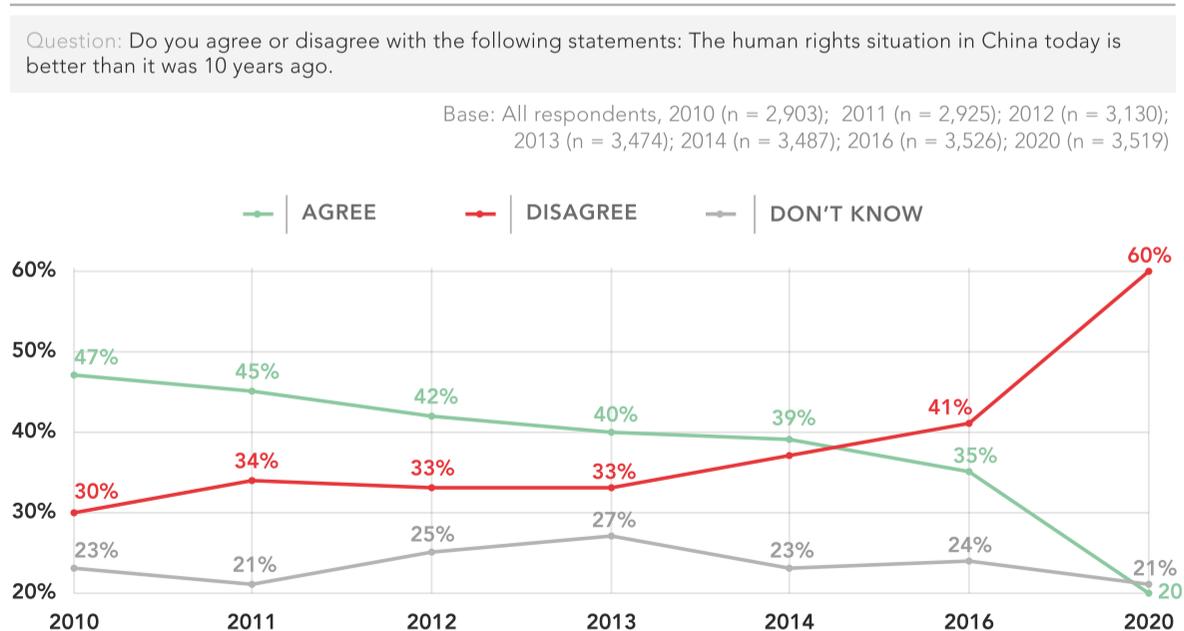
Most Canadians do not think China’s human rights situation is better than it was 10 years ago.

In past National Opinion Polls, we have delved deep into Canadian views of human rights issues in Asia. In 2016, we found that 76% of Canadians felt that “Canada should raise human rights issues in its relations with Asian countries.” In 2018, we took a closer look at Canadian views of human rights issues in China and found that a majority of Canadians would support the Canadian government engaging with China on advancing human rights issues for Chinese citizens. A lot has changed since 2018 in Sino-Canadian relations. And while we re-focus our attention on the economic and political implications, it is pertinent to keep an eye on Canadians’ changing views of China’s human rights situation.

As seen in Figure 36, Canadians’ views of the human rights situation in China have deteriorated over the past decade. In 2010, 47% of Canadians agreed that “the human rights situation in China today is better than it was 10 years ago.” That number has dropped to 20% today. The proportion of Canadians in disagreement with the statement has doubled since 2010, but jumped 1.5 times in just the last four years.

FIGURE 36

Over the past decade, Canadian views of human rights situation in China has deteriorated



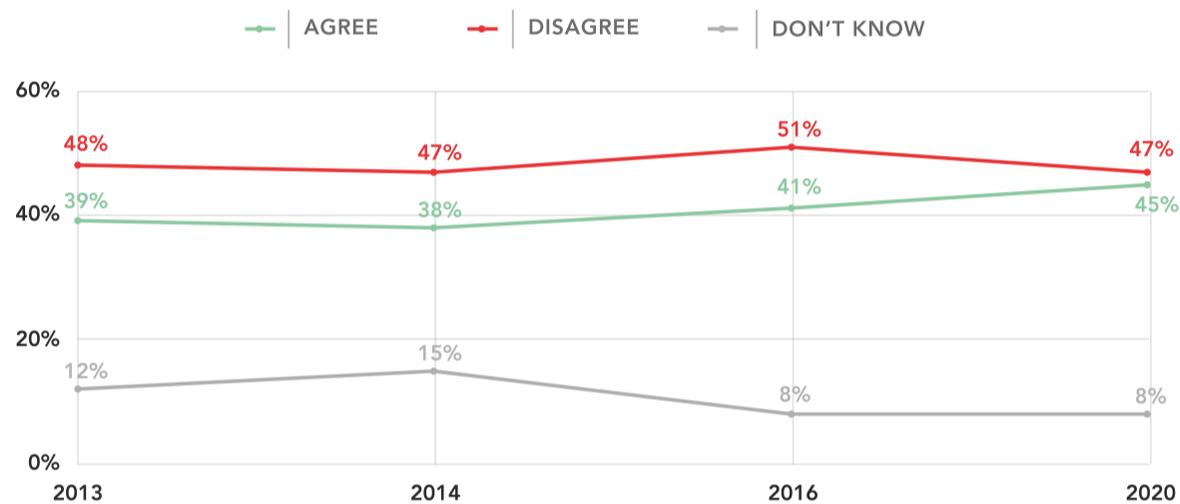
Compared to the 20% who believe that the human rights situation is better in China today than a decade ago, a larger proportion of Canadians (38%) believe that “the human rights situation in **India** today is better than it was 10 years ago” (31% disagree). Compared to 2016, when 41% of the respondents felt that India’s human rights situation was better, the number of Canadians who agree with the statement has declined, but not significantly. Furthermore, in both 2016 and 2020, around 30% of Canadians responded that they “don’t know,” which could indicate a relative lack of awareness about the human rights situation in India compared to in China (23% “don’t know” for China, on average).

FIGURE 37

Most Canadians think human rights concerns in Asian countries should be a factor of consideration in business relations

Question: Do you agree or disagree with the following statements: We can’t afford to stop doing business with or in Asian countries just because of human rights concerns.

Base: All respondents, 2013 (n = 3,474); 2014 (n = 3,487); 2016 (n = 3,526); 2020 (n = 3,519)



Finally, we asked Canadians for their views on conducting business with Asian countries with human rights concerns. Over the years, we have found that many Canadians consistently disagree with the statement that “we can’t afford to stop doing business with or in Asian countries just because of human rights concerns” (see Figure 37). In 2020, however, 45% of Canadians also agree with that statement, indicating a split in opinion. All provinces share a similar opinion to the national average.

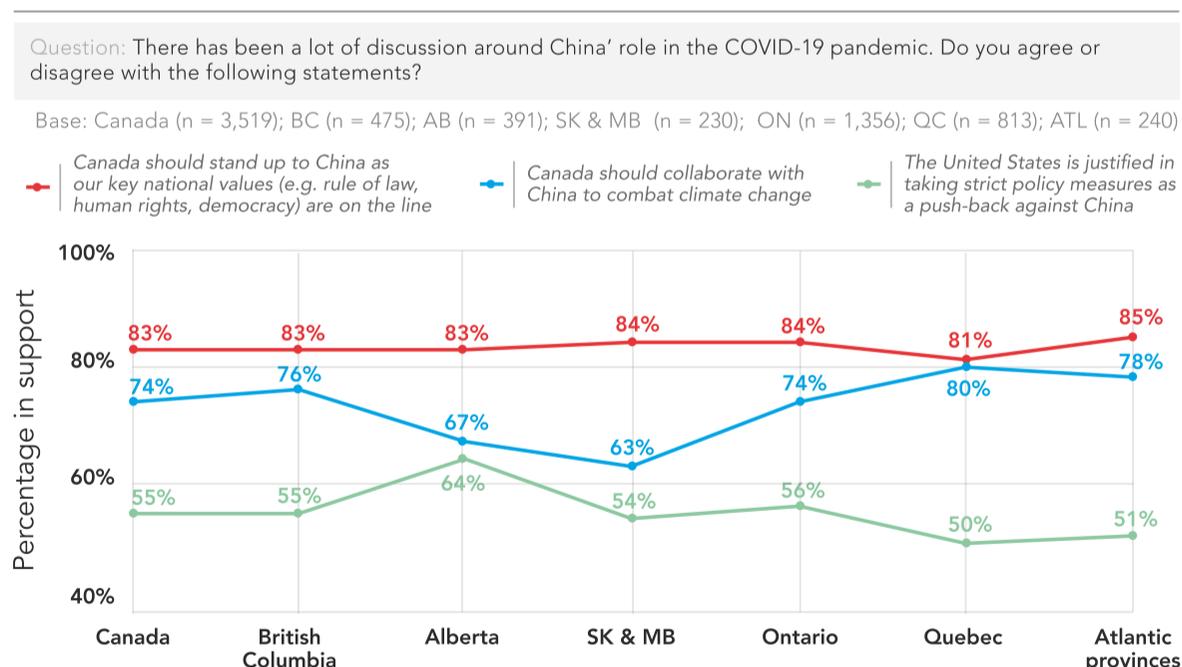
SINO-CANADIAN RELATIONS: A WAY FORWARD

Canadians believe Canada should collaborate with China to combat climate change, and also stand up to China as our key national values are on the line.

The 2020 National Opinion Poll reveals a worsening public opinion toward China. While Canadians have never exhibited warm feelings toward China, as seen in Figure 9, the average feeling has dipped to its lowest in the past decade. Canadians still believe China represents significant economic importance for Canada (5 out of 7), but very few Canadians (35%) consider China’s growing economic power more as an opportunity than a threat.

Exploring Canadian views on Sino-Canadian relations further, we find that 83% believe that Canada should stand up to China as our key national values are on the line, but only 55% of Canadians believe that the U.S. is justified in taking strict policy measures as a push-back against China. Meanwhile, 74% believe that Canada should collaborate with China to combat climate change (see Figure 38).

FIGURE 38
Most Canadians believe Canada should stand up to China as our key national values are on the line



There are small but statistically significant differences in the average opinion held by respondents from different provinces. Whether the United States was justified in taking strict policy measures against China, 64% of Albertans agree with the statement, but among other provinces, 56% or less share similar sentiments. Meanwhile, except for Albertans (67%), and Saskatchewanians and Manitobans

(63%), more than 74% of respondents from other provinces believe Canada should collaborate with China to combat climate change.

CANADIAN VIEWS ON THE TWO MICHAELS

Most Canadians would like to see their government keep engaging China behind closed doors to secure the two Michaels' release.

Canada's position regarding the case of the two Michaels – Michael Spavor and Michael Kovrig – who have been detained by the Chinese government since December 2018, has ignited a lot of heated debate and discussion. In our 2020 NOP, we investigated public opinion on what the Canadian government should do in this case. Most respondents feel that Canada should keep engaging China behind closed doors to secure the two Canadians' release (73%). The second most popular opinion is for Canada to push China more aggressively to secure the two Canadians' release (67%), and finally, 67% believe that Canada should work with the United States and other allies to pressure China for the release of the two Canadians.

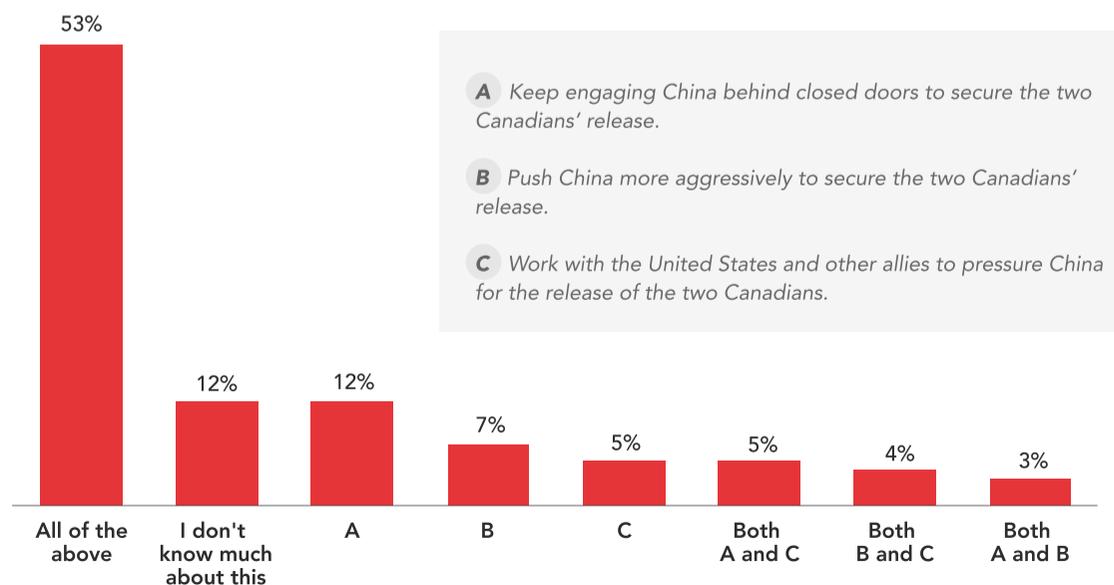
Given the sensitive nature of this topic, this question warranted a closer look at the distribution of responses, and we find that the vast majority of survey respondents (53%) selected all three options (see Figure 39). This may indicate that the respondents are not so much worried about the strategy, but rather about the outcome, i.e. securing the two Michaels' release. We also found that 12% of respondents chose a combination of any two options. Finally, some respondents elected only one option. Among those, 12% believe that Canada should only keep engaging China behind closed doors to secure their release.

FIGURE 39

Exploring Canadian opinions on Canada's approach to the two Michaels' case

Question: Canadians Michael Spavor and Michael Kovrig have been detained in China since December 2018. What do you think Canada should do in this regard?

Base: All respondents (n = 3519)





Source: Photo by KOBU Agency on Unsplash

COVID-19 AND CHINA

Canadians mainly don't believe the Chinese government acted responsibly at the beginning of the COVID-19 outbreak, and think Canada should actively support an independent inquiry into the virus's origins.

The 2020 NOP indicates a deteriorating view of China in light of the COVID-19 pandemic, as discussed earlier (see Figure 6). Additionally, we find that only 22% of Canadians believe that the Chinese government acted responsibly at the beginning of the COVID-19 outbreak (67% disagree, per Figure 40).

Interestingly, there is a significant positive correlation between feelings for China and opinions about the Chinese government's responsibility – respondents who have warmer feelings towards China are also likely to agree that the Chinese government acted responsibly during the COVID-19 outbreak. We find that 50% of Canadians who share negative or unfavourable feelings towards China (below 4 on the 10-point scale) also disagree with the statement that “the Chinese government acted responsibly at the beginning of the COVID-19 outbreak.”

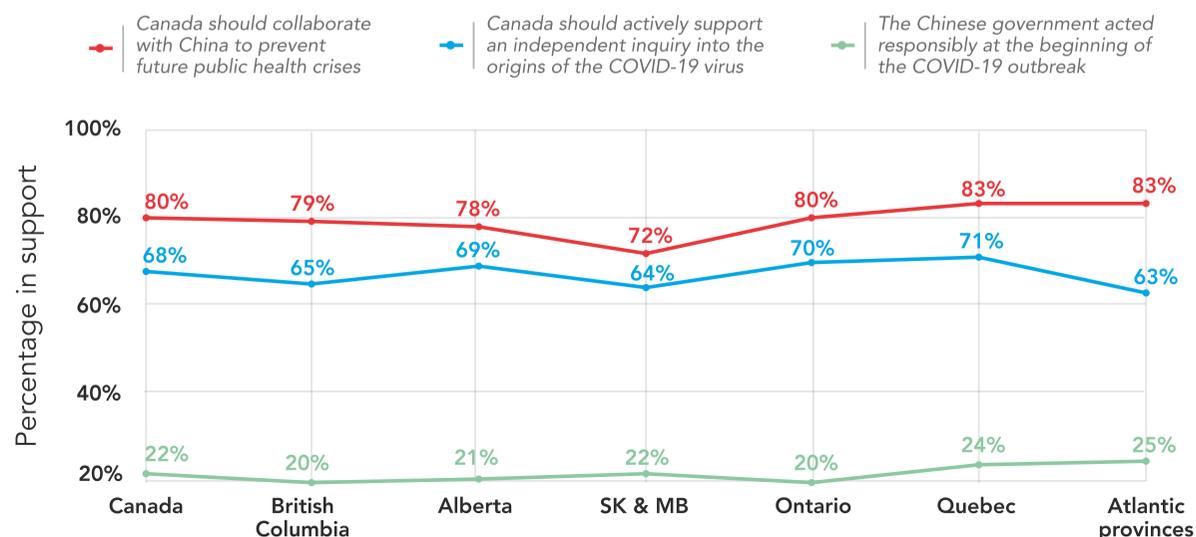
At the provincial level, more than 70% of respondents from British Columbia, Alberta, and Ontario disagree that the Chinese government acted responsibly, compared to 60% from Quebec, marking a significant difference in opinion.

FIGURE 40

Canadian views on an independent inquiry into origins of the COVID-19 virus, China's role in the outbreak, and collaborations to prevent future public health crises

Question: There has been a lot of discussion around China's role in the COVID-19 pandemic. Do you agree or disagree with the following statements?

Base: Canada (n = 3,519); BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



Following the current pandemic – with concerns around a future pandemic very high (see Figure 34) – Canadians across all provinces express a strong agreement that “Canada should collaborate with China to prevent future public health crises” (see Figure 40).

Most Canadians also agree that “Canada should actively support an independent inquiry into the origins of the COVID-19 virus,” a general level of agreement that is reflected across all provinces. Quebecers show the most agreement of all provinces with this statement.

ON TAIWAN

Most Canadians think Canada should expand relations with Taiwan even if it would lead to problems in Canada’s relations with mainland China.

In our 2020 NOP, we find that Canadians share a favourable and warm view of Taiwan (see Figure 8). However, about 17% of Canadians say that they do not have an opinion on Taiwan (compared to 21% in 2018). Arguably, Canadians view Taiwan in a much more positive light than China. Even in the context of the COVID-19 pandemic, perceptions of Taiwan have remained “about the same” for 68% of Canadians, but for 14%, it is “improving” (see Figure 6).

Most Canadians do not consider Taiwan a critical country for Canada’s economic well-being (see Figure 9). Still, given Taiwan’s growing role in the Asia Pacific and the world stage, we asked Canadians further about the tenuous relations between China and Taiwan, and how they expect Canada to act in this regard.

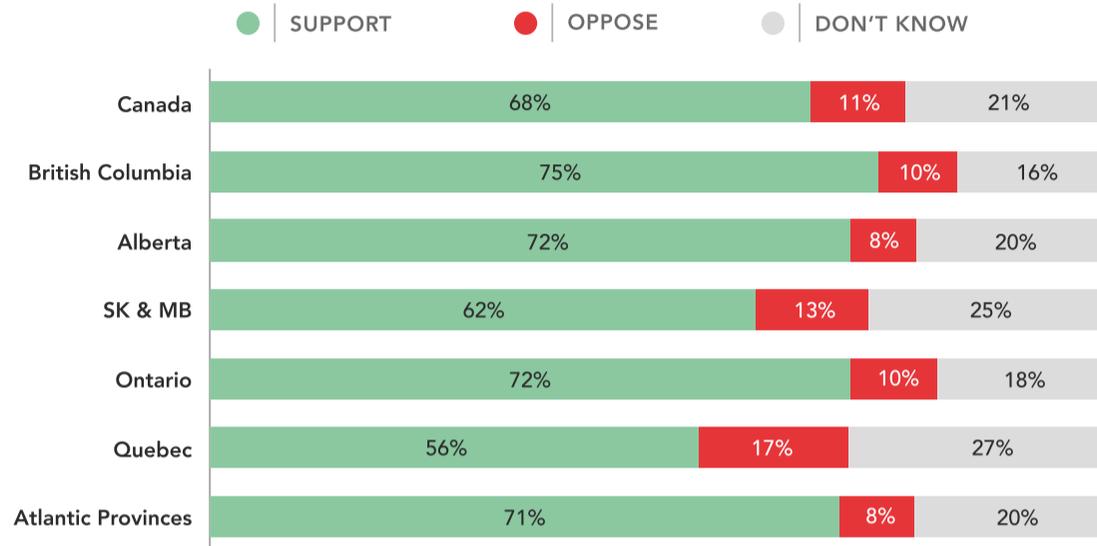
A majority of Canadians (68%) say that they would support Taiwan joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, there is a significant difference in the average opinion expressed across different provinces (see Figure 41). We find that only 56% of Quebecers and 62% of Saskatchewanians and Manitobans express support for Taiwan joining the CPTPP, compared to above 71% of respondents from other provinces.

FIGURE 41

Most Canadians support Taiwan joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Question: Would you support or oppose Taiwan joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)?

Base: Canada (n = 3,519); BC (n = 475); AB (n = 391); SK & MB (n = 230); ON (n = 1,356); QC (n = 813); ATL (n = 240)



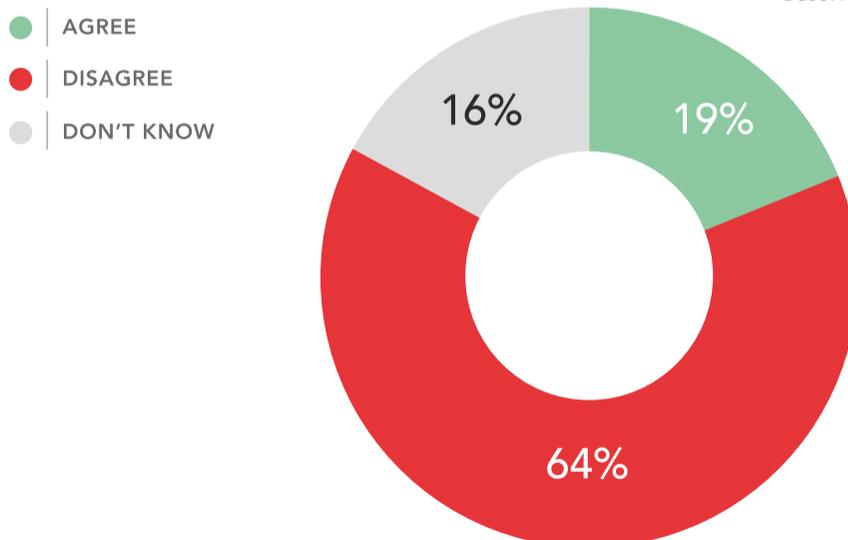
Finally, we asked Canadians if they think “Canada should not expand relations with Taiwan if it would lead to problems in Canada’s relations with mainland China.” Most Canadians (64%) disagreed with the statement, indicating that Canada’s expansion of relations with Taiwan should not be dependent on the issues that may arise in Canada’s relations with mainland China (see Figure 42).

FIGURE 42

Most Canadians are of the opinion that Canada should expand relations with Taiwan, even if it would lead to problems in Canada's relations with mainland China

Question: Please indicate whether you agree or disagree with the following statements: Canada should not expand relations with Taiwan if it would lead to problems in Canada’s relations with mainland China.

Base: All Respondents, 2020 (n = 3,519)



Interestingly, in 2006, Canadians were asked the same question and around 41% (n = 1,014) believed that Canada should not expand relations with Taiwan if it would lead to problems in Canada’s relations with mainland China. The 2006 poll did not

have the “don’t know” option, but the proportion of Canadians in disagreement was considerably higher than it is today (see Figure 42).

CONCLUSION

The year 2020 has been one of flux and change. Not only has our way of life been redefined around a new normal, but there are ongoing socio-economic and political changes afoot globally. The COVID-19 outbreak has impacted every jurisdiction, and in the process, it has brought to our attention the importance of global interconnectedness and helped us recognize that the world needs to come together to keep the wheels turning. As the Canadian economy recovers from the economic and social stress wrought by the pandemic, it is imperative to recognize the opportunities for growth held by the Asia Pacific, a region with which Canadians today identify much more than they did just a decade ago.

The COVID-19 pandemic and the global response has impacted our perception of various foreign economies and relations, but we find that Canadians hold a stable and optimistic attitude towards most Asia Pacific jurisdictions.

Canadians recognize the United States' economic importance, but in the same breath, they also express the need to diversify trade relations and foreign policy alliances away from the U.S. Aligning Canada's trade, economic, security, and foreign policies with like-minded democracies such as Australia, Japan, South Korea, the European Union, and the United Kingdom is now given higher priority than aligning Canada's policies with the United States. Part of this sentiment to de-prioritize the U.S. may stem from witnessing the last four tumultuous years under the Trump Presidency. And indeed, under a Biden administration, we may well see new trends emerge in our 2022 National Opinion Poll.

In this year's NOP, we also observe an all-time low in public opinion toward China across all touchpoints – warmth of feelings, trade, FDI, and human rights. This trend was to be expected given the Huawei debacle and the detention of the two Canadians by the Chinese government since December 2018. The past two years have seen growing animosity in Sino-Canadian relations, which has also filtered out into the attitudes of the Canadian public. This poll shows that while most Canadians disapprove of the strict retaliatory policy tactics adopted by the United States as a push-back against China, Canadians would like their government to stand up to China to protect their key national values. This sentiment is also reflected in Canadian attitudes towards securing the release of the two Michaels.

Tapping Canadians' perspectives on both China and the United States, it can be readily surmised that Canadians are not willing to tolerate intimidation and

power plays from these two superpowers. Over the past two years, both the U.S. and China have implemented policies and measures that have impacted Canadian trade, economics, and foreign relations. Despite sharing the most extensive land border and a unique neighbourly relationship with the United States, the Trump administration's decisions, such as blocking personal protection equipment exports in the middle of a pandemic and the imposition of tariffs on aluminum products from Canada, did not go unnoticed by Canadians. Indeed, Canadian attitudes towards these two nations are growing unfavourable, despite their persisting economic importance. However, the recent change of the guard in the U.S. may signal warming relations between the two neighbours. It is expected that Joe Biden's and Kamala Harris' personal connections with Canada, coupled with their diplomacy and closer alignment with Canadian values, will make for a welcome change from the previous administration. Furthermore, according to a recent [Ipsos](#) poll, seven in ten Canadians feel that a Biden administration would be good for Canada.

This poll is also unique in that it takes the pulse of Canadians towards the assimilation and accommodation of immigrants and newcomers to Canada. Immigrants are enriching Canadian culture, and with the Asia Pacific forming the largest source region, it is heartening to note that Canadians do not expect newcomers to let go of their cultural identities but do expect them to adopt core Canadian values such as equality, democracy, and respect for minority rights.

As we approach 2021, it is significant to note that Canadians share an optimistic view of Asia Pacific jurisdictions, and would like to learn more about Asian culture, history, politics, and economics through educational programs. Canadian values are the underlying guiding principle for Canadian foreign relations, and as identified in this poll, there are several areas of potential engagement with Asia, including in cybersecurity, public health, environmental and climate change, and democracy and human rights. All of these areas are in critical stages. In today's connected world, for instance, many governments are at high risk of cyberattack. Case in point is the August 2020 cyberattacks on the Government of Canada that breached the Canadian Revenue Agency's databases detailing personal information of thousands of Canadians. Furthermore, COVID-19 has helped put into perspective the need to focus on public health issues; rising sea levels and warming surface temperatures make climate change a priority area; and, the abuse of human rights observed in places like Myanmar, China, and India raises new questions around democracy and human rights. International collaboration and the exchange of knowledge and expertise is imperative if we are to achieve meaningful and lasting advancements in these areas.

METHODOLOGY



The Asia Pacific Foundation of Canada commissioned Ekos Research Associates to survey 3,519 Canadian adults (permanent residents and citizens 18 years and older). The survey was conducted from August 31 to September 21, 2020, using EKOS's research panel, Probit. This panel offers coverage of the Canadian population accessible through internet, phone, or cellphone.

A random stratified sample for this study was drawn from the panel database using random digit dialling. All data was collected online. The margin of error – which measures sampling variability – is +/- 1.65% for the entire sample. The average completion time for the survey was 20 minutes.

The results have been statistically weighted by EKOS according to the current census data on age, gender, and region to ensure the representativeness of the sample. Discrepancies in or between totals are due to rounding.

REGIONAL ANALYSIS

As noted under Survey Results, for the purpose of regional analysis and in view of the sample size, some provinces/territories were collapsed into one region, and the provincial grouping of Northern Canada has not been considered in the regional analysis due to the low sample size.

Please note, the margin of error for subsamples varies with sample size. See the table below for an overview of margin of errors to account for in regional subsamples for the 2020 NOP.

Table 1: Sample distribution and Margin of Error for the 2020 National Opinion Poll

Provinces	Unweighted Sample Size	Weighted Sample size	Weighted %	Margin of Error
Canada	3,519	3,519	100	+/- 1.65
British Columbia	465	475	13.5	+/- 4.54
Alberta	407	391	11.1	+/- 4.86
Saskatchewan and Manitoba	247	230	6.5	+/- 6.24
Ontario	1344	1356	38.5	+/- 2.67
Quebec	803	813	23.1	+/- 3.46
Atlantic Provinces (New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador)	239	240	6.8	+/- 6.34
Northern Canada (Yukon, Northwest Territories, and Nunavut)	7	7	0.2	+/- 37.04
Prefer not to answer	7	7	0.2	NA

Note: The margins of error are calculated at the 95% level of confidence.

It should also be noted that the margin of error for each year's sample varies. The above table only details the 2020 National Opinion Poll sample distribution.

Statistically significant: Throughout the report, relations between variables are mentioned as statistically significant, or the difference between groups is statistically significant. In simple terms, statistical significance refers to the likelihood that a relationship between two or more variables is caused by something other than chance or sampling.

APPENDIX

Table 2: Canadians' feelings towards each country, region, or territory, on a scale of 1 to 10, with 10 meaning a "very warm, favourable" feeling – a provincial breakdown

	Canada	BC	AB	SK & MB	ON	QC	ATL
China	3.6	3.6	3.5	3.7	3.4	4.0	3.9
European Union	7.5	7.5	7.5	7.3	7.5	7.6	7.5
Hong Kong	6.2	6.3	6.3	5.8	6.2	6.0	6.2
India	5.7	5.9	5.8	5.8	5.8	5.4	6.0
Japan	7.4	7.6	7.4	7.0	7.4	7.4	7.4
South Korea	6.7	6.9	6.8	6.5	6.9	6.5	6.8
Taiwan	6.6	6.8	6.8	6.2	6.7	6.4	6.7
United Kingdom	7.6	7.5	7.8	7.6	7.7	7.4	7.7
United States	4.9	4.7	5.3	5.0	4.8	5.0	4.8
Vietnam	6.3	6.5	6.2	6.0	6.2	6.4	6.4
Sample size	3,519	475	371	230	1,356	813	240

Table 3: Economic importance of each country, region, or territory, on a scale of 1 to 7, with 7 meaning "very important" – a provincial breakdown

	Canada	BC	AB	SK & MB	ON	QC	ATL
China	5.0	5.2	5.0	5.0	5.0	5.0	5.0
European Union	5.7	5.6	5.6	5.5	5.7	5.8	5.6
Hong Kong	4.3	4.4	4.3	4.3	4.2	4.3	4.1
India	4.7	5.0	4.9	5.0	4.9	4.3	4.5
Japan	5.1	5.2	5.2	5.1	5.1	5.0	5.0
South Korea	4.5	4.7	4.6	4.4	4.6	4.4	4.4
Taiwan	4.4	4.5	4.5	4.3	4.4	4.2	4.3
United Kingdom	5.2	5.1	5.4	5.2	5.3	5.2	5.3
United States	6.1	6.1	6.2	6.1	6.2	6.0	6.1
Vietnam	3.9	4.0	4.0	4.1	3.9	3.9	3.8
Sample size	3,519	475	371	230	1,356	813	240

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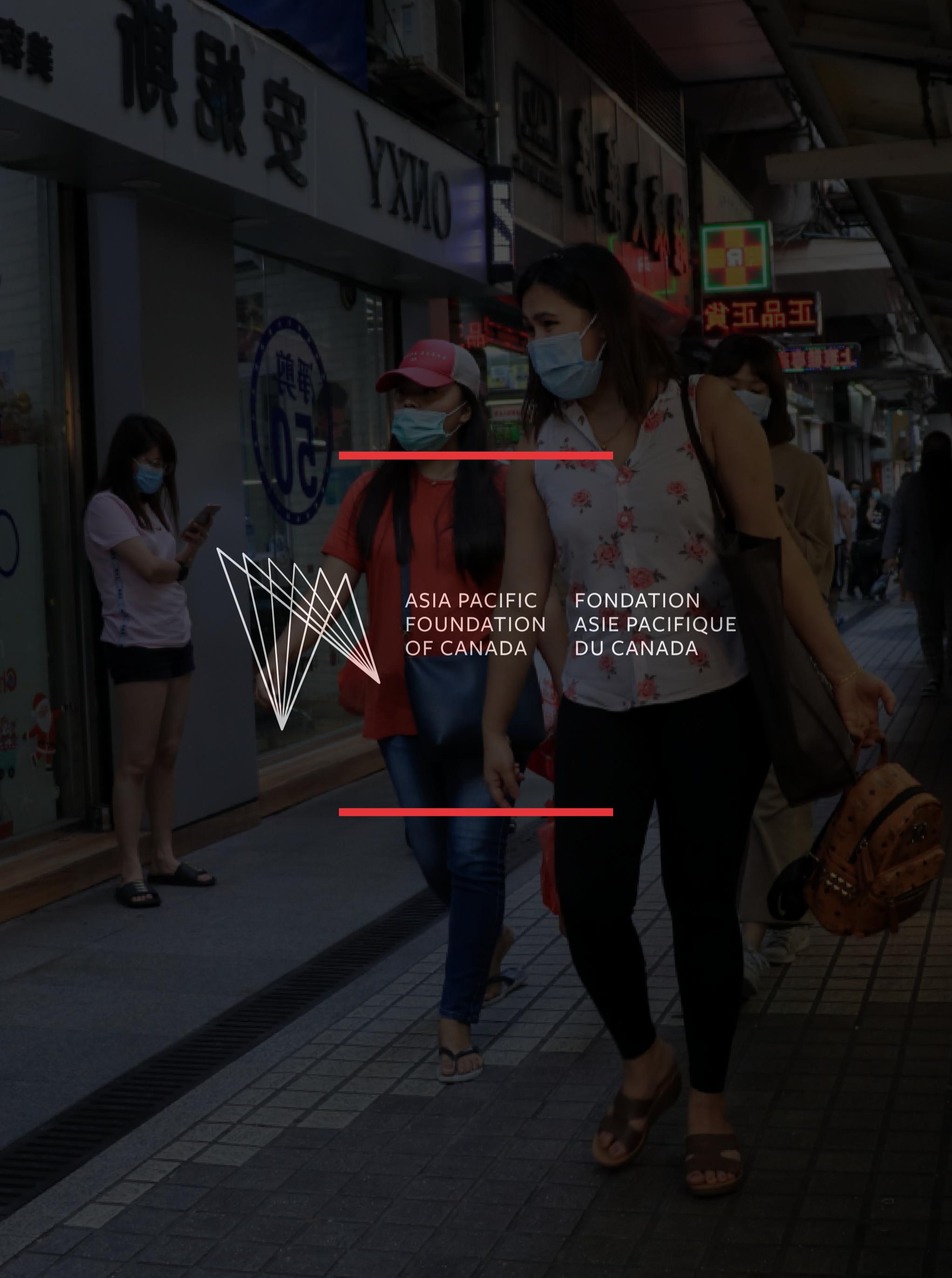


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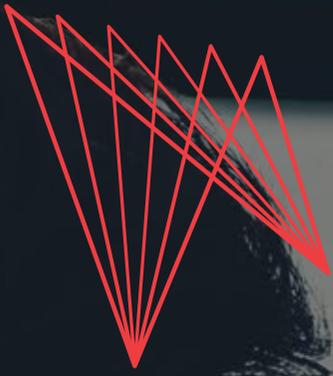
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ASIAN VIEWS ON ECONOMIC ENGAGEMENT WITH CANADA

Perspectives from Business Leaders and
Policy Experts in Asia

A CROSS-COUNTRY ANALYSIS

MAY 2020



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May 2020

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ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development, and Asia Competency.

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, and a regular Asia Watch newsletter that together support these thematic areas.

APF Canada also works with business, government, and academic stakeholders to provide custom research, data, briefing, and Asia Competency training for Canadian organizations. This "micro-consulting" service is available by request. We would be pleased to work with you to meet your business intelligence needs.

Contact us at info@asiapacific.ca or visit us online at www.asiapacific.ca.

FOREWORD

The COVID-19 pandemic is undermining global economic integration and challenging Canadian businesses in unprecedented ways. As we look beyond the current crisis to the post COVID-era, the Asia Pacific will emerge as a priority region for Canada's economic recovery and reengagement. Now, more than ever, Canada needs to strengthen and enhance its relations with the economies of the Asia Pacific to rebuild both its domestic economy and its global value chains. This 'broad diversification' strategy –will be critical for Canada's national interests in our reshaped world.

For the past 16 years, the Asia Pacific Foundation of Canada has conducted regular nation-wide surveys to assess Canadians' attitudes toward, and perceptions of, Canada-Asia relations. These National Opinion Polls (NOPs) have served as a valuable source of information on Canadian perspectives on the rise of Asia and its importance to Canada's economic wellbeing. They have also provided a unique tool for our country's business leaders and government policy-makers.

This year, APF Canada has turned its lens away from Canada and across the Pacific to ask Asian business leaders and policy experts for their views on Canada. This first version of Asian Views on Economic Engagement with Canada: Perspectives from Business Leaders and Policy Experts in Asia draws perspectives from six key Asian economies – China, India, Japan, Singapore, South Korea, and Vietnam – that present our best opportunities for future diversification and growth in this dynamic region.

This comprehensive new survey finds that there is an incredible amount of interest from Asia in engaging in the Canadian market, particularly from the region's developing economies, which are experiencing rapid economic growth with a concurrent expansion of wealthier middle classes. Asian businesses, however, face numerous barriers to engagement, including a lack of current trade relations and an awareness of Canada's value proposition. This survey report further identifies potential areas of engagement and collaboration, such

as artificial intelligence (AI), renewable energy, tourism, and education, and building lasting approaches to deeper engagement, such as trade missions.

It is my hope that this poll of business leaders and policy experts in Asia will complement our previous National Opinion Polls as an important tool for Canada's own leaders as they consider a long-term, broad diversification strategy inclusive of the Asia Pacific, which will be a critical driver of a rebooted global economy in the post-COVID era.

On behalf of APF Canada, I would like to acknowledge and thank those involved in producing this report, especially our funding partners, Global Affairs Canada, Export Development Canada, and Invest in Canada, as well as APF Canada's Board of Directors, which provided the core funding required to launch and complete this important survey project. I would also like to extend my appreciation to our advisory panel members – Don W. Campbell, Dan Ciuriak, Jing Li, Patricia Nelson, Daniel Savas, Hugh Stephens, and Eric Werker – for their valued input and feedback.

I would like to thank the members of our APF Canada research team who were instrumental in researching, writing, and finalizing this report, in particular Sreyoshi Dey, our Program Manager, Perspectives Asia, who oversaw this important project, as well as our communications team, which assisted in the production and design of this final report.

And finally, a thank you to our readers, stakeholders, and friends for their ongoing support of our important work as Canada's leading organization for research, analysis, and consultation on Canada-Asia relations

Stewart Beck,

President and CEO, Asia Pacific
Foundation of Canada



EXECUTIVE SUMMARY

To gauge Asian perspectives on deepening economic engagement with Canada, the **Asia Pacific Foundation of Canada** launched a multinational research project comprising surveys with business leaders and interviews with policy experts in Asia. This project was conducted in six major Asian economies – China, India, Japan, Singapore, South Korea, and Vietnam – with a focus on nine industrial sectors that are of bilateral interest and have the greatest potential for Canada’s economic growth. This project is supported by Export Development Canada, Global Affairs Canada, and Invest in Canada.

We conducted surveys of 1,124 business leaders in China, 1,110 in India, 1,082 in Japan, 1,084 in Singapore, 1,088 in South Korea, and 1,112 in Vietnam, for a total of 6,600 surveys. Additionally, we conducted interviews with 8 policy experts from China, and 10 each from India, Japan, Singapore, South Korea, and Vietnam, for a total of 58 interviews.



15 Key Takeaways

1. THE BUSINESS COMMUNITIES IN ALL SIX COUNTRIES HAVE ESTABLISHED A MODERATE LEVEL OF ENGAGEMENT IN CANADA, WITH VIETNAM'S LEVEL OF ENGAGEMENT THE LOWEST AMONG THE SIX COUNTRIES.

Twenty-two percent of the Chinese business leaders surveyed say they are conducting business in Canada, compared with 15% of Indian businesses, 12% of Singaporean businesses, 11% of Japanese and South Korean businesses, and 8% of Vietnamese businesses. Furthermore, measured as a share of international business engagement, Canada is the least important region for Singaporean businesses. That is not true for any of the other five countries surveyed.

2. MOST ASIAN COMPANIES' ENGAGEMENT IN THE CANADIAN MARKET IS EXPORT-RELATED.

For all six countries, exports to Canada is the most common type of business in Canada (44%), followed by contractual relationships (20%), imports to Canada (10%), and joint ventures with Canadian companies (10%).

3. ON AVERAGE, ASIAN COMPANIES FIND THE CHALLENGE OF CONDUCTING BUSINESS IN CANADA COMPARABLE TO THOSE OF OTHER INTERNATIONAL MARKETS.

Indian and Japanese business leaders doing business in Canada find it easier to conduct business in Canada than in other international markets. For their part, Vietnamese and Chinese leaders find it slightly more difficult. Finally, South Korean leaders stand out among the respondents, as only 5% of them think it is easier to conduct business in Canada, compared with 28% who think it is harder. The remaining 67% think it is either “about the same” or responded “don’t know.”

4. BUSINESS LEADERS EXHIBIT A STRONG DESIRE TO MAINTAIN AND ESTABLISH MORE BUSINESS RELATIONSHIPS IN CANADA, WITH INDIAN BUSINESSES THE MOST ENTHUSIASTIC.

Except for Japan, companies from all other Asian countries that are already involved in the Canadian market are looking to expand their engagement in Canada. Japanese companies are split on wanting to expand (43%) and maintain business engagement (47%). For companies *not* doing business in Canada, 76% from India say that they are either considering or planning to enter the Canadian market. That is true for 68% of companies from South Korea, 56% from Vietnam, 48% from Japan, 43% from China, and 38% from Singapore.

5. ASIAN BUSINESS LEADERS, EXCEPT IN JAPAN, SHARE A POSITIVE VIEW OF THE CANADIAN MARKET, PRODUCTS, AND THE QUALITY OF BUSINESS PARTNERS IN CANADA.

Fifty-one percent of the business leaders from China, India, South Korea, Singapore, and Vietnam believe that Canada is at the technological forefront, as opposed to only 12% of Japanese respondents. Similarly, on an average, 51% and 58% of Asian business leaders believe that Canada is an important supplier of energy and environmentally friendly products, respectively, whereas only 28% and 33% of the business leaders from Japan feel likewise. Concerning product quality, only 19% in Japan believe that Canadian products have a superior price-quality ratio, while 57% in other countries think the same. Lastly, only 16% of Japanese business leaders believe that Canadians are reliable business partners, contrasting with the opinion of 56% of business leaders in the other countries.

6. BUSINESS LEADERS SHARE A FAVOURABLE VIEW ON THE CANADIAN BUSINESS ENVIRONMENT.

Companies believe that all 19 proposed factors related to the Canadian economy are more positive than negative factors for business. The business leaders were specifically optimistic about factors related to networking and in-market knowledge, such as their own knowledge about Canadian business culture (58%) and Canadians' knowledge about the respective Asian countries' business culture (55%). Among regulations, mobility of business travellers was considered the most positive factor (52%), and among factors related to the Canadian market, technical or technological knowledge transfers to the respondents' country (53%) was perceived as the most positive factor.

7. SEVEN OUT OF TEN BUSINESS LEADERS SURVEYED DO NOT UNDERSTAND THE CANADIAN BUSINESS OPERATING ENVIRONMENT. BUSINESS LEADERS NOT INTERESTED IN CANADA IDENTIFY LACK OF FAMILIARITY AND NETWORKS AS THE TOP REASONS FOR THEIR LACK OF INTEREST.

Adding to that list, policy experts note Canada's lack of value chain role or trade complementarity with the Asian countries, uncertainty following the Canada-United States-Mexico Agreement (CUSMA), and complexities related to Canada's business operating systems as barriers to business engagement in Canada. The geographic distance from the Asian markets further adds to the complexity of conducting business.

8. DOMESTIC TRADE POLICIES AND REGULATIONS OF THE ASIAN COUNTRIES ON OUTBOUND INVESTMENT ARE VIEWED POSITIVELY BY MOST ASIAN BUSINESS LEADERS.

Respondents from all Asian countries, except Japan, think that their respective country's trade policies and regulations on outbound investments are more positive than negative factors for doing business in Canada. At the same time, most Japanese companies find their domestic trade and investment policies to be irrelevant factors for Japanese companies to conduct business in Canada.

9. BUSINESS LEADERS IN INDIA AND VIETNAM BELIEVE CANADA'S ECONOMIC RELATIONS WITH THEIR OWN COUNTRY IS PERTINENT FOR THEIR SECTOR.

Respondents indicated the importance of their country's economic relations for their sector with eight international markets – Canada, the United States, India, Japan, South Korea, Australia, the United Kingdom, the European Union, and Southeast Asia. Among the eight markets, Canada is considered an important economy by 84% of the Indian business leaders and 72% of the Vietnamese leaders. Interestingly, Canada is seen as an important market by only 26% of Japanese business leaders.

10. THE IMPORTANCE OF CANADA FOR ASIAN COUNTRIES VARIES BY SECTOR: ENVIRONMENTAL GOODS AND SERVICES, AND INFORMATION AND COMMUNICATION ARE THE MOST IMPORTANT SECTORS FOR THE COUNTRIES SURVEYED.

Environmental goods and services is the most important sector in Canada for Singaporean businesses and the second most important sector for Japanese businesses. The information and communication sector is the most important sector for engagement with Canada in both Vietnam and South Korea. In Singapore, it is the second most important sector for engagement with Canada. Non-renewable energy and agriculture are also among the most important sectors for engagement with Canada, and top the list for India and Japan, respectively.

11. ARTIFICIAL INTELLIGENCE, TECHNOLOGY, EDUCATION, TOURISM, SERVICE INDUSTRY, AGRICULTURE, AND NATURAL RESOURCES ARE CONSIDERED CANADA'S PRIMARY STRENGTHS FOR TRADE AND INVESTMENT ENGAGEMENT.

Most policy experts believe Canada needs to better promote these sectors to the Asian markets. Indian and Vietnamese experts also call attention to the fact that both countries, which are fast-growing economies, are interested in inward investments from Canada in various sectors including manufacturing, transportation, and AI.

12. PROPOSALS TO EXPAND ENGAGEMENT WITH CANADA GENERALLY DRAW STRONG SUPPORT FROM ASIAN COMPANIES.

Despite some concern that trade relations with Canada will benefit Canada more and may generate pressures on Asian companies and workers, there is strong support for the instalment of measures favouring economic engagement with Canada in all countries except Japan, where there is instead strong opposition to those measures. The low support from Japanese businesses cannot be explained by the concerns mentioned above, but perhaps can be explained by a lack of perceived benefits to economic engagement with Canada.

13. MOST COUNTRIES ARE IN FAVOUR OF NEGOTIATING A BILATERAL FOREIGN INVESTMENT PROMOTION AND PROTECTION AGREEMENT (FIPA) WITH CANADA; HOWEVER, WHILE ALREADY IMPLEMENTED IN CHINA, MOST CHINESE COMPANIES ARE UNAWARE OF THIS AGREEMENT.

Nearly 90% of Chinese business leaders are not aware of the FIPA between China and Canada. Accordingly, less than 4% of companies made use of the agreement. In other Asian countries that do not have such an agreement with Canada, around 50% of the respondents believe a FIPA would be valuable for their company, except for Japanese (9%) and Indian (75%) respondents.

14. THERE IS WIDESPREAD SUPPORT FROM BUSINESSES IN CHINA, INDIA, SINGAPORE, AND VIETNAM TO ENTER A FREE TRADE AGREEMENT (FTA) WITH CANADA.

Entering a bilateral FTA with Canada is supported by 80% and 59% of Indian and Chinese businesses, respectively. Furthermore, Canada is exploring an FTA with the Association of Southeast Asian Nations (ASEAN), and businesses in both Vietnam (72%) and Singapore (63%) support this agreement. In South Korea, where the Canada-Korea FTA (CKFTA) is already in place, 45% of business leaders believe the agreement is beneficial for their company, while only 3% believe it is damaging. Overall, companies in the cleantech and environmental goods and services sectors are the most supportive of an FTA with Canada, followed closely by companies operating in the finance and non-renewable energy sectors.

15. THERE IS A STRONG SUPPORT FOR THE COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP (CPTPP), OUTSIDE OF JAPAN.

Business leaders from Vietnam (62%) and Singapore (53%) think the CPTPP will be beneficial for their companies. Less than 2% believe the partnership will be damaging for their company. Additionally, 67% in Vietnam and 55% in Singapore believe in the importance of having Canada as part of the CPTPP. In Japan, 77% of business leaders believe the CPTPP will have no influence and 82% believe the presence of Canada in the CPTPP is unimportant to some degree.

INTRODUCTION

Canada has been actively engaged in diversifying its trade and investment relations. Moving beyond the border regions and entering alliances with the Asia Pacific countries has led to agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Canada-Korea Free Trade Agreement (CKFTA). Furthermore, Canada consolidated its relations with the European Union and the United States through updated agreements such as the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the Canada-United States-Mexico Agreement (CUSMA). However, the growing protectionism in the United States and in some European countries, coupled with the uncertainties in the global economy following the COVID-19 pandemic, requires the Canadian government to strengthen its relationships with major Asian economies that promise growth and diversity. Navigating our way through the economic struggles and finding common ground with major Asian economies such as China, India, Japan, South Korea, Singapore, and Vietnam may be the required leap in these uncertain times.

Seeking deeper engagement with Asian economies, Canada has been actively pursuing liberalized trade and investment relations. Amid much controversy, the foreign investment promotion and protection agreement (FIPA) with China came into effect in October 2014, encouraging more bilateral foreign direct investments. The CKFTA, effective since January 2015, marks Canada's first FTA with the Asia Pacific region, and [now helps 95% of Canada's exports](#) by providing duty-free access to Korea.

Negotiations toward a Canada-India Comprehensive Economic Partnership Agreement (CEPA) addressed various issues, such as cross-border trade in goods and services, e-commerce, and telecommunications, in the tenth round of negotiation, but the overall negotiating process now appears to be stalled. Finally, the CPTPP ratified in December 2018 gives Canada enhanced market access to key Asian economies like Japan, Singapore, and Vietnam. Furthermore, the Canadian government has started to explore a regional FTA with the Association of Southeast Asian Nations (ASEAN) to further diversify its trade relations.

While pursuing stronger economic engagement, Canada is seeking to expand its share of Asian markets in the areas of agri-food, energy, health care and life sciences, advanced manufacturing, financial services, tourism, and education services – sectors highlighted by Canada’s Advisory Council on Economic Growth, [in their second report](#), as having potential for growth.

Understanding public and private sector attitudes toward trade with other countries is critical when developing any economic relationship. According to the National Opinion Polls conducted by APF Canada, the Canadian public is increasingly aware of how important economic engagement with Asia is to increasing Canada’s prosperity. According to the [2018 National Opinion Poll: Canadian Views on Asia](#), Canadians recognize that trade relations with Asia are central to Canada’s future. Specifically, 59% of Canadians believe that trade with Asia will outweigh trade with the United States in the future. Also, according to a [survey conducted in March 2019 by a UBC research team](#), 62% of Canadians support a Canada-China FTA despite the ongoing tension between Canada and China that brought down support in an FTA slightly, from a 69% high in 2017. Similarly, 71% of Canadians in 2018 viewed the economic rise of India as an opportunity rather than a threat for Canada, an increase of 21 percentage points from 2014.

Furthermore, the Canadian private sector has signalled strong interest in establishing a connection with Asia. The 2016 Business Survey conducted by the Canada China Business Council showed increased support for a Canada-China free trade agreement among Canadian firms compared with 2012. [The 2020 Canada-China Business Survey](#) conducted by the Canada China Business Council suggests that despite obstacles in the bilateral relationship and disruptions in business due to COVID-19, 43% of the participating Canadian and Chinese businesses remain optimistic about the future for business growth.

While the Asia Pacific Foundation of Canada has gathered much knowledge about Canadian attitudes toward Asia through national opinion polls and policy research, at this crucial juncture, it is also pertinent to understand Asian perceptions of the Canadian market and attitudes toward the development of a broader economic relationship with Canada. To achieve that goal, this project not only explored the perspectives of business leaders from six Asian countries

– China, India, Japan, Singapore, South Korea, and Vietnam – on economic engagement with Canada, but it also sought policy experts’ opinions and expertise in understanding ways to strengthen the relationship.

The objective of the project is threefold:

- **Gain insight into Asian perspectives toward Canada-Asia economic engagement;**
- **Explore the potential of Asian markets; and**
- **Inform Canadian businesses and policy-makers about accessing Asian markets.**

Focusing on these six countries allows for a glimpse into the perspectives of the business communities in these countries on trade agreements that have been in effect for some time (CKFTA with South Korea), newly ratified trade deals (CPTPP – Japan, Singapore, and Vietnam), and the possibility of future trade agreements with two of the major Asian economies (China and India). According to [The World Bank’s rankings](#), Canada is 23rd out of 190 international economies on the scale measuring “ease of doing business,” far behind Singapore (2nd); Hong Kong SAR, China (3rd); South Korea (5th); and the United States (6th). Meanwhile, the rest of the countries studied in this research rank behind Canada – Japan (29th), China (31st), India (63rd), and Vietnam (70th). As seen from the rankings, the six countries that were surveyed are quite different from each other and not all are easy to do business with. Therefore, it is pertinent for Canada to consider the factors that might be affecting trade and investment relations. To further put the data in context, we must also review the current climate of economic, social, and political relations between Canada and each of these six countries.

CANADA-CHINA RELATIONS

Diplomatic relations between Canada and China have been ongoing since 1970 when Canada recognized the People’s Republic of China (PRC). After decades of mediocre relations, the two countries ratified a foreign investment promotion and protection agreement in 2012 under the leadership of Stephen Harper and Xi Jinping. The deal, however, met with criticisms of leniency toward Chinese

investors and weakening the position of Canadian companies operating in China. In 2015, the newly elected Liberal government in Canada promised a new beginning in their bilateral relations with China, and the two governments initially started to explore a potential bilateral free trade agreement. In addition, Canada and China currently participate in various multilateral agreements under the umbrella of the World Trade Organization.

In late 2018, the arrest of Huawei CFO Meng Wanzhou on a judicial extradition request from the United States, and China's reaction to it, have derailed bilateral relations. The political and economic relations between the two nations declined rapidly, as indicated by trade and investment data. However, it is unclear what effect this will have on long-term bilateral relations or how long the tensions will last.

In 2019, Canadian exports to China reached C\$23.2B, while imports to Canada reached C\$75B. Exports to China, including bituminous coal, oil, wood pulp, ores (iron and copper), and vegetable and animal products, made up 3.92% of Canadian total exports (a 0.81 point decrease). Imports, consisting primarily of telephones for cellular networks, other machinery products, clothing, and miscellaneous manufactured articles, accounted for 12.47% of Canadian imports (a 0.21 point decrease).

Despite the current political deadlock between Ottawa and Beijing, Canada can ill afford to further strain its trade relationship with China, the world's second-largest economy in terms of gross domestic product (GDP). Moreover, the relationship is assured by over 1.8 million people of Chinese origin living in Canada. Amid tensions, it is as important as ever for Canada to understand how Chinese businesses perceive the Canadian business environment.

CANADA-INDIA RELATIONS

The two democracies have a lot in common, including being member-states of the Commonwealth of Nations and using English as an official language. The two democracies have enjoyed positive bilateral relations for a long time, and as India remains a priority for Canadian trade relations, the two are currently working to strengthen their economic relations. Negotiations toward a CEPA and a FIPA are ongoing. Justin Trudeau's visit to India in February 2018 led

to further discussions and collaboration on pertinent issues such as security, the environment and climate change, and gender equality. The two countries subsequently signed six different memorandums of understanding (MOUs). Canada and India are also joined by multilateral trade agreements such as the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS, 1995) and the World Trade Organization Agreement on Trade Facilitation (TFA, 2017).

The two countries move toward building stronger economic and political relations in the shadow of the Khalistani separatist movement in India. The issue has caused significant tensions and disrupted bilateral relations between the two countries for almost three decades.

In 2019, Canada's biggest public pension fund – the Canada Pension Plan Investment Board (CPPIB) – committed to investing up to C\$600M in India's National Investment and Infrastructure Fund, contributing to Canadian foreign direct investment (FDI) into India, which reached C\$2,273M in 2018. In comparison, FDI from India to Canada amounted to C\$2,561M the same year. Canadian exports to India reached C\$4.8B in 2019, while imports to Canada reached C\$5.5B. Exports, mainly bituminous coal, fertilizers, and diamonds, accounted for 0.81% of Canadian total exports (a 0.07 point increase), and imports, principally organic chemicals, pharmaceutical products, textiles, iron and steel articles, and machinery, made up 0.91% of Canadian total imports (a 0.05 point increase).

As the fifth-largest economy globally, India is suffering from an economic slowdown and the recent turmoil provoked by its ruling party, the Bharatiya Janata Party (BJP). Canada needs to monitor the situation closely. However, ties between Canada and India are assured by a large Indian diaspora in Canada (5.6% of Canadians are of Indian origin), and it will be interesting to grasp Indian companies' interest in Canada at this time.

CANADA-SOUTH KOREA RELATIONS

Canada-South Korea bilateral relations date back to the establishment of the Republic of Korea in 1948. Formal diplomatic relations took off in 1963. Since then, the two countries have maintained a close diplomatic relationship, one that has evolved greatly in the new millennium.

In 2014, the two countries agreed on what was Canada's first FTA in Asia. The CKFTA was the culmination of improving relations between both countries, characterized by a visit from Stephen Harper to Seoul in 2009 and continuing with the withdrawal of a South Korean ban on beef imports from Canada in 2012. Canada had an interest in the agreement because it had the potential to improve access to the Asian market for Canadian businesses and workers, as well as to enhance Canada's trade competitiveness in the Asia Pacific region. More recently, in 2016, Canada and South Korea agreed to a Science, Technology and Innovation Agreement (STI) to support bilateral research and development (R&D) projects. Under this agreement, the two countries plan to conduct joint projects in aviation and space, the environment, energy and clean technology, life sciences and information, and communications technology.

The trade relationship has blossomed in recent years, and South Korea is now Canada's sixth-largest trading partner and Canada's third-largest trading partner in Asia, behind China and Japan. In 2019, Canadian exports to South Korea reached C\$5.5B, while imports to Canada reached C\$9.6B. That consists of a nearly 50% increase in both exports and imports since 2012, two years before the CKFTA was implemented. For 2019, trade with South Korea made up 0.93% of Canadian exports (a 0.08 point decrease) and 1.6% of Canadian imports (a 0.01 point increase).

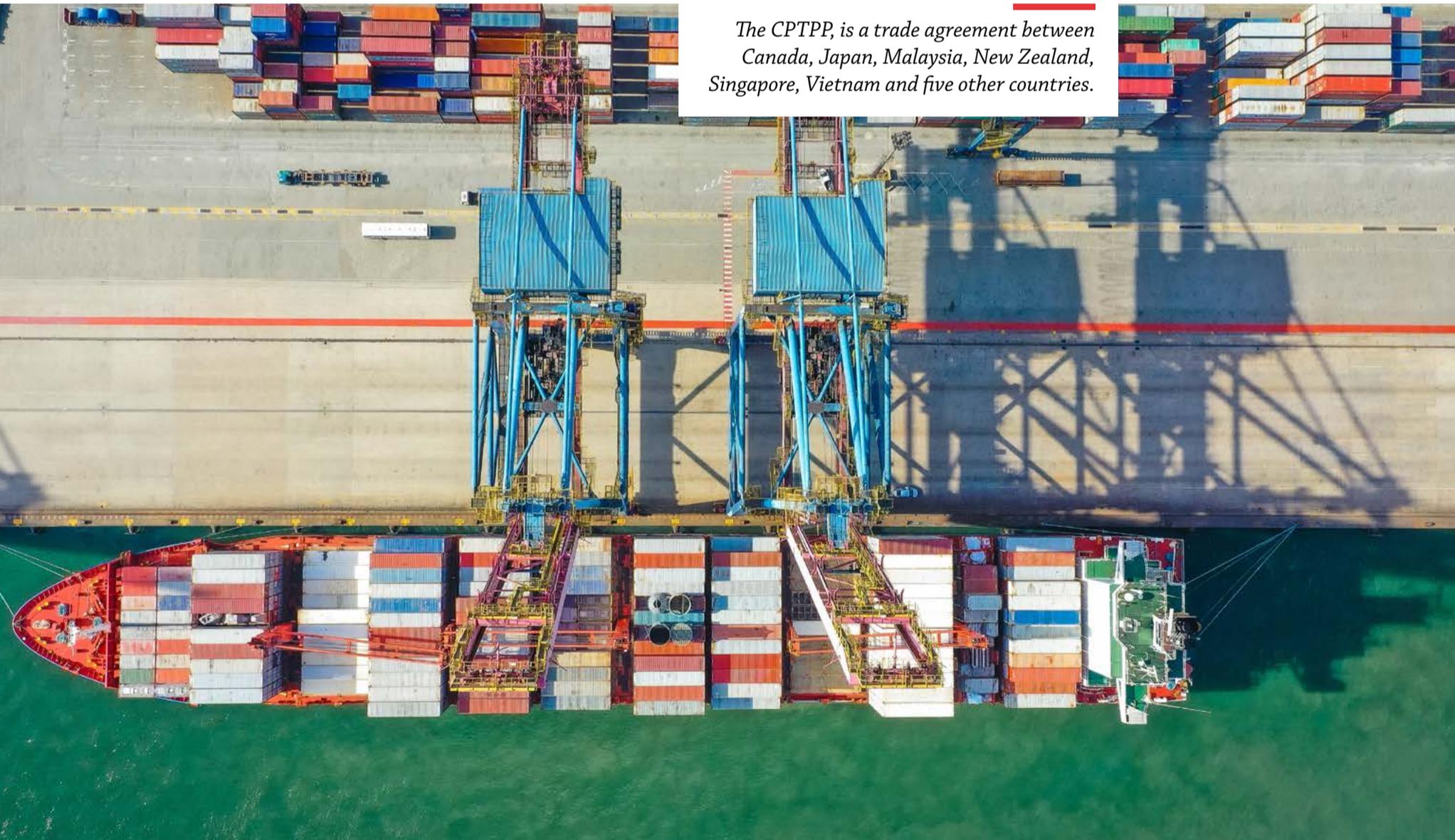
The top Canadian exports to South Korea include bituminous coal and copper and iron ores. At the same time, Canada imports mostly vehicles, electronic equipment, and machinery from South Korea. Also, the Canada-South Korea relationship benefits from strong people-to-people ties, with over 200,000 South Koreans living in Canada and over 27,000 Canadians living in South Korea.

Several factors help South Korea remain the 12th largest economy in terms of nominal GDP and a key economic and trade partner to Canada, including its young and educated workforce; its innovative edge; and its gateway status in the Asia Pacific region. Moreover, the trade relationship is likely to grow in coming years due to the US-China trade war that impedes trade with these countries for both Canada and South Korea.

CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is the first mega free trade agreement (FTA) in the Asia Pacific region, between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, and Vietnam. The CPTPP was signed by the 11 countries on March 8, 2018, in Santiago, Chile. This project focuses on three of the CPTPP partners and their relations with Canada.

It was [found](#) that the largest importer of Canadian products from among the CPTPP countries is Japan (47%), while Vietnam and Singapore (4% each) figure among the smallest importers. Trends indicate that only trade with Singapore is increasing, whereas trade with both Japan and Vietnam is declining. Meanwhile, Vietnam's exports to Canada are increasing, whereas exports from both Singapore and Japan are decreasing.



The CPTPP, is a trade agreement between Canada, Japan, Malaysia, New Zealand, Singapore, Vietnam and five other countries.

Source: Photo by Sergio Souza on Unsplash

CANADA-JAPAN RELATIONS

Canada and Japan celebrated 90 years of diplomatic relations in 2019. In the 1970s and 1980s, Japan was a key trade partner for Canada, reducing Canada's dependence on the United States in trade. However, in the 1990s, the trade relationship stagnated, along with the Japanese economy, due to factors including trade imbalances and incompatible economies. This fragile trade relationship continues today. In 2017, Canada and Japan interrupted five years of negotiations toward a bilateral economic partnership agreement. Nonetheless, the two countries are together members of several multilateral partnerships such as the G7, G20, Asia-Pacific Economic Cooperation (APEC), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), World Trade Organization (WTO), and most recently the CPTPP. With the latter recently signed, the Trudeau government expressed a desire to rejuvenate its trade relationship with Japan and made it a priority in trade.

Furthermore, Canada and Japan share core political values and collaborate beyond trade. Notably, the countries share fundamental security interests, and in 2010 they created the Canada-Japan Joint Declaration on Political, Peace and Security Cooperation, which requires regular bilateral meetings between representatives of foreign affairs and defence. To further deepen the relationship, on April 21, 2018, the two countries signed the Acquisition and Cross-Servicing Agreement (ACSA), which facilitates co-operation between Canadian and Japanese forces, allowing more efficient use of each other's military equipment during operations and exercises across various locations. The agreement also applies to peacekeeping initiatives and responses to humanitarian and disaster events.

In 2019, Canadian exports to Japan reached C\$12.5B, while imports to Canada reached C\$16.5B. That made up 2.11% of Canadian exports (a 0.1 point decrease) and 2.75% of Canadian imports (a 0.08 point decrease). While the main Canadian exports to Japan are agricultural products, meat, diverse ores, and bituminous coal, the major imports from Japan are vehicles, machinery, and electric equipment.

Japan holds considerable economic power globally, the third most important in terms of GDP, behind the United States and China. That, along with the fact

that Japan is one of the world's most innovative countries, especially in the high-tech sector – a sector in which Canada aspires to compete globally – make Japan an essential economic partner for Canada.

CANADA-SINGAPORE RELATIONS

Canada was quick to establish diplomatic relations with Singapore after it became fully independent in 1965. Singapore remained the leading economic partner to Canada in Southeast Asia for decades, and until recently. Today, both countries take part in various multilateral forums, such as APEC, the Commonwealth of Nations, ASEAN Regional Forum, Pacific Alliance, WTO, and now the CPTPP, that allow them to co-operate under several platforms. Additionally, Canada is currently exploring a possible FTA with ASEAN that could further encourage trade between Canada and Singapore.

In 2019, Canadian exports to Singapore reached C\$1.5B, while imports to Canada reached C\$1.2B. That made up 0.26% of Canadian exports (a 0.05 point increase) and 0.2% of Canadian imports (a 0.01 point decrease). Notably, in 2018, Singapore was Canada's largest FDI destination in Southeast Asia (C\$5.85B), and Canada's largest source of FDI (C\$116M). Canadian exports to Singapore consist of machinery and electronic equipment for the most part, while imports from Singapore are mostly chemical products and machinery and electronic equipment.

The small but highly developed city-state of Singapore ranks 34th globally in terms of GDP. However, its centralized location in Southeast Asia, both in terms of its geography and economic relations, makes it a key strategic partner for Canada. The political stability and harmony, despite great ethnic diversity, also make Singapore an attractive economic partner for Canada.

CANADA-VIETNAM RELATIONS

Diplomatic relations between Canada and Vietnam began in the early 1970s, and since the 1990s, Canada has contributed C\$1.5B in development assistance to support Vietnam's development and poverty reduction efforts. However, bilateral and trade relations developed only more recently, after

significant growth in the Vietnamese economy. In 2017, the two countries signed the Canada-Vietnam Comprehensive Partnership Agreement to enhance the bilateral relationship.

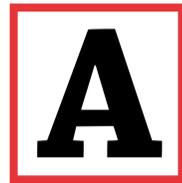
As a member of APEC and ASEAN, Vietnam is part of the ASEAN Free Trade Area as well as many other FTAs with countries across the globe. In addition, Vietnam joined the CPTPP on January 14, 2019, further linking its economy to that of Canada. According to Ousmane Dione, World Bank Country Director for Vietnam, “even under conservative assumptions, the report estimates that CPTPP would increase Vietnam’s GDP by 1.1 percent by 2030. Assuming a modest boost to productivity, the estimated increase of GDP would amount to 3.5 percent from CPTPP.”^{*} A successfully negotiated FTA between Canada and ASEAN would help them to grow their economic relations.

In 2019, Canadian exports to Vietnam reached C\$1B, while imports to Canada reached C\$7B. That made up 0.17% of Canadian exports (a 0.02 point decrease), mainly comprising bituminous coal and vegetable and animal products, and 1.16% of Canadian imports (a 0.26 point increase), largely comprising telephones for cellular networks and clothing.

Ranking 44th among the world economies in terms of GDP, Vietnam is the smallest Asian economy considered in this study. Nonetheless, Vietnam has been Canada’s largest trading partner in Southeast Asia since 2015. As one of the fastest growing nations due to economic and political reforms since the 1980s that have helped the country transition from one of the world’s poorest nations to a middle-income country, Vietnam carries significant potential for expanding trade relations with Canada. A relatively stable political environment and Vietnam’s growing role in the global manufacturing network are positive signs for the trade relationship between Canada and Vietnam going forward.

^{*} The World Bank. 2018. CPTPP Brings Vietnam Direct Economic Benefits and Stimulate Domestic Reforms, WB Report Says. <https://www.worldbank.org/en/news/press-release/2018/03/09/cptpp-brings-vietnam-direct-economic-benefits-and-stimulate-domestic-reforms-wb-report-says>

METHODOLOGY



PF Canada commissioned Intercedent Asia Ltd. to administer the survey and conduct the interviews for this multinational project. It involved surveys with over 1,000 Asian business leaders per country and interviews with at least 10 policy experts for each of the six Asian countries. The fieldwork for the project lasted from October 2018 to August 2019.

THE FOLLOWING DEFINITIONS ARE USED IN THE REPORT:

Business leaders

The term is used to define survey respondents who were, at the time of the study, senior managers, executives, staff members, and founders or board members (see *Annex A* for more details).

Policy experts

This includes researchers or advisers associated with the target countries' universities or research institutes, and researchers and government officials with expertise in the target countries' international business relationships overall or economic engagement with Canada. Not all policy experts who were interviewed were citizens of the Asian countries that were being studied; many spoke from their work experiences.

Investors

Business leaders who identified their type of engagement as greenfield investment, mergers and acquisitions, and/or joint ventures have been grouped together as investors for the purposes of analyses in the report.

Unless mentioned in verbatim quotes, acronyms are used in accordance with the Government of Canada's treatment. For example, Canada-United States-Mexico Agreement (CUSMA), which is alternatively known as USMCA and NAFTA 2.0.

BUSINESS CHARACTERISTICS

Since the survey is not weighted to represent the business landscapes in the spotlight countries, the sample is not representative of the population. Therefore, it is important to examine the defining characteristics of the sample (e.g., the sector of operation, firm size, share of international business, and role of the respondents in their company) before making inferences about Asian businesses in more general terms.

Sector of Operation

The companies surveyed were deliberately divided between nine sectors that are of bilateral interest and have the greatest potential for Canada's economic growth. This is by no means representative of Asia's business landscape and, considering that companies operating in different sectors have different relationships in Canada and hold different views of Canada, the representativeness of the sample may be affected.

Nonetheless, this data collection method provided ample data to do a proper analysis of each sector that is of interest to Canada.

Share of International Business

The survey sample is mostly composed of companies who conduct under a tenth of their business internationally (44%) or companies who conduct a tenth to half of their business internationally (37%). The remaining companies (19%) conduct over half of their business internationally. That said, companies involved in international business are more likely to have an interest in doing business in Canada, understand the business environment in Canada, and arguably have more at play with regard to international trade agreements and policies. This can affect the survey results.

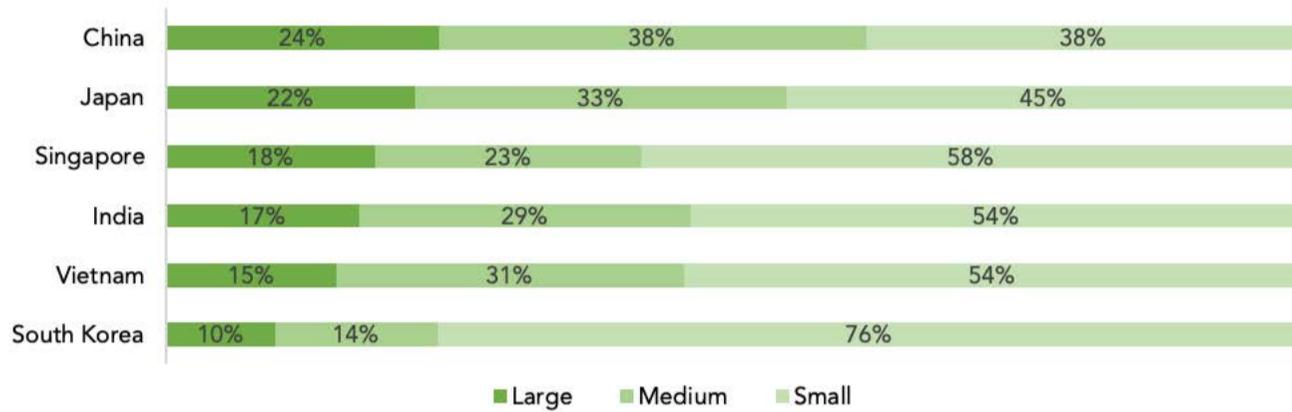
Firm Sizes and Revenue

Size and revenue are statistically significant drivers of interest for Asian companies (except Singaporean companies) conducting business in Canada.* These variables are also significant drivers of differences in responses across

* Significant at the .05 level.

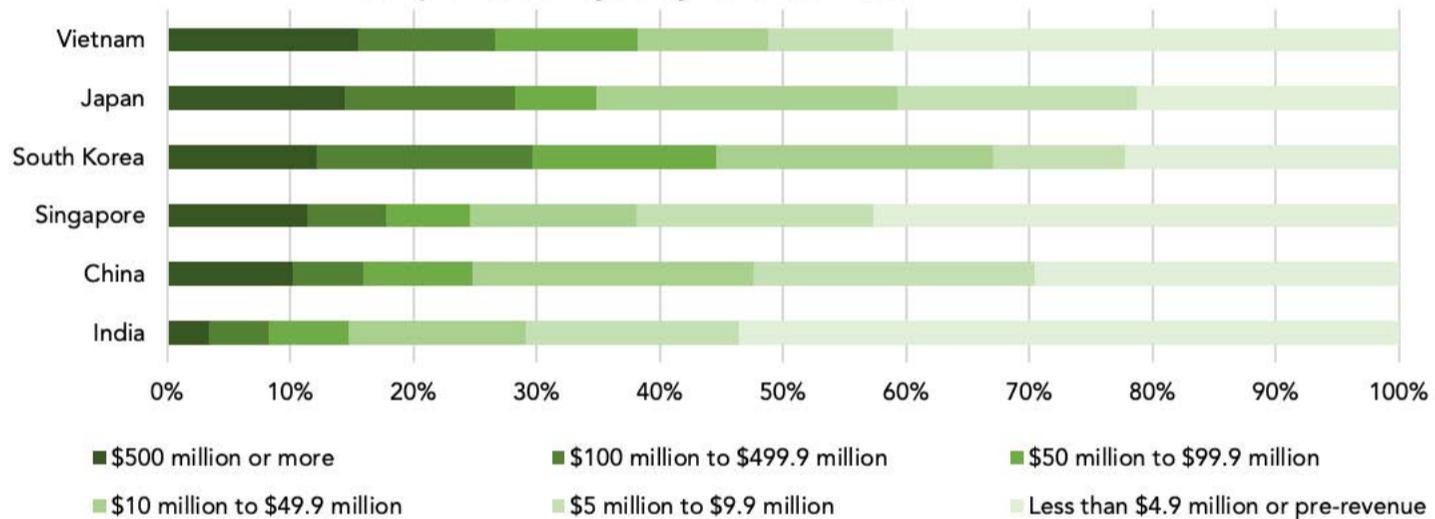
the survey. For example, the share of international trade for each company is affected since the high cost of international trade favours large companies with lower marginal costs.

FIGURE 1 Companies surveyed by size (number of employees)



Question: How many full-time employees does your company currently have globally?
Base: n=6,600 (all respondents).

FIGURE 2 Companies surveyed by revenue in \$CA



Question: As an estimate, what was your company’s annual global gross revenue for the most recently completed fiscal year?
Base: Companies that revealed their revenue bracket: China (n=601), India (n=700), Japan (n=990), Singapore (n=485), South Korea (n=711), Vietnam (n=375).

In the report, firm size is standardized according to the Canadian definition that is a middle ground in the plurality of Asian firm size definitions. The final sample is composed of 54% small firms (0-99 employees), 28% medium-sized firms (100-499 employees), and 18% large firms (500+ employees), as seen in Figure 1.

In this study, we further observed that the size of the company and revenue is positively correlated. That is, as firms grow larger in size in terms of the number of employees, they earn higher revenue.



As part of this survey, APF Canada spoke to firms varying in size and revenue

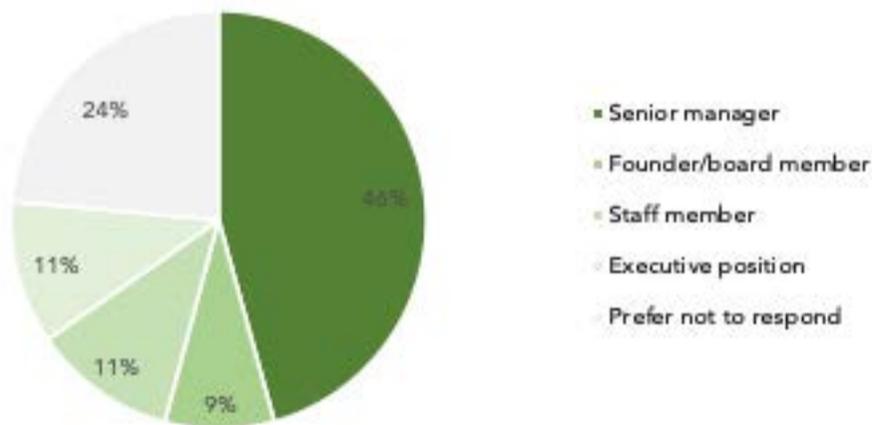
Source: Photo by LYCS Architecture on Unsplash

Role of the Respondents in Their Companies

Inevitably, the survey answers are a function of the respondents’ roles in their companies. The disparity in terms of knowledge about the company and power within the company affects the accuracy and relevance of the answers. We know that at least 46% of respondents are senior managers, 11% hold executive positions, and 9% are either founders or board members (Figure 3). Another 11% answered “other” and are mostly staff members, and the remaining 24% preferred not to disclose their role in the company (refer to *Annex B* for further demographic details).

FIGURE 3

Role of the respondent in the company



Question: What is your role in the company?
Base: n=6,600 (all respondents).

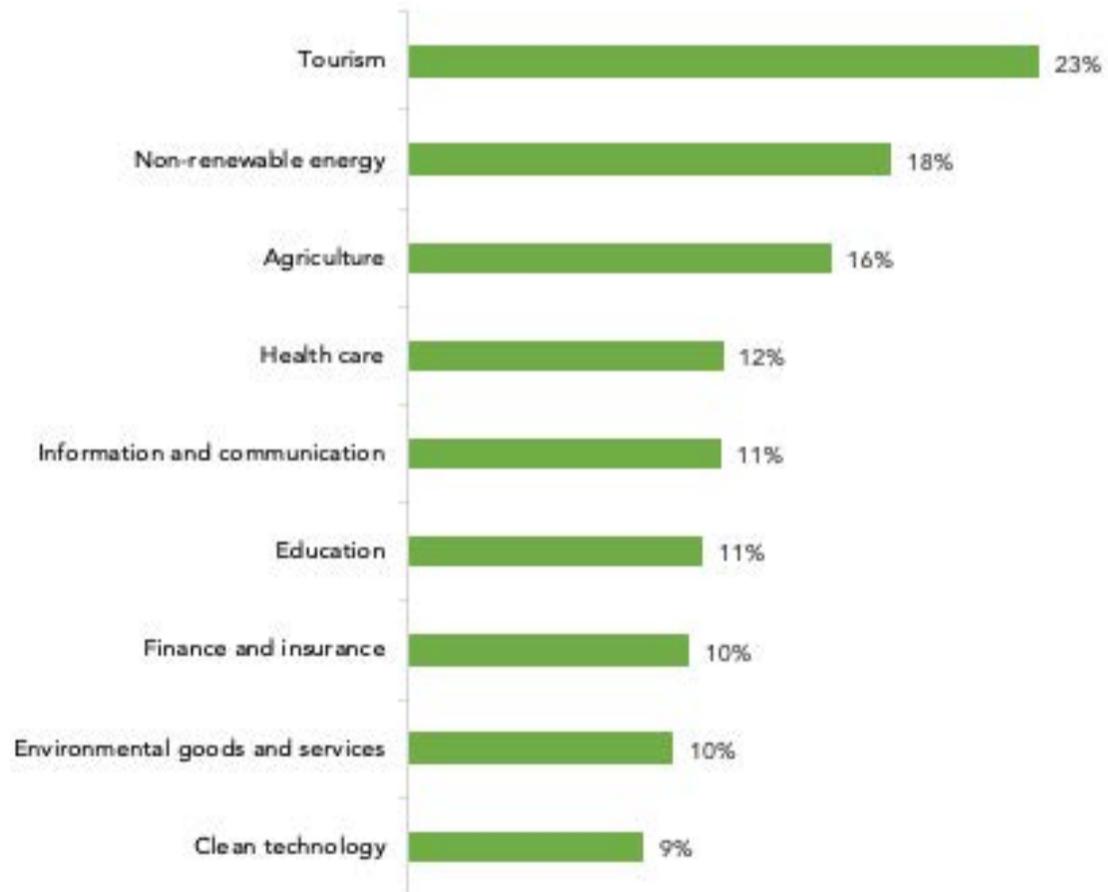
BUSINESS ENGAGEMENT IN CANADA

Scope of Engagement

A sian companies exhibit a low level of engagement in Canada, compared to other international economies, signifying the urgency for Canada to understand and strategize engagement opportunities. Overall, 13% of the companies surveyed are engaged in business in Canada. Canada comes behind the United States (32%), Europe (28%), and Oceania (14%) in terms of market engagement.

FIGURE 4

Asian businesses in the Tourism, Non-renewables, and Agriculture sectors engage more in Canada.



Question: Does your company do business in/with Canada?
Base: n=6,600 (all respondents).

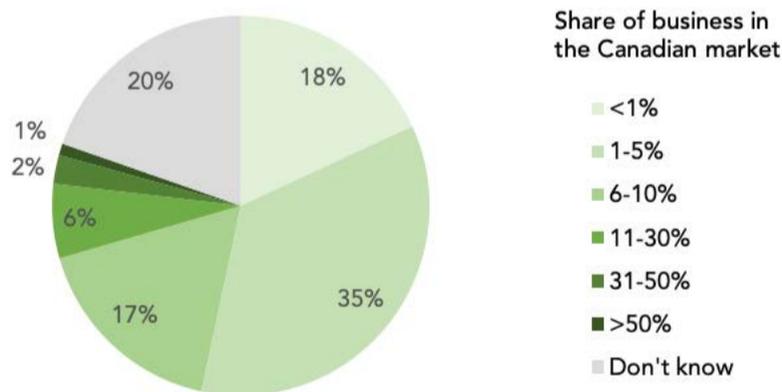
However, Canada has a much smaller economy than most of the regions on the list, close to that of Oceania, and it is also the farthest region from Asia apart from South America. It is possible that low business engagement in Canada is due to those factors rather than a lack of interest, especially since the majority of businesses not engaged in Canada show considerable interest in future relations.

While data has been collected from an equal number of companies across each of the nine sectors, companies in the tourism sector indicated the most business engagement in Canada at 23%, followed by companies in the non-renewable energy sector at 18%, and companies in the agriculture sector at 16% (Figure 4).

Furthermore, for most companies doing business in Canada, only a small share of their total business is conducted in Canada. For over half of companies, it accounts for under 5% of total business, while it accounts for over 10% of total business for less than a tenth of companies (Figure 5).

FIGURE 5

Thirty-five percent of businesses engaged in Canadian market report their share of business in Canada to be 1% to 5% of their total business

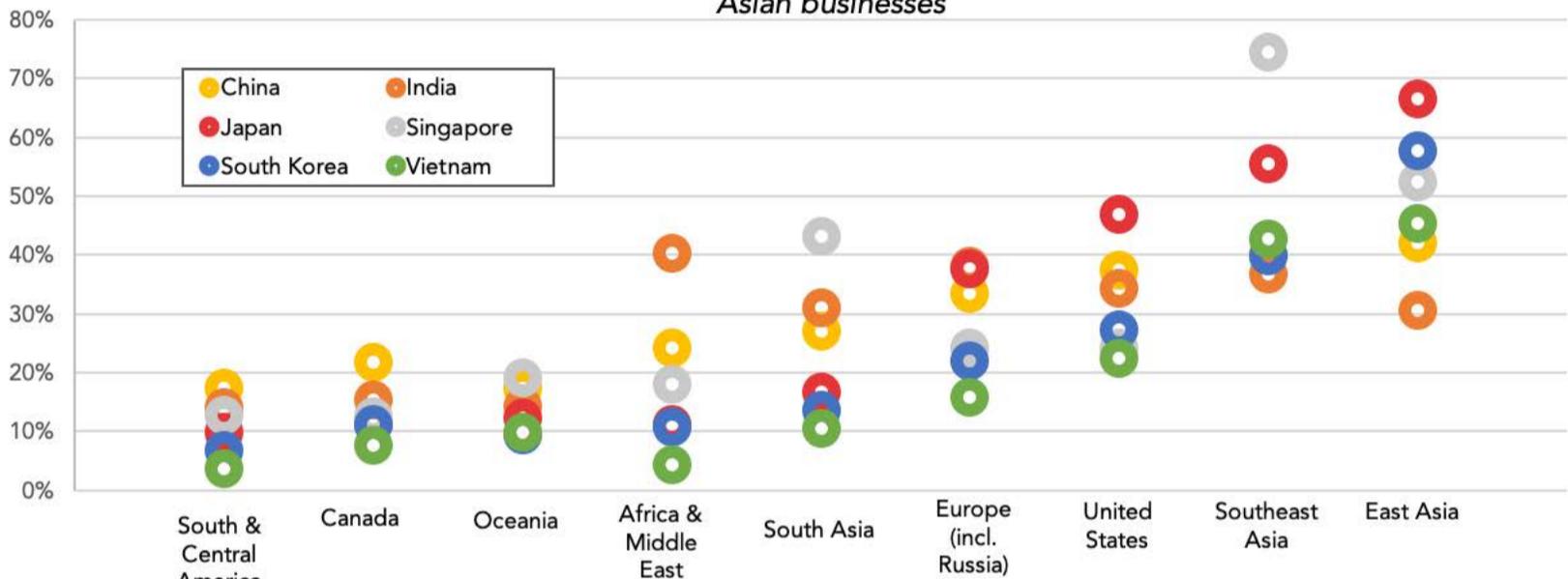


Question: Approximately what is the share of the Canadian market for your international business?
Base: Companies engaged in Canadian market (n=879).

Twenty-two percent of Chinese companies surveyed are engaged in business in Canada, much more than any other country in this study.

Elsewhere, 15% of Indian companies are engaged in business in Canada, as are 12% of Singaporean companies, 11% of Japanese companies, 11% of South Korean companies, and 8% of Vietnamese companies (Figure 6).

FIGURE 6 *Canada does not feature among the most important international business markets for Asian businesses*



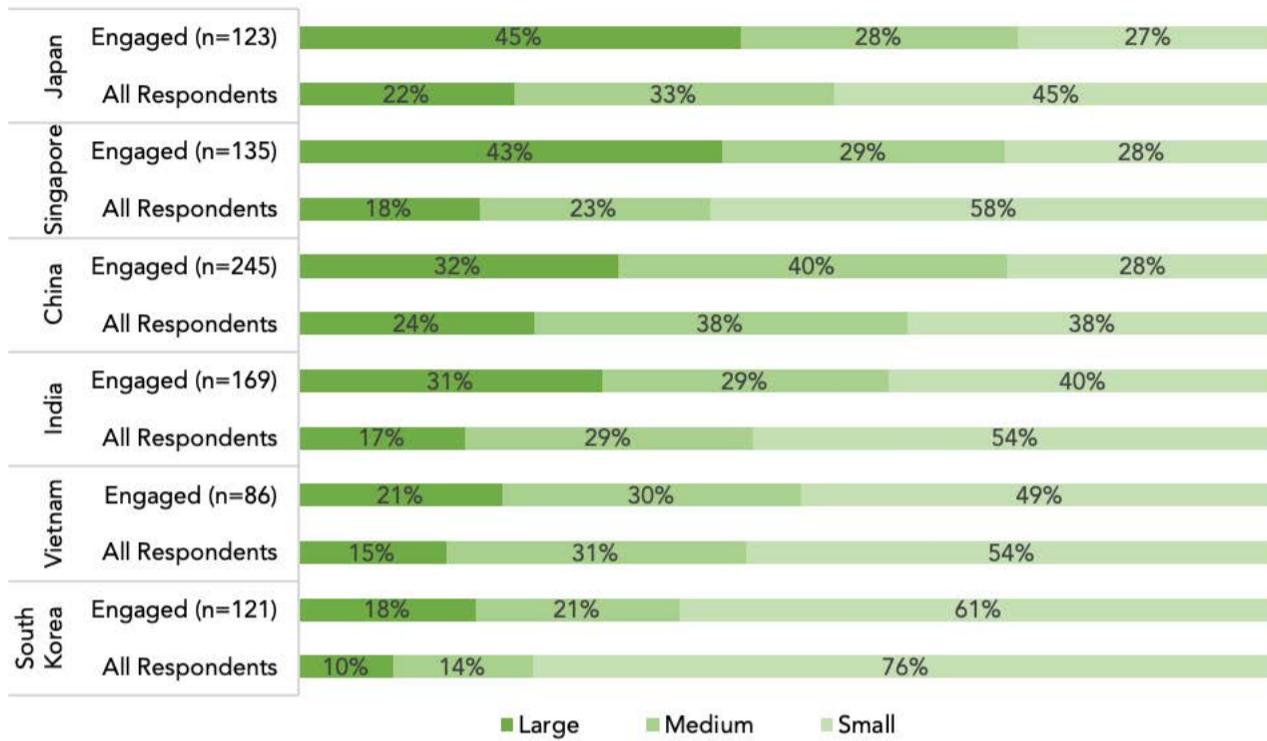
Question: Does your company do business in/with the following markets? Please select all that apply.
Base: n=6,600 (all respondents).

Breaking down the number of companies engaged in Canada in terms of their size, 37% can be defined as small firms, followed by 32% as large firms, and 31% as medium-sized firms (see Figure 7).

It is interesting to note that in three out of the six countries, namely Japan, Singapore, and China, more large companies than small companies are engaged in Canada (for definitions, see *Business Characteristics*). Meanwhile in India, Vietnam, and South Korea, there are more small companies engaged in Canada compared to large firms.

FIGURE 7

Large companies from Japan, Singapore, and China exhibit more engagement in Canada



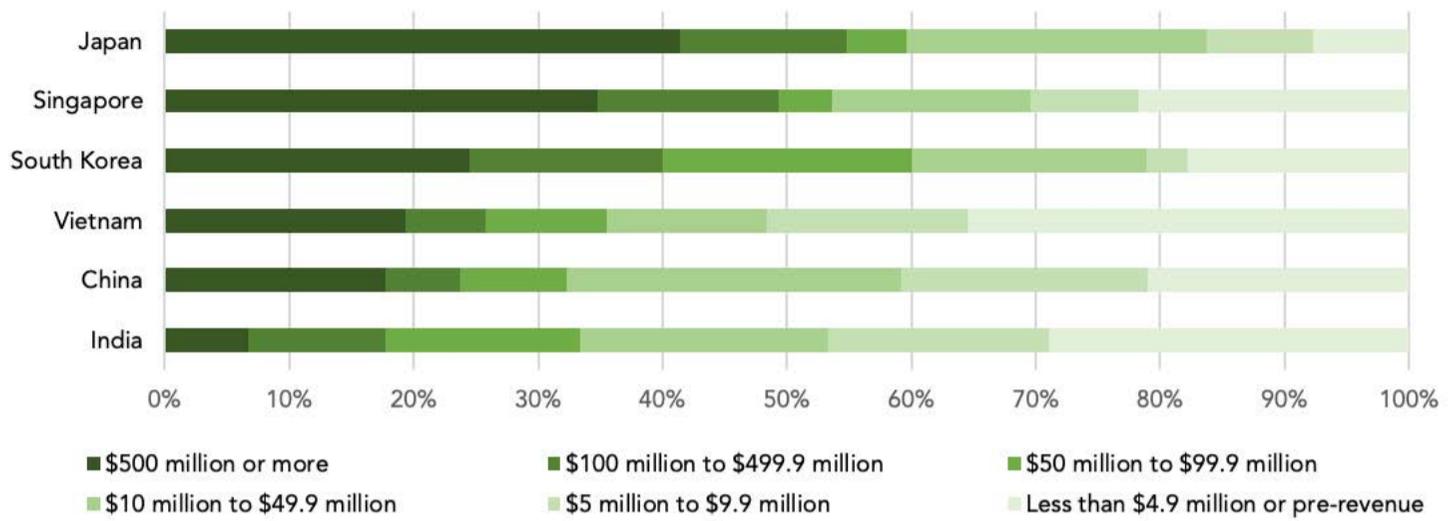
Question: Does your company do business in/with the following markets (Canada)?
 How many full-time employees does your company currently have globally?
Base: n=6,600 (all respondents).

Interestingly, the share of engagement in Canada in terms of companies’ revenues paints a different picture than does engagement based on company size (number of employees). In particular, South Korea has the lowest share of large companies engaged in Canada (see Figure 7) and concurrently has the third-highest share of high-revenue-earning companies that are Canada-experienced (see Figure 8). The trend is the opposite for both China and India, which have the lowest shares of high-revenue-earning companies engaged in Canada.

The high-revenue-earning companies engaged in the Canadian market, with over C\$100M in annual revenue, come predominantly from Japan (55% of Japanese companies engaged in the Canadian market), Singapore (49%), and South Korea (40%). In contrast, Vietnam, India, and China contribute the most in engagement from companies with less than C\$10M in annual revenue (see Figure 8).

FIGURE 8

Share of companies engaged in Canada by revenue in \$CA

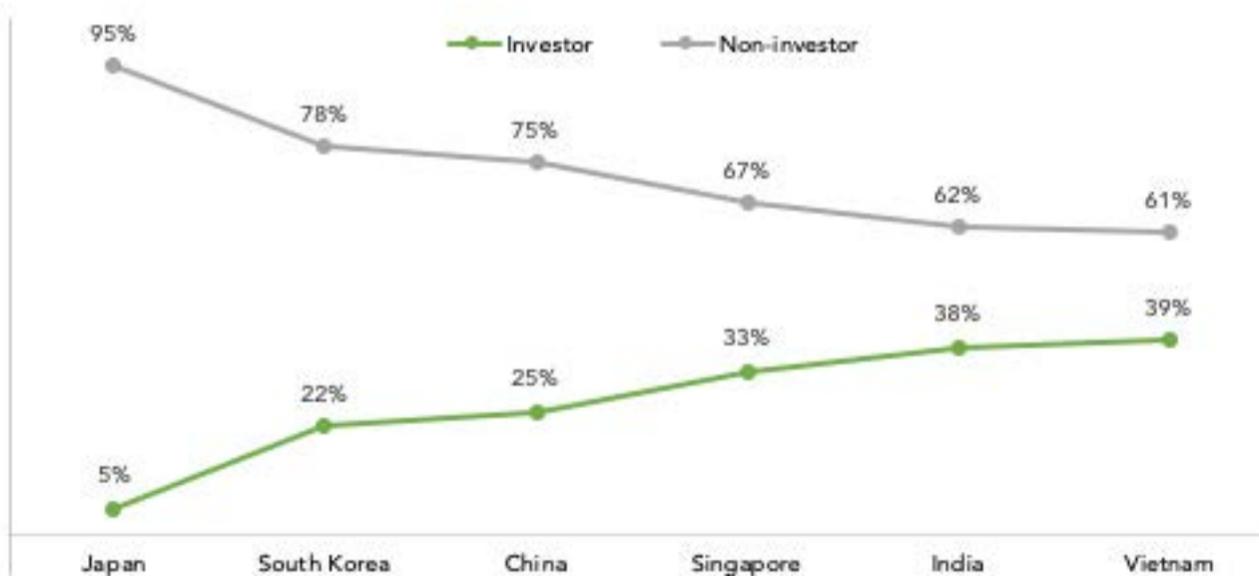


Question: As an estimate, what was your company's annual global gross revenue for the most recently completed fiscal year?
Base: Engaged companies that revealed their revenue bracket: China (n=152), India (n=90), Japan (n=104), Singapore (n=69), South Korea (n=90), Vietnam (n=31).

Furthermore, dissecting the different kinds of relationships built by the surveyed Asian companies engaged in Canada, it was found that about a third of the business is in the form of investments, such as greenfield investments, mergers and acquisitions, and joint ventures (Figure 9). In Vietnam, 39% of the Canada-experienced businesses have some form of investment relation in Canada, while on the other end only 5% of Japanese businesses have investment engagement in Canada.

FIGURE 9

About a third of engagements in Canada are investments

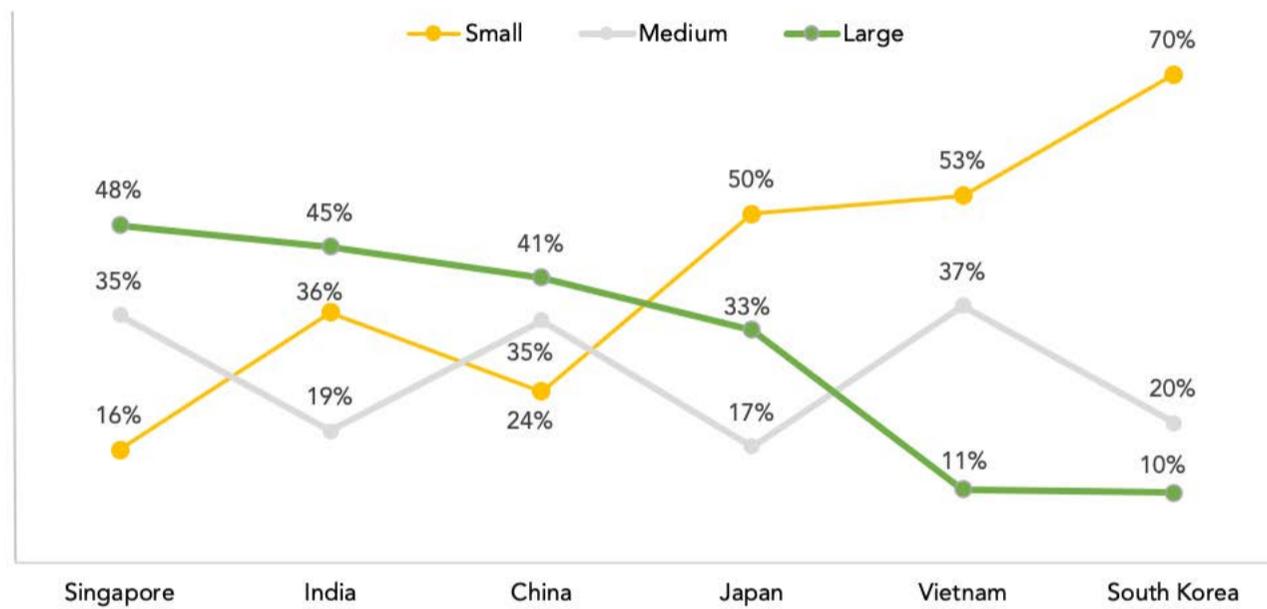


Question: Which of the following statements properly describe your company's current business in Canadian market? (options - greenfield investment; merger and acquisition; joint venture; import; export; contractual relationships; other)
Base: Companies engaged in Canadian market: China (n=245), India (n=169), Japan (n=123), Singapore (n=135), South Korea (n=121), Vietnam (n=86).

We were further interested in identifying the size of companies investing in Canada. As seen in Figure 10, as much as 70% of investments in Canada from South Korea come from small companies. In contrast, only 16% of investments from Singapore come from small companies. Other notable observations include the high share of investments coming from small firms in Japan even though the country has the lowest share of small firms engaged in Canada, as well as the high share of investments coming from large firms in India even though the country has more small firms than large firms engaged in Canada.

FIGURE 10

Investments in Canada by company size: Small companies lead South Korean investments

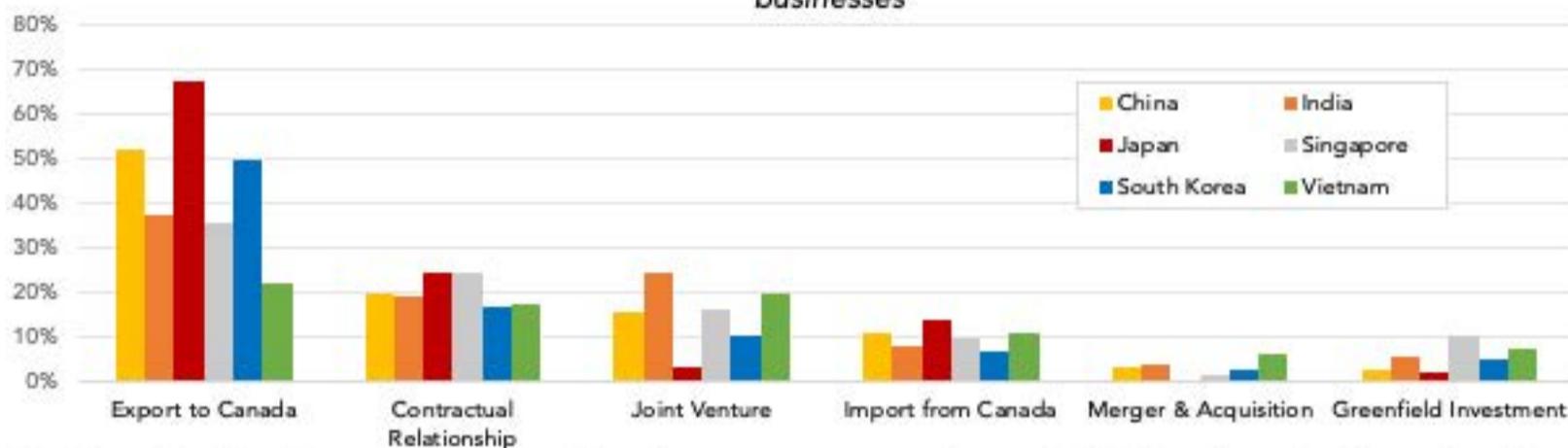


Base: Investors engaged in Canada: China (n=49), India (n=53), Japan (n=6), Singapore (n=31), South Korea (n=20), Vietnam (n=19).

Type of Engagement

Export to Canada is the most common type of business engagement in Canada, and the preferred type of engagement for potential new business partners.

FIGURE 11 *Export to Canada is the most common form of business engagement in Canada for Asian businesses*



Question: Which of the following statements properly describe your company's current business in/with the Canadian market? Please select all that apply.

Base: Companies engaged in Canadian market: China (n=245), India (n=169), Japan (n=123), Singapore (n=135), South Korea (n=121), Vietnam (n=86).

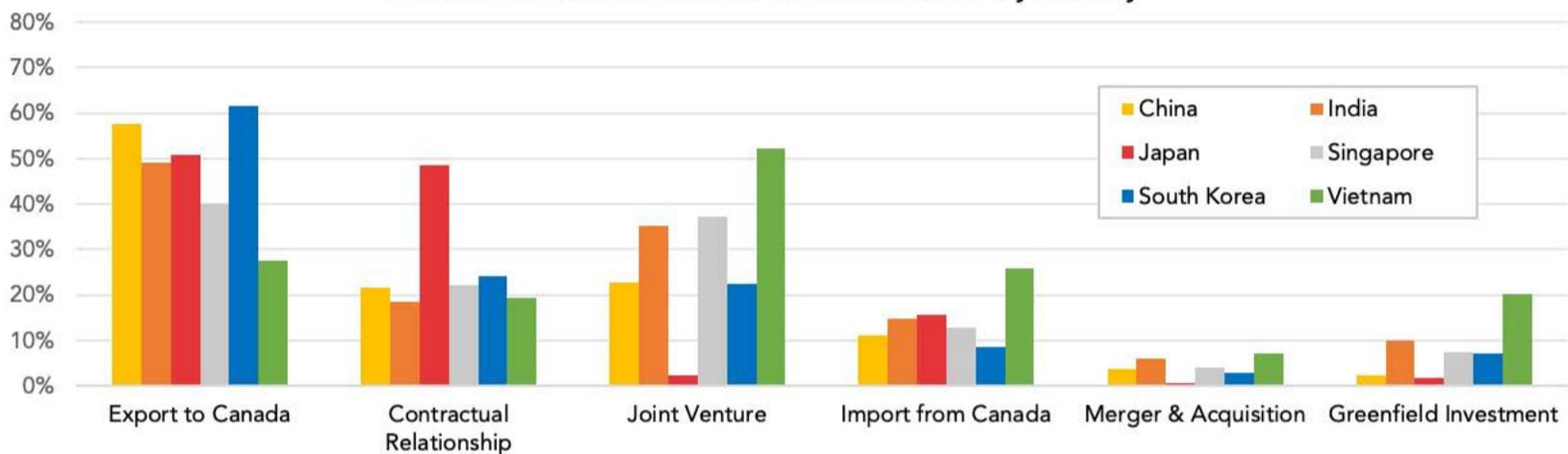
Six primary types of business relationships in Canada were identified in the survey: exporting to Canada; contractual relationship; joint venture (with either Canadian, domestic, or international companies); importing from Canada; carrying out mergers and acquisitions; and making greenfield investments. First, among Canada-experienced companies, 67% of Japanese companies, 52% of Chinese companies, and 50% of South Korean companies are exporting to Canada (see Figure 11). While it remains the most common type of relationship for India (37%), Singapore (36%), and Vietnam (22%), other types of relationships are also important. Notably, joint ventures in Canada are a common type of investment for companies in these countries (around 20%), and a rather uncommon one for South Korean (10%) and Japanese (3%) companies. Finally, mergers and acquisitions and greenfield investments are the least common types of relationships in Canada for each of the six countries.

Second, for companies that expressed an interest in engaging in the Canadian market, export to Canada (48%) is the most popular type of potential relationship, followed by joint venture (29%) and contractual relationship (26%). Japan stands out from the group since an aberrant 49% of companies

are interested in contractual relationships. Vietnam stands out as well, where 52% of companies are interested in engaging in joint ventures (Figure 12). In general, the relational interests of Vietnamese companies are much more diversified than for other countries, with 26% of Vietnamese companies interested in importing from Canada and 20% interested in greenfield investments in Canada.

FIGURE 12

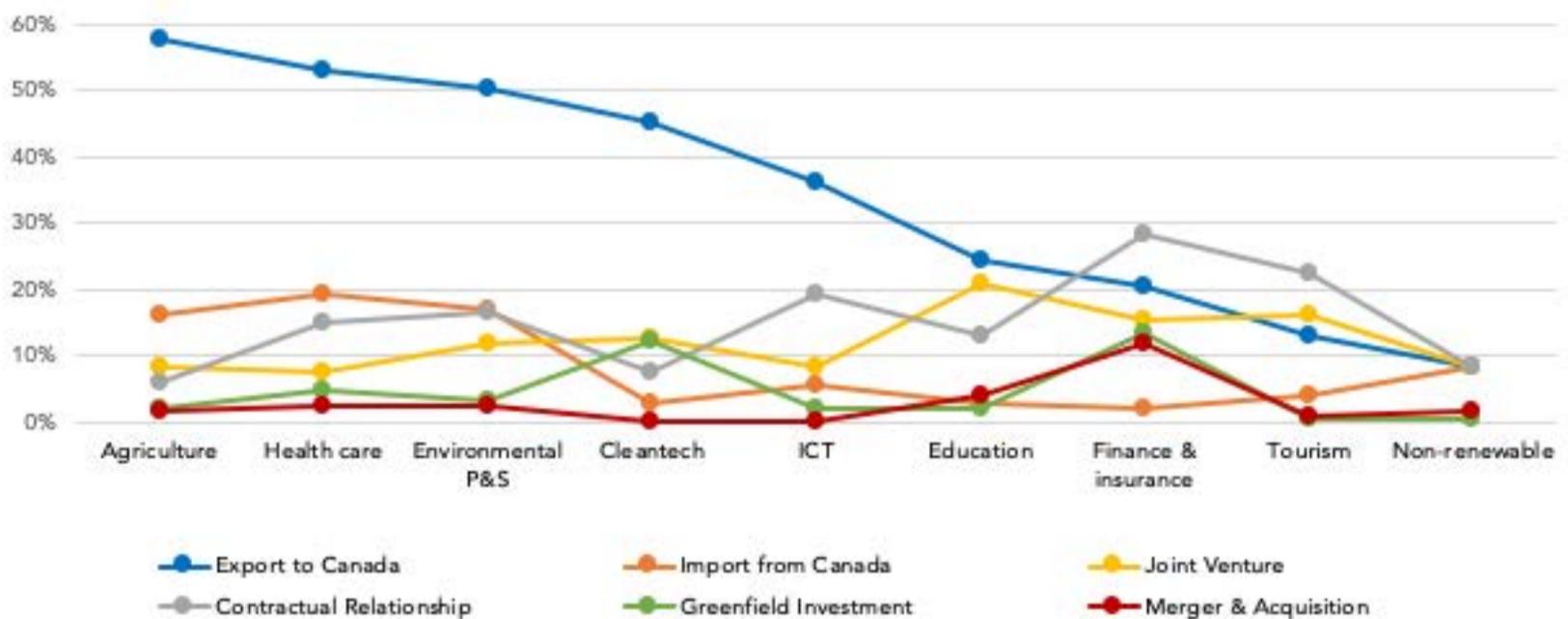
Potential business interests in Canada differ by country



Question: Which of the following statements best describe your company’s interest in the Canadian market? Please select all that apply.
Base: Companies interested in Canadian market; China (n=381), India (n=715), Japan (n=465), Singapore (n=360), South Korea (n=661), Vietnam (n=573).

FIGURE 13

Exports to Canada are particularly high for firms in the agricultural sector



At the sector level, exports and imports are the most common form of relationship in the agricultural, health care, and environmental goods and services sectors (Figure 13). These three sectors are the only ones in which over 50% of the companies surveyed are exporting to Canada and over 15% are

importing from Canada. The share of business relations, such as contractual relationship (28%), establishing greenfield investment (14%), and carrying out mergers and acquisitions (12%), all peak in the finance and insurance sector. Also, making greenfield investments is fairly common in the cleantech sector (12%). Finally, the education sector is the most involved in joint ventures (21%).



In this study, exporting to Canada is the most common form of business engagement for Asian companies

Source: Photo by Vinicius Bedit on Unsplash

Lifespan of Engagement

Business relationships in Canada are growing for companies in the agriculture, cleantech, and finance and insurance sectors. Most notably, across the six countries surveyed (see Figure 15), companies in the agriculture sector are more likely to have established a business relationship in Canada recently (70% in the last 10 years), than over 10 years ago (26%). On the other hand, the non-renewable energy sector stands out with the lowest proportion of companies having established business in Canada in the last 10 years (39%).

FIGURE 14

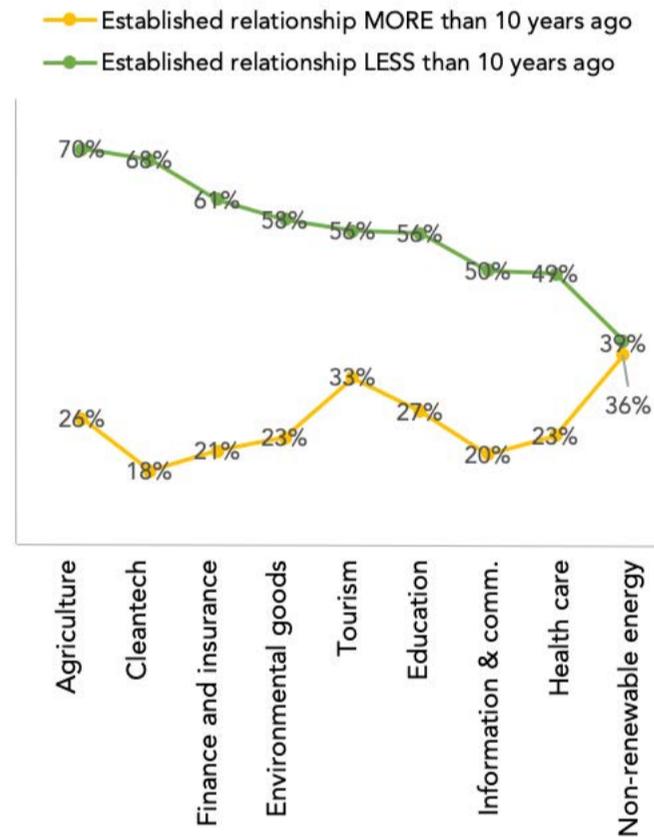
35% of Japanese companies established business in Canada over 20 years ago



Question: For how long has your company conducted business in Canada?
Base: Companies engaged in Canadian market (n=879).

FIGURE 15

Companies in the agriculture and cleantech sectors have established business with Canada more recently



Question: For how long has your company conducted business in Canada?
Base: Companies engaged in Canadian market (n=879).

By country, Figure 14 shows that 35% of Japanese businesses established business relations in Canada over 20 years ago, seven times more than South Korea, China, Vietnam, or India. Over 40% of companies in these four countries established business in the last five years, while only 19% of Japanese companies have established business in Canada in the last five

years. Singapore lies in between, as 16% of the engaged companies established business in Canada over 20 years ago, and 27% did so in the last five years. Indeed, these results correspond with the early growth of the Japanese economy and the stagnation of trade relations between Canada and Japan after the 1990s. [The economy soared](#) in the 1970s while in most other Asian economies, the process of economic growth began only in the 1990s.

FIGURE 16

Very few companies doing business in Canada intend to reduce their ties to Canada



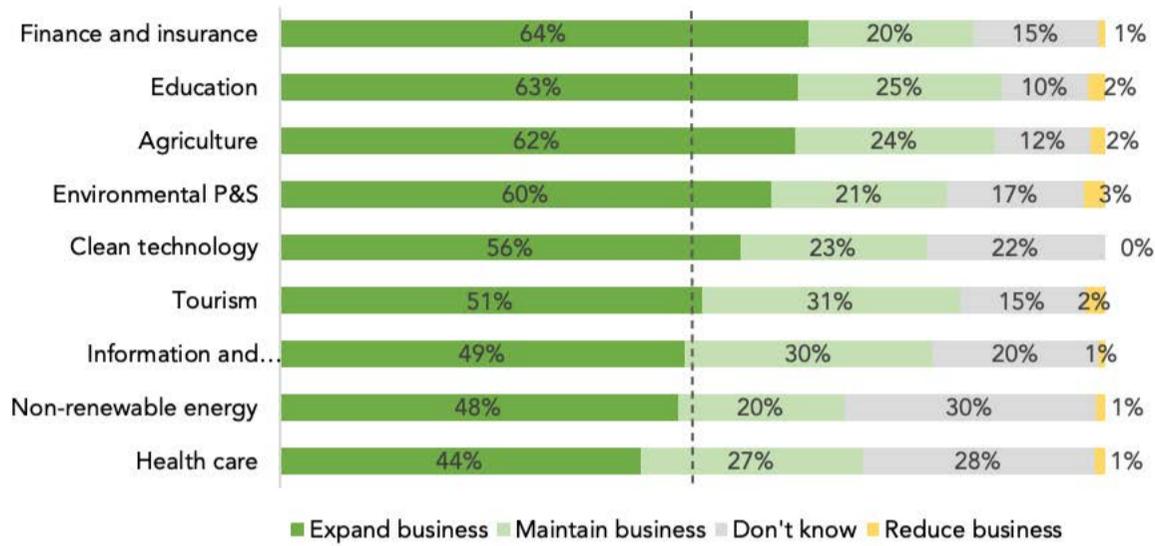
Question: What is your company's plan for future business in Canada?
 Base: Companies engaged in Canadian market: China (n=245), India (n=169), Japan (n=123), Singapore (n=135), South Korea (n=121), Vietnam (n=86).

The majority of companies in South Korea (68%), India (63%), Vietnam (59%), and China (57%) intend to expand their business relationships in Canada. That is consistent with the results from Figure 14, which highlights an emerging business relationship between Canada and those four countries. On the other hand, slightly less than half of the companies in Singapore (45%) and Japan (43%), countries with deep-rooted business relationships in Canada, are looking to increase business in Canada. Overall, a considerable share of companies desire to maintain their business in Canada, and at most, in China, 4% of companies are planning to reduce business (i.e., 11 respondents out of 245 surveyed from China). In the end, this trend follows the norm. It has

been observed that the longer companies have been engaged in the Canadian market, the broader and more diverse their relationships in Canada are.

FIGURE 17

Companies in the finance and insurance sector are the most likely to want to increase their ties to Canada

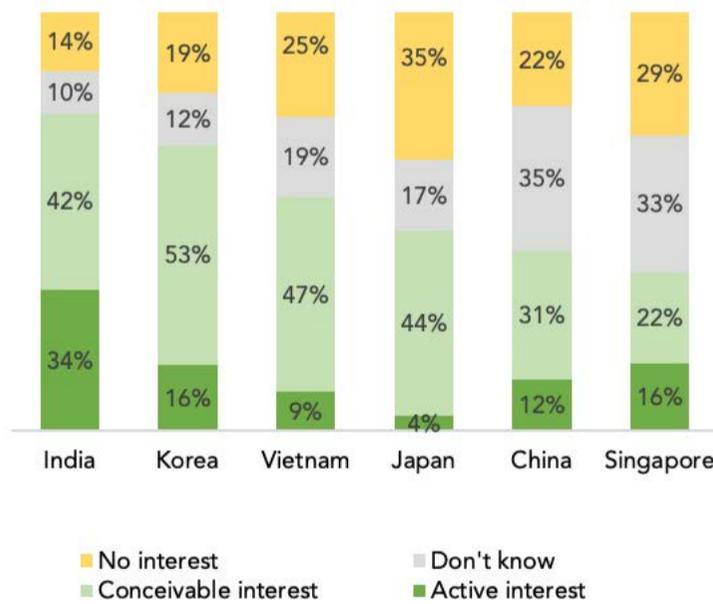


Question: What is your company's plan for future business in Canada?

Base: Companies engaged in Canadian market: China (n=245), India (n=169), Japan (n=123), Singapore (n=135), South Korea (n=121), Vietnam (n=86).

FIGURE 18

Majority of Asian businesses not engaged in Canada express interest



Question: Does your company have an interest in conducting business in Canada?

Base: Companies NOT engaged in Canadian market: China (n=884), India (n=940), Japan (n=970), Singapore (n=949), South Korea (n=969), Vietnam (n=1,029).

Across all sectors, more companies are striving to increase business in Canada than merely wanting to maintain or reduce business. However, companies operating in the sectors of finance and insurance (64%), education (63%), and

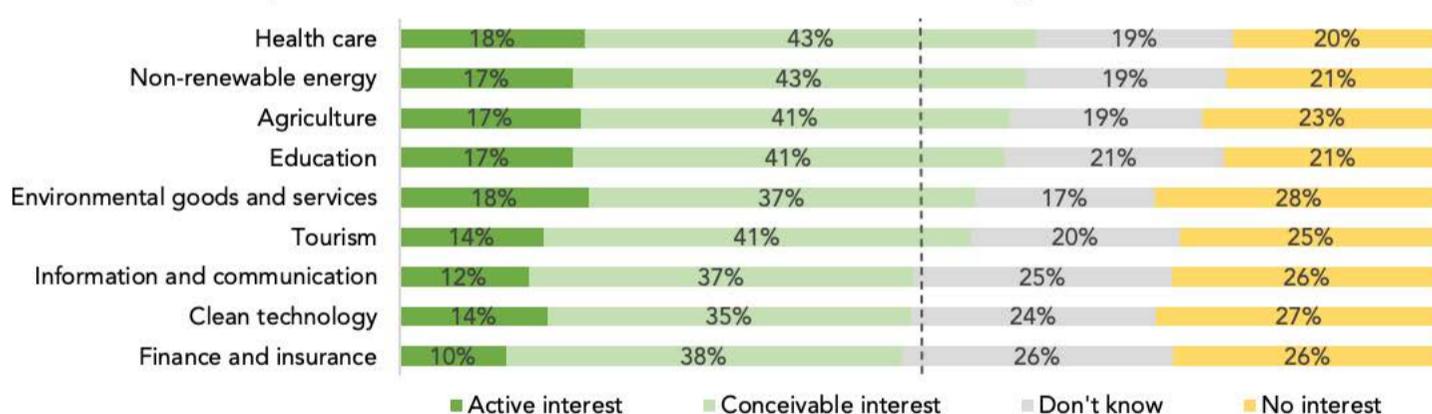
agriculture (62%) are the most likely to want to expand business in Canada (Figure 17). With one of the [strongest financial](#) services sectors in the world, opportunities in Canada have swelled for foreign investors in recent years.

Companies not engaged in Canada at the time of the survey hinted at a sizable business interest in Canada. India stands out with more than twice the proportion of companies with an active business interest in Canada (34%) as any other country (South Korea and Singapore follow at 16%). Moreover, 76% of Indian companies have an active (34%) or conceivable (42%) business interest in Canada (Figure 18). That is true for 69% of South Korean companies and 56% of Vietnamese companies. Despite that degree of openness, around 25% of companies are not interested in business in Canada, with lack of interest peaking at 35% in Japan.

Strikingly, finance and insurance companies exhibit the lowest amount of “active interest” in doing business in Canada, whereas it was seen previously that companies already established in Canada in the same sector are the most likely to want to increase business in Canada. Furthermore, companies in the environmental goods and services and clean technology sectors exhibit the largest proportion of “no interest” toward doing business in Canada (28% and 27%, respectively, Figure 19).

FIGURE 19

Companies in the finance & insurance sector are less likely to enter Canadian market



Question: Does your company have an interest in conducting business in Canada?

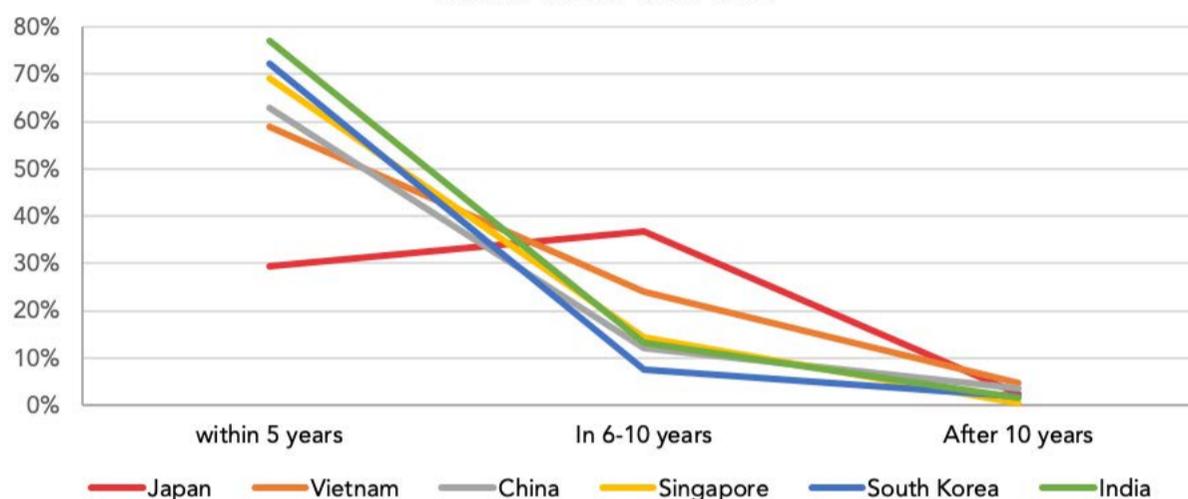
Base: Companies NOT engaged in Canadian market: China (n=884), India (n=940), Japan (n=970), Singapore (n=949), South Korea (n=969), Vietnam (n=1,029).

Additionally, most companies that are interested in exploring potential business opportunities in Canada hope to do so in the next five years, with the exception of Japanese companies (Figure 20). Of the 44% of Japanese

companies interested in doing business in Canada, the lowest across the six countries, most companies only hope to materialize their interest in the next 6 to 10 years.

FIGURE 20

Companies with an interest in Canadian market hope to enter it sooner rather than later



Question: When do you hope to do business in Canada?

Base: Companies interested in Canadian market: China (n=381), India (n=715), Japan (n=465), Singapore (n=360), South Korea (n=661), Vietnam (n=573).

Finally, a regression analysis was conducted to identify the independent factors driving interest to do business in Canada for companies in each country. Most interestingly, there is a significant negative relationship between government ownership of companies and interest in Canada for companies in Vietnam and South Korea. In other words, the higher the share of government ownership of a company, the less they are interested in Canada. However, this relationship is not observed outside of Vietnam and South Korea.

Also, for all countries except Singapore, the smaller (in terms of number of employees) a company is, the more they are interested in Canada. While there is no relationship between company size and interest in Singapore, there is a significant negative relationship between revenue and interest (i.e., the higher the revenue the company, the lower the interest in Canada). This relationship between revenue and interest, closely related to that of size and revenue, also exists in Japan, South Korea, and Vietnam.

Policy Experts on Potential Areas of Engagement

In addition to surveying the Asian business leaders' opinions, this study focused on policy experts' opinions about areas of engagement for bilateral trade and investment between Canada and the Asian countries. Across all six countries, one of the sectors that draws the most interest is education and tourism. Interestingly, most of the Canada-experienced businesses surveyed here are also engaged in the tourism sector, as seen in Figure 4. Among the Canada-curious businesses, 55% of the businesses in the tourism sector show an interest in the Canadian market. Keeping with that, policy experts suggest that Canada is considered a prime destination for training and educating people, particularly in the areas of AI, technology, and life sciences. Furthermore, services, natural resources, and agriculture are seen as the main strengths of Canada. While country experts from India and Vietnam believe that their nations will also be interested in inward investment in their infrastructure area, considering Canada's expertise, countries like South Korea and Japan emphasize Canada's expertise in the areas of AI, technology, and smart cities. A deeper analysis of the policy experts' views by country may be helpful in understanding differences in each country's profile.

Canada is considered to be a prime destination for sourcing natural resources and energy for China. Therefore, China is interested in these sectors in Canada, both in terms of investment and trade. Some of the other sectors of interest include forestry, fisheries, and other agricultural products that can be exported to China. In terms of education and tourism, Chinese experts believe that Canada is one of the top destinations. Interestingly, John G*, the co-managing director of a consultancy and research firm, notes that Canada should focus on value-added products like food, forestry, or petrochemical products to expand its trade and investment opportunities with China. As noted in [APF Canada's CPTPP Tracker](#), value-added products represent a key opportunity for Canada's growth in trade and investment and for exploring untapped productions networks.

Adam J.*, a research specialist in China's foreign economic relations, observes,

*By request the name has been changed to maintain confidentiality of the interviewee.

“the service sector, where Canada has advantages, is sure to benefit more, whether it is tourism, education, finance, or geriatric health care. Personnel exchanges, technical co-operation, and mutually beneficial co-operation will be strengthened. It is certain that both sides will benefit, consumers, producers will benefit. And enterprises also.”

In the case of India, experts believe that Canadian investment in the manufacturing and infrastructure areas will be highly welcomed. Furthermore, India is actively looking for collaboration in the following: technology and smart cities, e-commerce, clean energy, access to natural resources, oil and gas (both as buyers and investors), transportation, agriculture, research scholar exchange programs, and education. Canada could also explore reciprocal relationships as a way forward, as suggested by Harinder Sekhon of the Vivekananda International Foundation. By way of example, the Canadian government and businesses can help build rural health care centres in India in return for allowing Indian doctors to be trained in Canada. In terms of what India can provide to Canada, most experts point toward human capital. According to the [2019 National Opinion Poll on Human Capital from Asia](#), 64% of Canadians support bringing in high-skilled international talent from India.

Ram Singh, professor at the Indian Institute of Foreign Trade (IIFT), added that Canada’s lack of interest in trade and investment opportunities with India has proven to be a major deterrent for future considerations. Singh was also quick to point out that Canada’s importance is directly related to the access it provides to the US market. “India is keen on opening up of e-commerce, cross-border data flows, data privacy, and designation as a data secure country. We are interested, but Canada has not shown the same interest. In 2012 Blackberry servers in India could not get data secure country status in reciprocity with Canada. Don’t underestimate our capability in areas such as space research and IT... The ultimate game is not the Canadian market because we do not find it to be too lucrative – we are more interested in the US.”

South Korean experts argued that it might be best to use the strengths of each country, wherein they perceive Canada as having expertise in AI and biotech areas, and being a country with rich deposits of minerals and natural resources. Education is a pertinent point of attraction for Canada. Young-Joon

Kim, professor at Sangmyung University, said, “The economic competitiveness and comparative advantages is very different in South Korea and Canada. Ultimately, South Korea has manufacturing advantages (technical consumer products), while Canada has natural resources like wood, agricultural products, medical items, and some aerodynamics and airplanes. I say, Canada is a very good economic partner in terms of natural resources, environment, and high tech; areas like medical, airplanes.”

Canada, advisably, needs to aggressively target the Japanese market. Most experts identify that Canada’s strength lies in its natural products, but it is also strong in the areas of AI and technology, and it needs to assert that expertise to redefine its ongoing trade and investment relations. As former Japanese diplomat Satoshi N.* said, “One of the factors Japanese need to bear in mind is that when we think about the potential areas of co-operation between Japan and Canada, it’s not just in the context of what we call complementarity; Japan being a manufacturing nation and Canada the resource-driven, primary products [provider]. That has been the image of the countries for a very long time. It works, but it can also [be] a source of complacency in our relationship. When you’re comfortable with the arrangement, you stay there, you become static. And you don’t want to be static; you want to move beyond that. And in that sense, the areas like IT, artificial intelligence, data governance come in. So I think this possibility should be explored and the fact that as chair of G20, Japan is giving priority to this should be a good opportunity for that.”

Japanese experts indicate that their country would be interested in collaborations that lend to the sectors of AI and smart technology, digital economy and governance, agriculture (Japan imports wheat, soybean, canola, pork, beef), food and beverages, automotive and automobile parts (Japan mainly exports), energy, research collaborations between major universities (AI and life science areas), tourism, and youth exchanges.

Experts on Singapore’s trade and investment relations point out the country’s increasing focus on issues and governance of Fourth Industrial Revolution technologies, such as AI, and suggest those as areas of closer collaborations with Canada. As Malcolm Cook, Senior Fellow at the ISEAS–Yusof Ishak Institute, observes, “Canada is a world leader in research into AI. The Singapore

* By request the name has been changed to maintain confidentiality of the interviewee.

government and its leading institutes are very interested in developing applications in AI. Given Singapore's rapidly aging population, the government is keen to understand how it can transfer jobs from humans to machines. Collaboration with Canada in AI may already be occurring."

[Singapore released](#) its National Artificial Intelligence Strategy in November 2019, which builds on its strengths in the areas of digital infrastructure and governance, and the existing high-skilled and educated population. Its strategy shares similar values to that of the Pan-Canadian AI [strategy](#) and provides possibilities for bilateral collaboration to achieve a shared vision for digital governance. Canada and Singapore have complementary strengths; Canada is a forerunner in fundamental AI R&D, while Singapore has the governance capacity to test out AI applications and their regulatory frameworks with greater agility. A bilateral collaboration further gives both countries a greater capacity to contribute to the global governance of AI, a space that has seen increased tension between the United States and China, and therefore a risk of 'tech-decoupling.' In addition to co-operation on AI, Singaporean experts suggest manufacturing enterprises and educational programs that allow for research collaborations between universities.

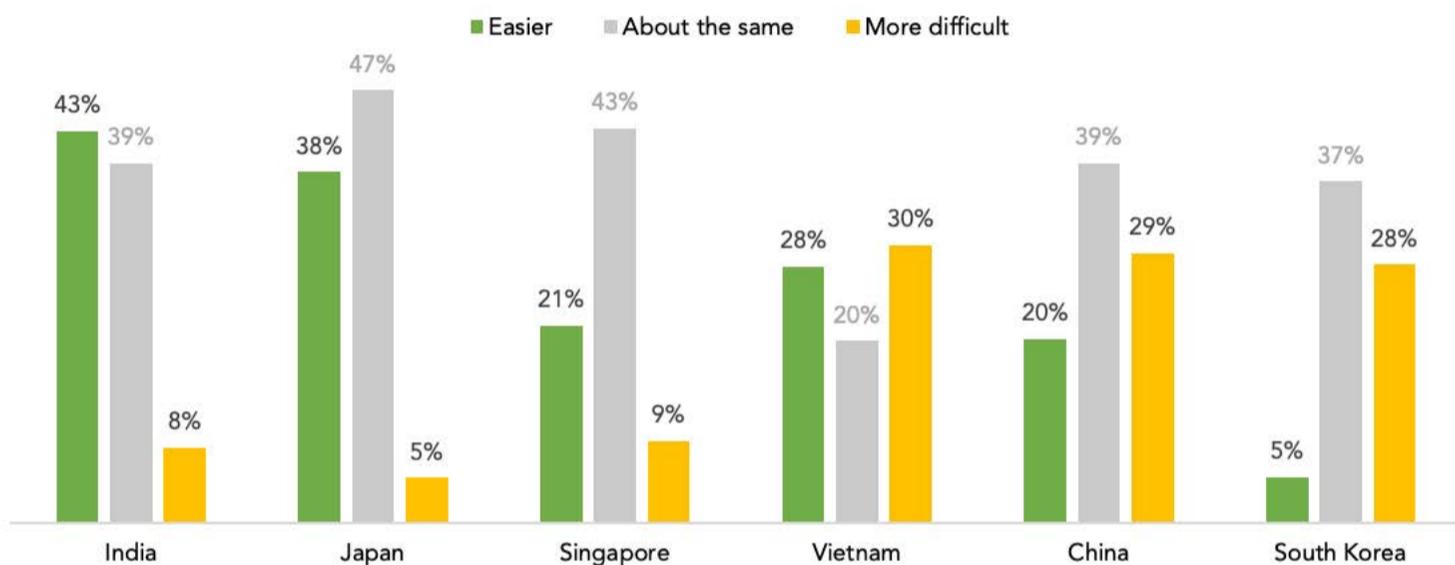
Finally, Vietnam is a fast-growing economy and it is evident from the experts' opinions that they are looking toward Canada to help in their infrastructural development. Experts suggest that the country would look for collaboration on various areas, including agriculture and food, energy, cleantech, ICT, smart city and technology, minerals and other natural resources, health care, and education. "Education, because Vietnam needs so much. If it wants to escape the middle income trap, Vietnam needs better educated people, experts, technicians, and managers. A Canadian university setting up in Vietnam would have a very good reputation. The UK and US have already done this. The country's primary and secondary education system in Vietnam is good; but the tertiary education is very bad and people have to spend a lot of money sending their children for overseas studies – beyond the reach of many people. We need more service providers in Vietnam," said Le Duy Binh, the managing director of Economica Vietnam.

BUSINESS ATTITUDES TOWARD CANADA

Sentiments Toward the Canadian Market

FIGURE 21

Indian and Japanese companies are the most likely to believe business in Canada is easier than business in other markets



Question: Would you say it is easier or more difficult to do business in Canada compared to other international markets?

Base: Companies engaged in Canadian market: China (n=245), India (n=169), Japan (n=123), Singapore (n=135), South Korea (n=121), Vietnam (n=86).

Note: The rest of the responses were "don't know"

Doing business in the Canadian market is mainly perceived as “easier” or “about the same” as doing business in other international markets by both Indian (82%) and Japanese (85%) companies. In South Korea, however, companies are much more likely to believe business in Canada is “more difficult” (28%) rather than “easier” (5%, see Figure 21). Peculiarly, South Korean companies engaged in Canada are also more interested than companies from any other country in increasing their business engagement in Canada (see Figure 16). A closer look at the engaged businesses’ perceptions of the Canadian market shows that investors find it easier to conduct business in Canada, compared to non-investors (see Figure 22). To understand the investors’ attitude better, we took a closer look at the factors driving investment interest in the next section.

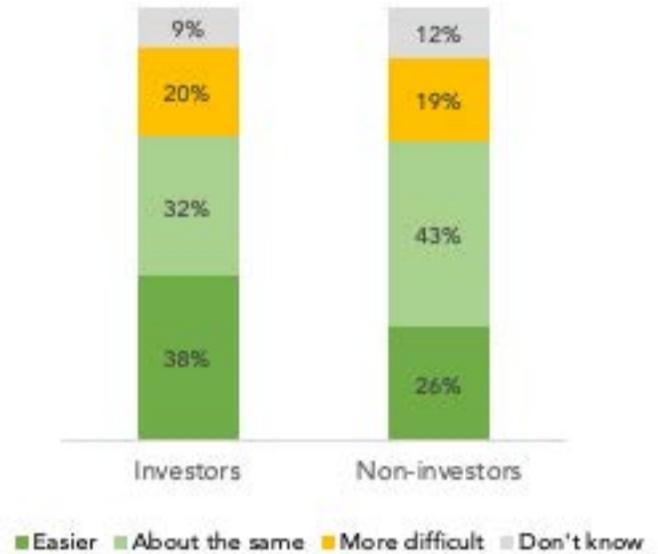
FACTORS DRIVING INVESTMENT INTEREST

Business development is the leading factor attracting Asian investors to Canada.

Companies conducting or interested in establishing joint ventures or mergers and acquisitions in Canada were polled on the most important factors for their company's decision to invest in Canada. The question was open-ended, and business development (25%), market access (21%), and business opportunity (21%) transpired as the most popular factors driving investment (Figure 23). Nevertheless, the factors driving investors' interest in Canada vary greatly across countries. Market access is an important factor for Japanese (44%), Singaporean (33%), Indian (32%), and Chinese investors (28%). In addition, each country has distinct factors driving its interest. Over 50% of South Korean investors cited "business opportunity" as one of the most important factors in their decision to invest in Canada, while this factor is only important for 16% of Japanese and 5% of Chinese investors. Similarly, Vietnamese investors cited "business development" (44%) much more often than investors in any other country did. For Chinese investors, the "policy environment" is especially important (27%). Finally, in Singapore, "business culture" and "profit potential" are key factors for over 20% of investors.

FIGURE 22

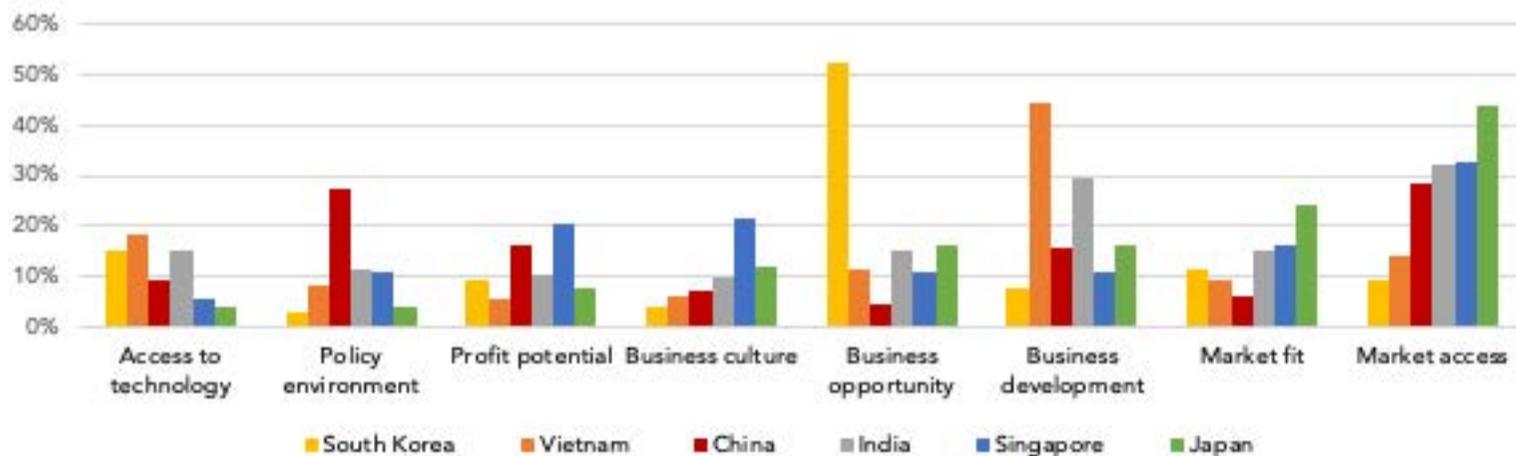
Investors are more likely to believe business is easier in Canada than elsewhere



Question: Would you say it is easier or more difficult to do business in Canada compared to other international markets?
Base: Businesses engaged in Canada (n=879).

FIGURE 23

Factors driving interest to invest in Canada vary by country

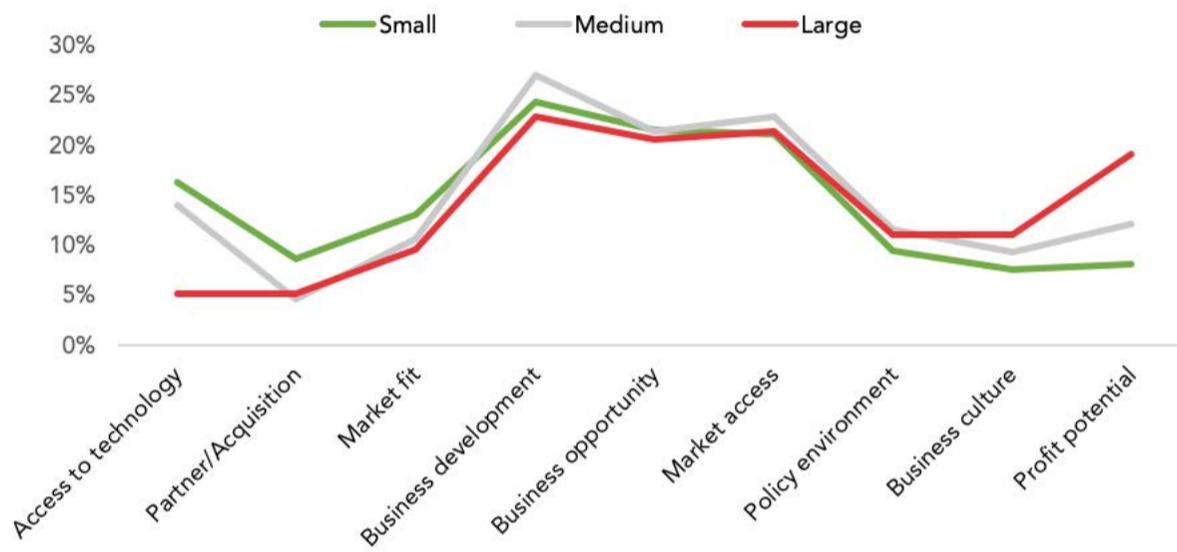


Question: Please list three factors that you think are the most important for your company's decision to invest in Canada.
Base: Investors: China (n=110), India (n=240), Japan (n=25), Singapore (n=92), Korea (n=234), Vietnam (n=272).

Moreover, large and small companies diverge in that companies of over 500 employees give more importance to profit potential and business culture, while companies of less than 100 employees give more importance to access to technology and market fit (Figure 24).

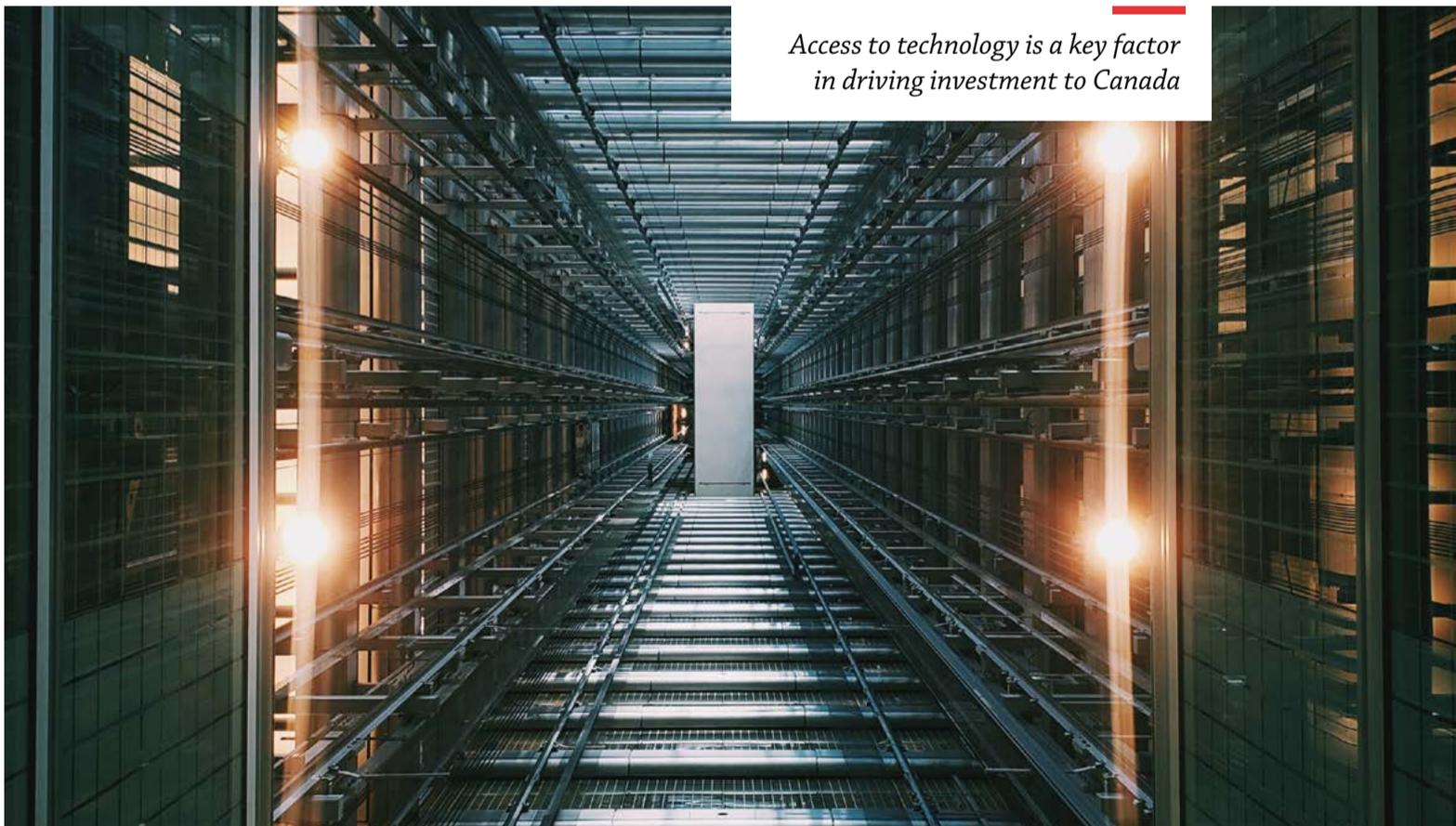
FIGURE 24

Compared to large companies, small companies are more attracted to Canada for access to technology and less for profit potential



Question: Please list three factors that you think are the most important for your company’s decision to invest in Canada.

Base: China (n=116), India (n=246), Japan (n=25), Singapore (n=96), South Korea (n=253), Vietnam (n=285).



Access to technology is a key factor in driving investment to Canada

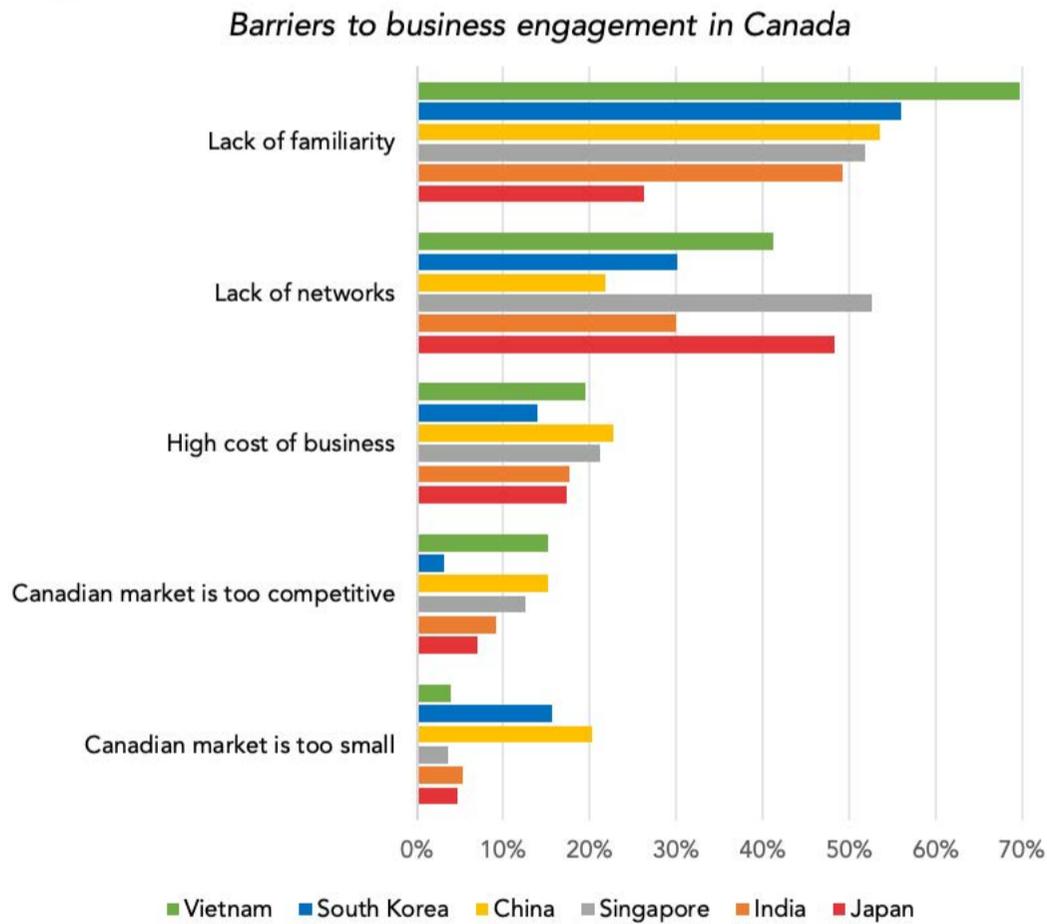
Source: Photo by Ian Battaglia on Unsplash

BARRIERS TO BUSINESS ENGAGEMENT

For their part, companies not interested in doing business in Canada cite a lack of familiarity with the Canadian market (49%) and a lack of networks in Canada (40%) as the main reasons for their lack of interest.

The third-highest concern, the high cost of doing business in Canada (19%), is far behind. Additionally, variations emerge across countries. Notably, contrary to companies in other countries, Japanese companies don't report a lack of familiarity (26%) as the most important barrier, but rather a lack of networks (48%), and Singapore finds both factors to be important barriers (Figure 25). Also, in contrast with the opinion of companies elsewhere, a considerable number of companies in China (20%) and South Korea (16%) believe the Canadian market is simply too small for business.

FIGURE 25



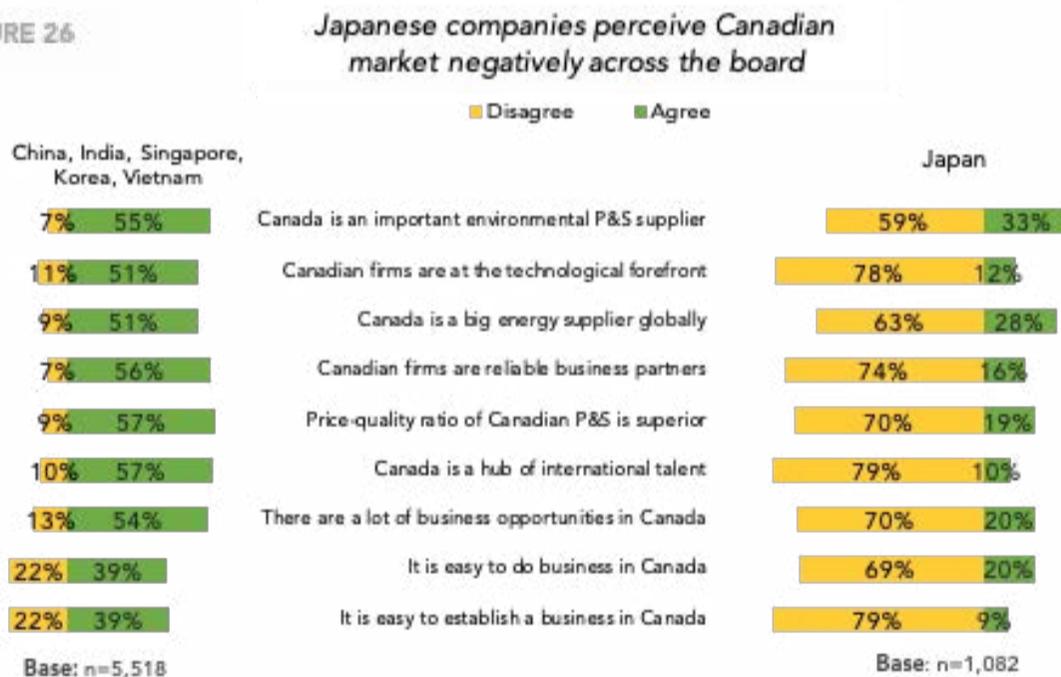
Question: Indicate the main reason why your company is not currently interested in the Canadian market. Please select all that apply.

Base: Companies NOT interested in Canadian market: China (n=198), India (n=130), Japan (n=346), Singapore (n=278), South Korea (n=186), Vietnam (n=257).

PERCEPTIONS OF THE CANADIAN MARKET

In addition, we asked business leaders if they agreed or not with statements about the Canadian market, Canadian products, and business partners in Canada. While the statements were positively received by most, the response from Japanese leaders is strikingly different from that of all other countries, as can be seen in Figure 26. The only statements that received less than 50% agreement on average for China, India, Singapore, South Korea, and Vietnam are “it is easy to establish business in Canada” (39%) and “it is easy to do business in Canada” (39%). Even then, disagreement is only 22% for both statements, with the rest of the respondents undecided. In Japan, by contrast, 79% of respondents disagree with the first statement, and 69% disagree with the second. Other statements about Canadian products, talent, business partners, and opportunities in Canada are perceived just as negatively by Japanese business leaders. The statements to receive most agreement from Japanese respondents are that Canada is a big energy supplier globally (28%) and an important environmental products and services supplier (33%), but that remains far lower than the average agreement in other countries (51% and 55%, respectively).

FIGURE 26



Question: Based on your perceptions of the Canadian market or products/services, do you agree or disagree with the following statements?
Note: Rest of respondents replied "Don't know."

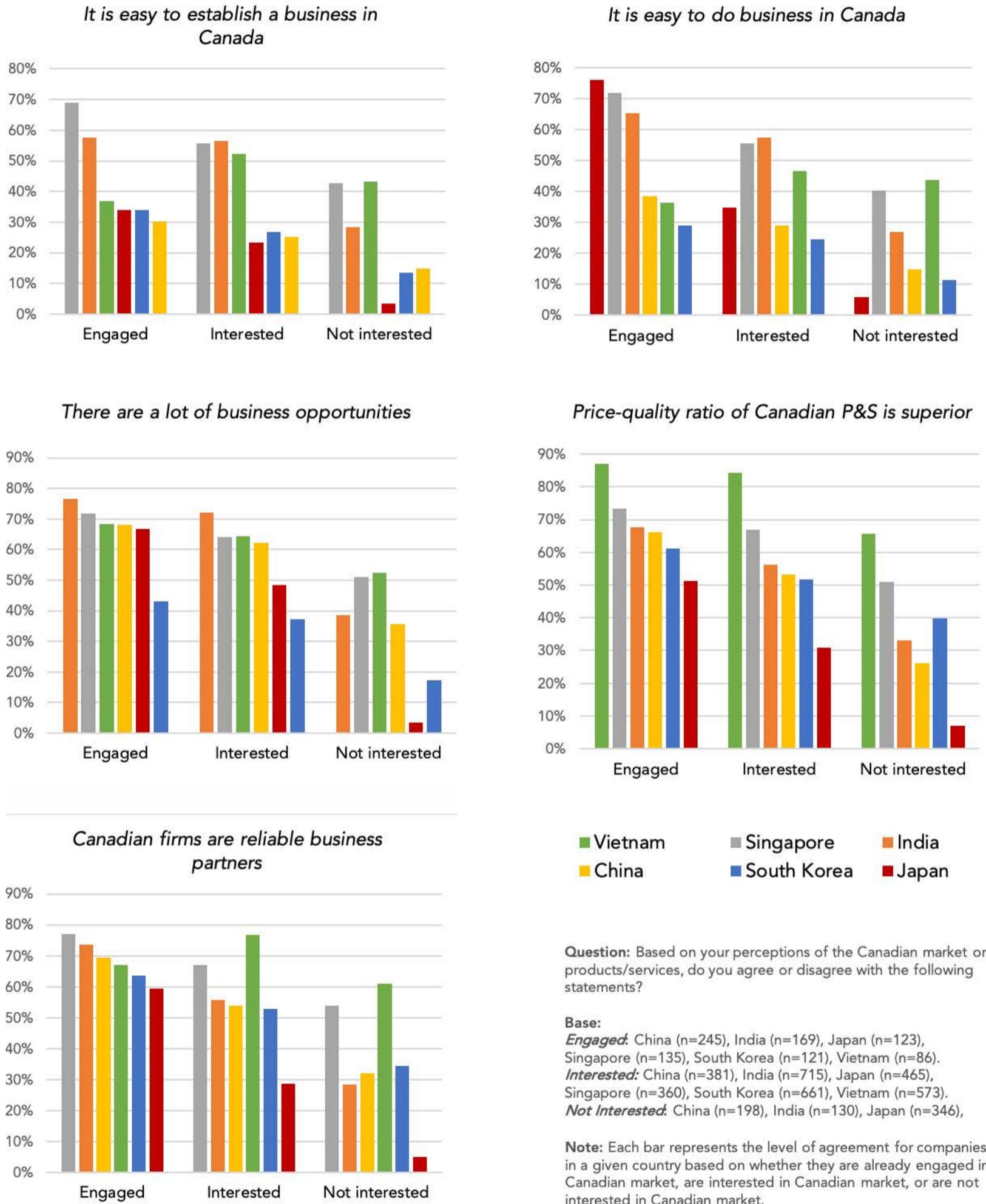
Furthermore, we compared the results for companies that are Canada-experienced, Canada-curious, and those that do not have an interest in the Canadian market. **It is clear from Figure 27 that companies engaged or interested in engaging in the Canadian market hold a more positive view of the Canadian market than companies that are not interested.** The only exception to that rule is that Vietnamese companies not doing business in Canada think it is easier to establish and do business in Canada than do Vietnamese companies already doing business in Canada. On the other hand, Japanese companies not interested in doing business in Canada hold a remarkably negative view of the Canadian market. Specifically, less than 10% of uninterested Japanese companies agree with any of the statements, while agreement never drops below 10% for the other countries.

The stark contrast in perceptions between Japanese companies doing business in Canada and those not interested in business in Canada requires attention. For Canada-experienced Japanese companies, 76% think it is easy to do business in Canada and 67% think there are a lot of business opportunities in Canada. The same is true for only 6% and 4% of Japanese companies not interested in doing business in Canada. Such a separation in perception is not observed in other countries. South Korean companies hold a generally negative perception of the Canadian market, similar to Japan, but perception is negative for both South Korean companies doing business in Canada and those not interested in business in Canada. Further research would be required to identify the causes and impacts of such a gap in information between Japanese companies engaged and not engaged in Canada.

Additionally, for Canada-experienced and Canada-curious companies, Vietnamese companies are the most likely to think Canadian products and services have a higher price-quality ratio (86%). Similarly, for all four other statements, Indian and Singaporean engaged or interested companies hold the most positive views, with 71% thinking there are a lot of business opportunities in Canada, 69% thinking Canadian companies are reliable business partners, and 60% thinking it is easy to establish business in Canada.

FIGURE 27

Perceptions of Canadian market, products, and services

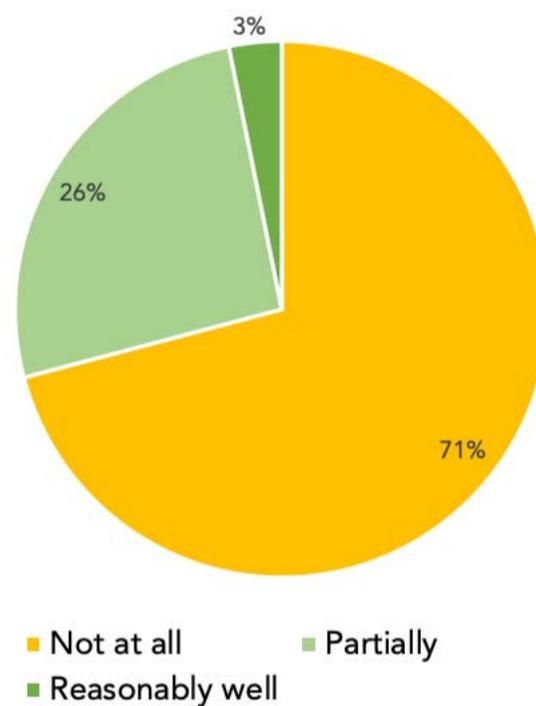


Perceptions of the Canadian Business Environment

Over 7 out of 10 business leaders surveyed have no understanding at all of the Canadian business operating environment. Furthermore, only 3% say they understand it reasonably well, and the other 26% understands it partially (Figure 28).

FIGURE 28

Most businesses don't understand the Canadian business operating environment

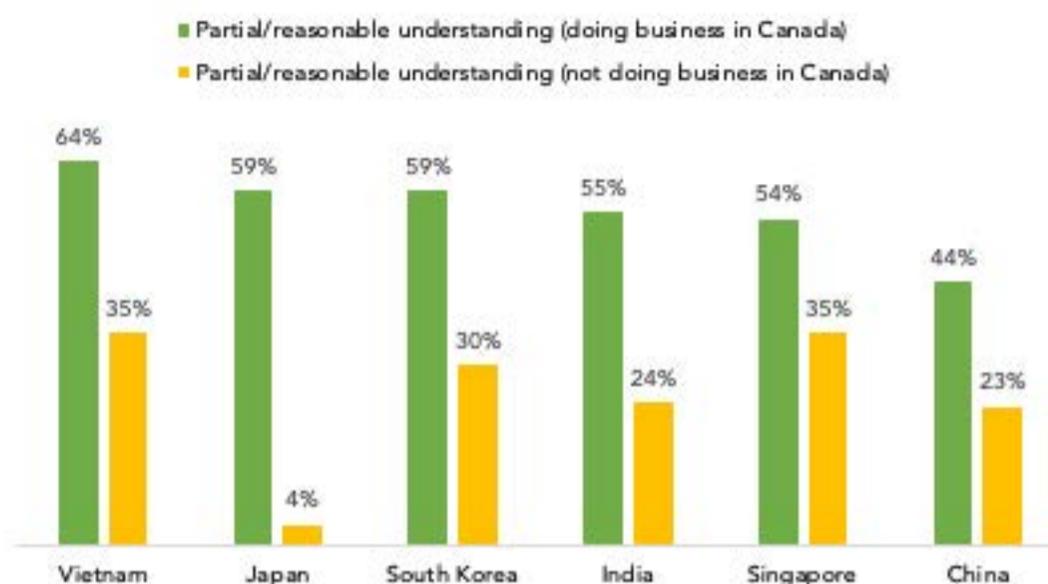


Question: How well do you understand the Canadian business operating environment, including relevant policies and regulation?
Base: n=6,600 (all respondents).

Canada-experienced companies disclose having a better understanding of the Canadian business operating environment than the other businesses surveyed. Yet less than half of Chinese businesses engaged in the Canadian market have at least a partial understanding of the Canadian business operating environment (44%). In contrast, 64% of companies from Vietnam and 59% from Japan and South Korea have a partial or reasonable understanding.

FIGURE 29

Share of companies with partial or reasonable understanding of the Canadian business operating environment



Question: How well do you understand the Canadian business operating environment, including relevant policies and regulation?

Note: For each bar, the remaining respondents "do not understand the business operating environment at all."

Base: n=6,600 (all respondents).

Among companies not doing business in Canada, Japan stands out as 96% don't understand the Canadian business operating environment (Figure 29). This correlates with results throughout the survey showing negative perceptions and low business interest from Japanese companies not involved in the Canadian market. The lack of understanding may just be at the root of this trend among Japanese businesses.

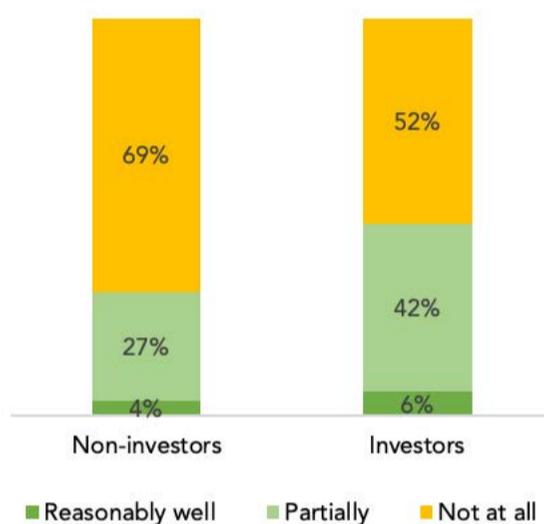
Among the many barriers identified later in this section, Japanese policy experts suggest that while the Canadian business environment is similar to the United States and that Japanese businesses have some sense of it, the complexity of regulations and procedures for business operation in Canada can be daunting, particularly given the federal and provincial differences in business incorporation and regulations governing those businesses. The lack of understanding in this regard directly affects business interactions and negotiations. Satoshi N.^{*}, a former public diplomat, observed that "perhaps some Japanese people, including businesses, should have a better understanding of the importance of the provinces in the Canadian economy. For example, when provincial premiers come to Japan, they want to meet with the PM and other ministers and that is not easy to channel. But they do

^{*} By request the name has been changed to maintain confidentiality of the interviewee.

play important part; for example, with respect to the car sector, Ontario is important.” He also noted that the emphasis on the use of the French language in Quebec led to the closure of one of the major Japanese trade organization’s offices there in the 2000s.

FIGURE 30

Investors have a slightly better understanding of the Canadian business operating environment than non-investors



Question: How well do you understand the Canadian business operating environment?
Base: Engaged or interested in Canada (n=3,506).

Moreover, investors in Canada, through greenfield investments, mergers and acquisitions, or joint ventures, have more understanding (48%) than leaders with other types of business relationships in Canada (31%, Figure 30), which might explain why investors are more likely to think business in Canada is easier, as seen previously (Figure 22). Nonetheless, it remains worrying that 52% of investors in Canada do not have any understanding of the Canadian business operating environment.

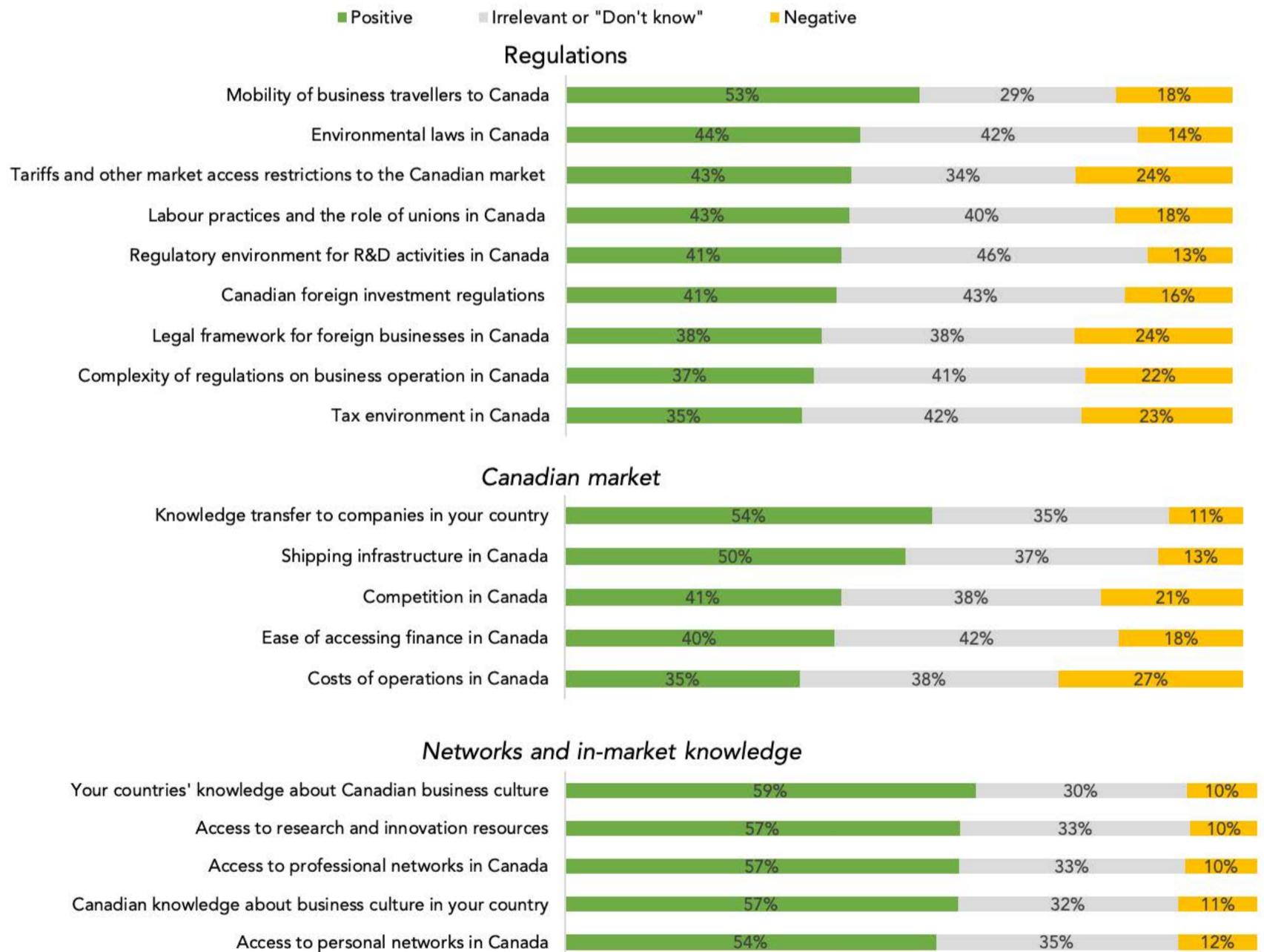
We also looked into responses for businesses of different sizes and revenue but did not find any significant variation in understanding based on those factors.

Business leaders have a favourable view of the Canadian business environment for international business. Companies perceive all 19 proposed factors affecting business in Canada as more positive than negative for their business. The factors belong to either of three broad categories: regulations, Canadian market, and networks and in-market knowledge (Figure 31).

Networks and in-market knowledge factors are positively perceived (around 56%), with the companies' country knowledge about the Canadian business culture the most positively perceived factor (59%) within this category. Overall, only about 10% of companies perceive any of the factors related to networks and knowledge negatively.

Regarding Canadian market factors, knowledge transfer to the companies' home countries is the most positive factor (54%). At the other end, the cost of operations in Canada is the most negative factor across all 19 factors, perceived as negative by 27% of businesses. There remain more companies viewing the costs of operations as a positive factor (35%).

FIGURE 31 Factors related to Canadian regulations, the Canadian market, and networks



Question: Are the following positive factors, negative factors, or irrelevant for (respondents) companies to do business with Canada?
Base: n=1,923 (respondents with some knowledge of the Canadian market).

Lastly, business leaders have a more positive than negative perception of factors related to regulations in Canada, including the tax environment. The mobility of business travellers to Canada, however, is the most positively perceived (53%) factor within this category.

In addition, different services and support are provided to foreign businesses by the government of Canada and its organizations (i.e., embassies, consulates, agencies) to facilitate business in Canada. Such services include online informational support through [the Government of Canada website](#), which provides extensive details on how to start and sustain a business in Canada. Furthermore, financial support in the form of a [Start-up Visa Program](#) is also drawing international attention, as observed by some of the policy experts from India, Japan, Singapore, South Korea, and Vietnam. An external trade specialist from Japan, Taigen N.* noted that “some large Japanese companies realize that there’s good startup [ecosystem] in Canada that they can collaborate with.” Former Indian ambassador Neelam Deo, on the other hand, pointed out that both Canada and India have a vibrant startup culture and it would benefit both countries to make the relationship a more organic one by “cross-fertilization,” wherein businesses from each country invest in the other.



Mobility of business travel to Canada is perceived positively by business leaders

Source: Digital Vision on Getty Images

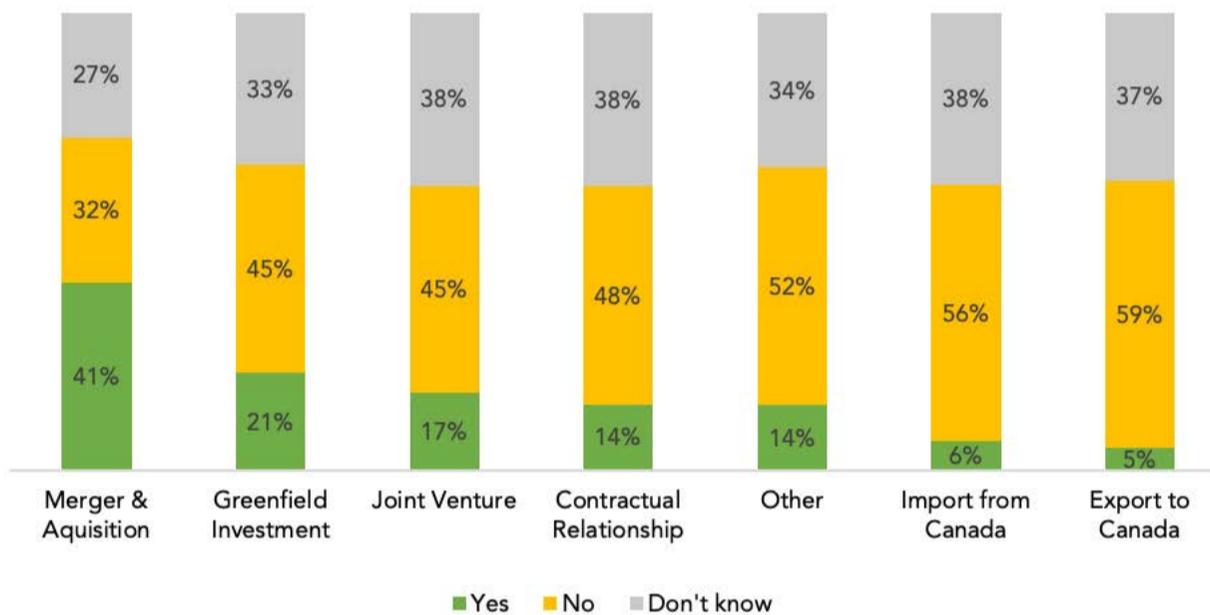
* By request the name has been changed to maintain confidentiality of the interviewee.

INVESTOR ATTITUDES

Companies that invested through a merger and acquisition (41%) or a greenfield deal (21%) in Canada are the most likely to have used support provided by the Canadian government. However, this is likely because there is more support available for them, notably in the form of programs supporting startups and investors. A substantial proportion of companies with joint ventures (17%) and contractual relationships (14%) with Canadian entities also report using support.

FIGURE 32

Investors in Canada are the most likely to use support by the Government of Canada to facilitate their business



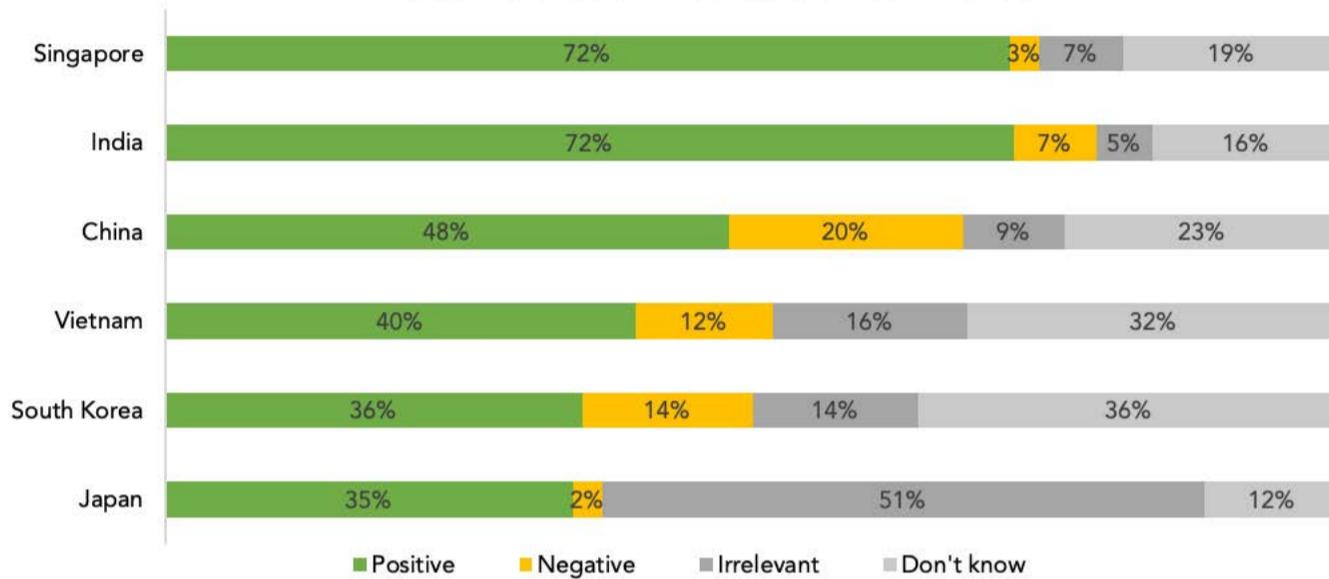
Question: Has your company used services or support provided by the Government of Canada or any of its embassies/consulates/agencies to facilitate your business?
Base: Engaged in Canada; China (n=216), India (n=155), Japan (n=108), Singapore (n=131), South Korea (n=109), Vietnam (n=82).

Most Indian and Singaporean companies believe their countries' trade policies and regulations on outbound investment are positive factors for doing business with Canada. About 65% of companies in India, Singapore, and Vietnam are optimistic about their domestic policies for trading with Canada, while that is true for just over a third of companies in China and South Korea. In Japan, over 80% of companies think the policies are not relevant, which yields a very low level of positive (9%) or negative (2%) feelings toward those policies. More differences emerge when comparing responses of companies doing business in Canada to responses of companies not doing business in Canada (Figures 33 and 34). Companies generally perceive domestic trade and outbound investment policies more positively if they are doing business in Canada, perhaps because they are more aware of those

policies. On the contrary, Vietnamese companies stand out as having a much more positive perception (68%, see Figure 34) if they are not doing business in Canada (as opposed to 40%, Figure 33).

FIGURE 33

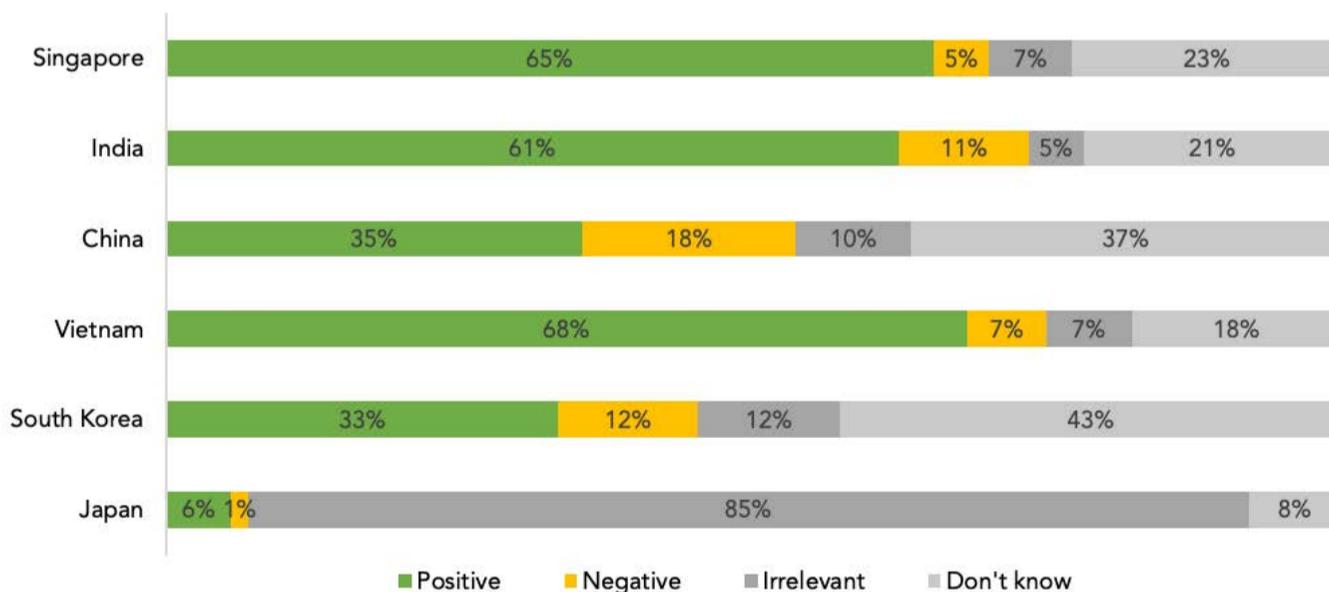
Trade and outbound investment policies of home countries are generally positive factors for doing business in Canada



Question: Thinking about your countries' Trade and Investment Policies and Regulations, are the following positive or negative factors for Chinese companies to do business with Canada?
Base: Companies engaged in Canadian market: China (n=245), India (n=169), Japan (n=123), Singapore (n=135), South Korea (n=121), Vietnam (n=86).

FIGURE 34

In Vietnam and Japan, companies not doing business in Canada have a vastly different perception of domestic policies than their counterparts



Question: Thinking about your countries' Trade and Investment Policies and Regulations, are the following positive or negative factors for Chinese companies to do business with Canada?
Base: Companies NOT engaged in Canadian market: China (n=884), India (n=940), Japan (n=970), Singapore (n=949), Korea (n=967), Vietnam (n=1,029).

Policy Experts on Barriers to Economic Engagement

To further our understanding of the barriers that Asian businesses face when considering operating in Canada, we asked policy experts for their opinions. Broadly speaking, the concerns can be categorized as economic, political, cultural, regulation, and geographical barriers.

In terms of **economic barriers**, one of the biggest concerns shared by experts from each country was related to CUSMA. As Singaporean academic Kishore Madhubani noted, “the biggest penalty that Canada has paid for its close relationship with the US is that it has been forced to sign up to a deal (CUSMA) which has a poison pill. If Canada negotiates a trade deal with China, the US can unilaterally leave USMCA. It will be very difficult for Canada to diversify (away from the US), but it is very dangerous to have 80 to 90 percent of your trade with one country.”

Some of the other concerns coming from experts from each of the six countries were related to the cost of labour, commodities, and living in Canada; Canada’s agricultural subsidies/protectionism; and Canada’s value chain role. Dr. Nakgyoon Choi, a senior research fellow at the Korea Institute for International Economic Policy (KIEP), while discussing some of KIEP’s research findings on the examination of the global value chains by regional clusters, said, “China, the US, and Germany have been identified as ‘hub’ countries. Canada and Mexico are ‘spoke’ countries around the USA. Korea is spoke country around China. Being part of different clusters, Korea and Canada have only small degrees of backward/forward linkages with each other, and there is little impact of Korean trade with Canada. And not surprisingly, there is only a very small amount of value chain investment in each other.” Global value chains are essentially used to describe the system of networks, involving more than one country, that are engaged in a sequence of functional activities required in the process of value creation.

Situating Canada’s position within India’s trade and investment networks, IIFT professor Ram Singh made similar observations. “Canada is not on India’s top 25 list of import sources or export destinations. The priority for India is to either seek trade complementarity, a win-win reciprocal level of trade, or take a

position in a value chain (e.g., yarn-fabric-clothing). Such a value chain factor is missing in India-Canada trade and Canada is not a big final destination market. Consequently, there is not much elasticity in potential growth.”

For Singaporean experts like Alex Capri and Malcolm Cook, Canada being a part of the US value chain poses significant risks for the Southeast Asian country. “Singapore, like Canada, is a pawn in the US-China geopolitical rivalry. It may be especially vulnerable given its deep integration into global value chains and its increasingly close economic relationship with China,” said Capri. He also observed that Canada is opening itself up to collateral damage due to its dependence on the United States.

Speaking about **cultural barriers**, experts from Japan, South Korea, and Singapore reflected that businesspeople in their country perceive the Canadian business culture as very similar to that in the United States. Meanwhile, Indian and Vietnamese experts asserted their country’s desire and intentions to know more about Canada. Furthermore, both Chinese and Indian policy experts identified the Canadian business mindset as problematic: while the Chinese experts perceived Canada to be less responsive toward engagement, Indian experts underscored Canada’s large trade and investment relations with the United States, which can be a deterrent to engagement with other countries, particularly those located across the Pacific.

In terms of **networks**, Chinese experts felt that it is not a major obstacle, while Japanese experts claimed that access to government or professional organizations is not that difficult for large organizations, but not easy for smaller or medium-size businesses, some of whom may not even be aware of various business associations and chambers of commerce. By way of personal networks, both Chinese and Indian experts indicated that their countries have a large diaspora in Canada, and Canada should explore how best to use those networks to advance inward trade and investment. The diaspora population coming into Canada may provide excellent messengers for extending and building relationships of trust and mutual benefit. As South Korean policy expert Yeongkwan Song from the Korea Development Institute (KDI) stated, “we don’t know that much about Canada, relative to the US. Now that many young Koreans study in Canada, the younger Korean generation has better knowledge about Canada than the middle-aged generation. So I think future

is bright. Many Canadians come to Korea to teach English. The movement between the two countries is relatively good, which means a bright future even though we currently don't know much about Canada, and Canada doesn't know much about Korea.”

Complexity of regulations and procedures for business operations in Canada was identified as a big issue by almost all experts from each country, but mostly emphasized by Japanese policy experts as they underscored how the Japanese find the Canadian federal-provincial differences in regulations quite complex. They argue that regulations pertaining to Indigenous communities and the environment, and mobility of business travellers, also add to the problem. Others have a different opinion, such as Carlos Kuriyama from Singapore, who noted, “Doing business in Canada is not too cumbersome. It's mainly about understanding the market (e.g., the need for permits at the provincial level, including the need for French in Quebec). It's more about knowing and understanding the opportunities and how things work.”

Policy experts from India and Singapore noted that if Canada were looking to work with their country, there are some hurdles to be crossed in terms of their nation's foreign trade and investment regulations. “The Indian regulatory and business environment has permanently stunted a lot of SMEs. The average Indian business does not have a global outlook. There may be small niche businesses that can collaborate, but most would only have a rudimentary understanding of business in Canada. There is often a failure to think through the challenges to internationalization and growth. A lot of companies in India struggle with the issue of scale and it's only when you achieve a certain scale that global ambitions come into play,” said Pritika Hingorani, the IDFC Institute Director. Hingorani's thoughts are not without reason as India has a known history in terms of [protectionism](#) and high tariffs, which has led the country's reputation to be built up as “pro-investment and anti-trade.”

Geographically, the distance between Canada and each of the Asian countries surveyed was an important factor for almost all policy experts. The lack of a direct logistics gateway, which in turn affects the transportation infrastructure, makes engagement with Canada considerably more difficult and expensive

according to some of the experts. As noted by Taigen N.** when discussing how engagement opportunities with Canada, particularly with regard to natural resources, can affect Japan: “Actually Japanese can benefit by importing directly from Canada than the US. As it takes less time to import from Canada, but if there’s no pipeline, we still have to go through the US and it takes extra time and more money too.”

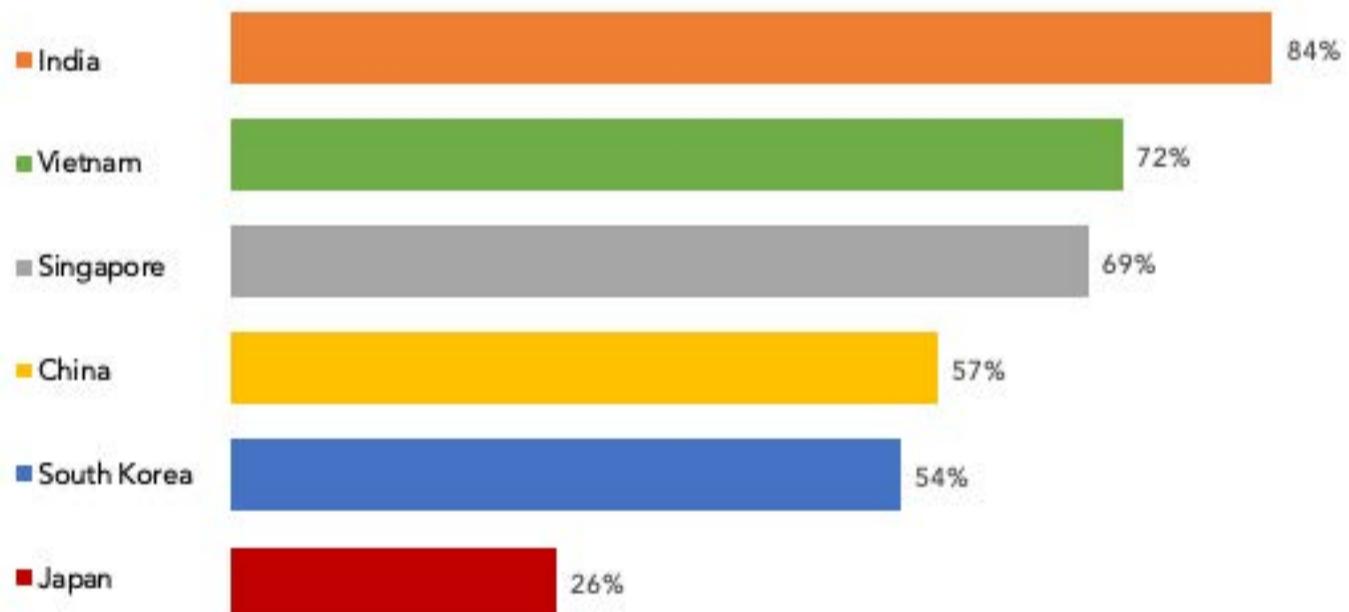
* By request the name has been changed to maintain confidentiality of the interviewee.

PRIORITIES OF ECONOMIC ENGAGEMENT

Business leaders from India and Vietnam perceive their countries' economic relations with Canada as important for the prosperity of their business sector. Respondents rated the importance of their country's economic relations with 9 or 10 international markets (excluding their own country), namely Canada, the United States, China, India, Japan, South Korea, Australia, the United Kingdom, the European Union, and Southeast Asia. For 84% of the Indian business leaders and 72% of Vietnamese leaders, Canada's economic relations with their respective countries is important for their sector (Figure 35). On the other side of the spectrum, only 26% of Japanese businesses place importance in their country's economic relations with Canada.

FIGURE 35

Importance of economic relations with Canada



Question: Is your country's economic relations with the following countries or regions important or not important to your industry?
 Base: n=6,600 (all respondents).

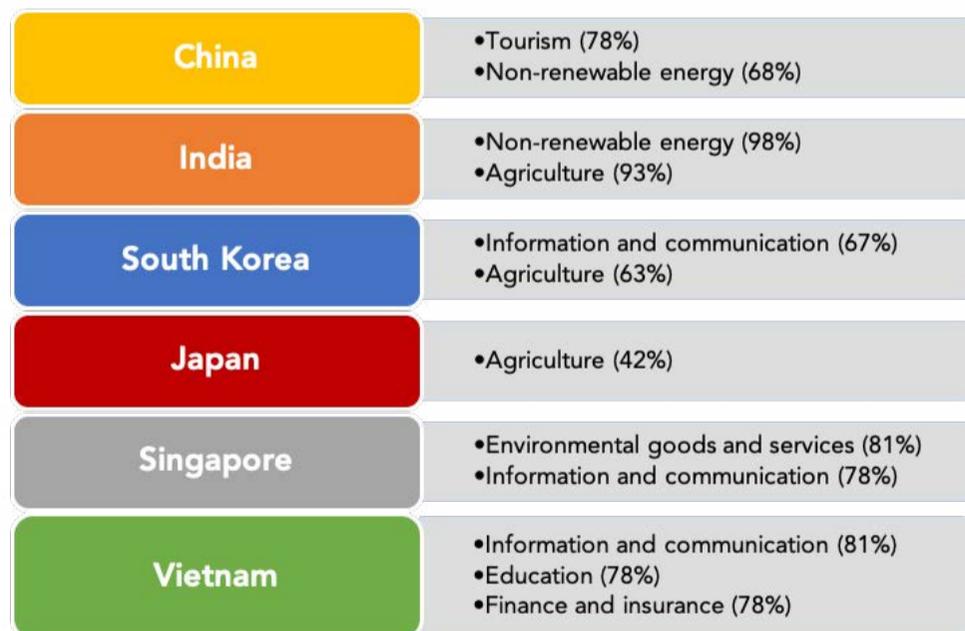
Exploring the respondents' attitudes toward different international markets tells another story as business leaders from some countries perceive all (or

most) international markets as important for their country. Notably, even though a substantial share of respondents from India (84%), Vietnam (72%), and Singapore (69%) identify Canada as an important market, they also recognize other international markets and relations with them as important. Similarly, while only 26% of Japanese companies think their governments' economic relations with Canada are important for their sector, they are largely indifferent to other markets as well, such as Australia (28%), the United Kingdom (30%), and India (33%).

Companies in the agriculture, tourism, and environmental goods and services sectors are the most likely to recognize the importance of their countries having good economic relations with Canada. The importance of international economic co-operation with Canada varies not only by country but by sector of operation as well. Overall, the Canadian market is most important for the agriculture (63%), tourism (63%), and environmental goods and services (63%) sectors, and least important for the cleantech (56%) and health care (55%) sectors. The table below shows the sector for which the Canadian market is most important in each country.

FIGURE 36

Top sectors to recognize the importance of their countries' economic relations with Canada for Asian markets



Question: Are your country's economic relations with Canada important or not important to your industry?
Base: All respondents (n=6,600).

84% of Indian respondents valued their nations' economic relationship with Canada as 'important' for their sectors



Source: Photo by Mango-Star Studio on Getty Images

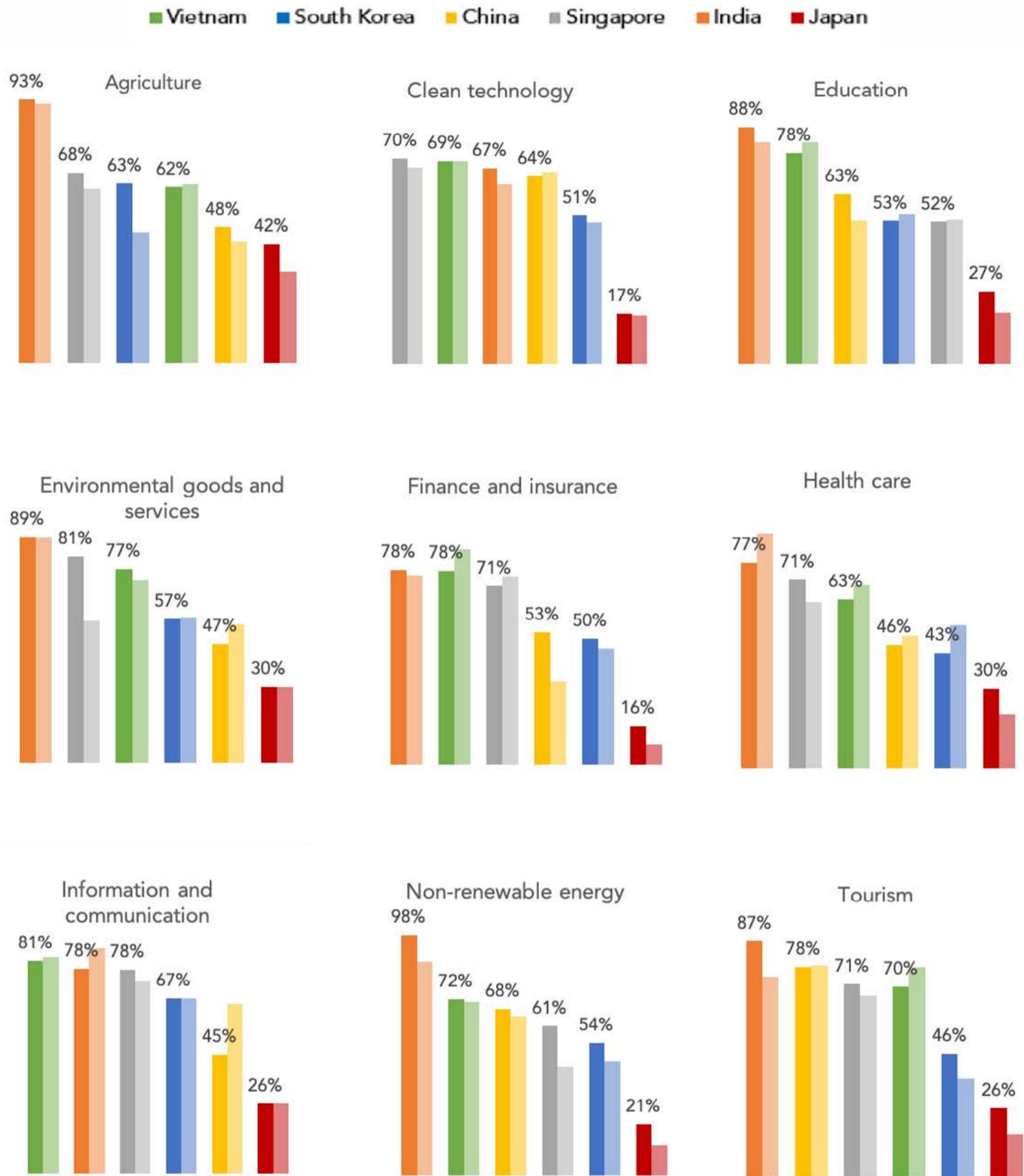
Furthermore, respondents were asked, in a separate question, whether they think their sector has the potential for international economic engagement with Canada. It was interesting to note that there is a strong positive correlation in responses regarding the “potential” and the “importance” of the Canadian market, meaning if respondents considered the Canadian market to be important, they were also likely to consider it as having great potential.*

However, there are some notable differences in the number of respondents identifying a sector as “potential” and “important.” First, in the Chinese information and telecommunication sector, only 45% of companies think international co-operation with Canada is important, while 65% think there is potential for co-operation. The opposite is true in China’s finance and insurance sector, where the importance of co-operation with Canada is greater (53%) than the believed potential for economic co-operation in the sector (33%). Second, in Singapore’s environmental goods and services sector, Canada is deemed important by 82% of companies, but only 56% believe there is potential for economic engagement. Similarly, 63% of companies in the South Korean agriculture sector think co-operation with Canada is important, and only 46% believe there is potential for economic co-operation.

* Correlaton is significant at the 0.01 level (2-tailed).

FIGURE 37

Across all sectors, Indian companies believe their country's economic relations with Canada are important for their industry



Q: Are your country's economic relations with Canada important or not important to your industry?

Q: Do you think your industry has potential or not for international economic engagement with Canada?

Base: n=6,600 (all respondents).

Engaging with Indigenous Canada

Understanding of Indigenous people and their importance varies by country. In a similar train of thought, according to most policy experts, there is a resounding lack of knowledge among Asian countries about the Indigenous peoples of Canada and their importance. “China thinks of Canada as a white country. In China, Canada’s approach to Indigenous people is not the way things are handled. In China, the minorities have certain rights, but the approach is different. In China the emphasis is more on the political and education, and sometimes economic benefits,” said Jacob C.^{*}, a law professor. Some of the experts also made a direct correlation between education levels and knowledge about the Indigenous population, such as Alex Capri of the National University of Singapore, who said, “Only a very well-educated Singaporean person would have even heard about this issue.”

Indian experts also put forward a similar argument and pointed out how businesses often lack information about their own country’s Indigenous populations, let alone Indigenous populations in Canada. The Indigenous people in India, who are sometimes called *Adivasis* and are officially categorized as scheduled tribes and castes, are primarily associated with land and forestry resources in the country. But socio-culturally, Indians have very little knowledge about the Adivasi population and often fail to identify them as Indigenous to the land. Some of the islands in India, particularly within the Andaman and Nicobar Islands, still boast large Indigenous populations relatively isolated from the rest of society.

“I don’t think businesspeople are very knowledgeable. There’s a man from Mitsubishi who ran the LNG Canada in Alberta for about six years, and he was saying that even after six years there, he has a lot to learn about the politics of the Indigenous people,” said Satoshi N.^{*} of Japan. It is possible that larger trading organizations and business associations are better aware of the Canadian Indigenous businesses. Taigen N.^{*}, who is part of a large trading organization in Japan, reflected that they are aware of the Indigenous people of Canada. “In Japan we also have Indigenous people in Hokkaido, but for doing business or business processes I think in Canada they have too much power and the government pays too much attention to the Indigenous people. It affects business opportunities thus negatively affects [business].”

^{*} By request the name has been changed to maintain confidentiality of the interviewee.

South Korean professor Yeongkwan Song felt that knowing more about Indigenous people in Canada can be a learning point for their own country. “I don’t think Korean businesspeople would have much idea about this (Indigenous people). But it is an area in which Canada could usefully teach us about how to manage this type of internal conflict. The relationship between South and North Korea will be an issue for some time as we move to combine the two parts of Korea. We can expect conflict and turmoil and Canada’s experience could be very important.”

FINANCIAL AND POLICY CHALLENGES

Some of the Chinese experts pointed out that dealing with Indigenous communities is a domestic issue in Canada and it should not interfere with international regulations. “In my opinion, it is more of a domestic issue, than an international issue. Canada can only have one investment rule, one investment policy. You can’t ask Chinese investment [companies] to deal with local Indigenous people. The Canadian government must solve the issue. If the Canadian government can’t solve it, how about Chinese businessmen? Sometimes, there are some reports about Indigenous [issues], territory [issues], and resources. We know that it’s very complex. In Canada, Australia, even the US. But I think this is an internal issue. If it can totally be open, then maybe Chinese firms can start investment,” said Chinese economist Stephen S.*

Canadian court decisions and government policy changes have empowered Indigenous communities and given them key roles in natural resource development. Reflecting on that, Adam J.* of China said, “It will increase the difficulty, risk, and cost of investment. The first problem is likely to be that the company can’t do it [the project] at all, because local residents don’t care about GDP and economic development. Second, local residents may make many demands, and the number of stakeholders will increase and costs will rise.”

RELATIONSHIP BUILDING

Experts’ suggestions for relationship building ranged from sending Canadian representatives to the various Asian countries and providing details about Indigenous people and their businesses, to sending Asian students and youth to

* By request the name has been changed to maintain confidentiality of the interviewee.

Canada for education and exchange programs so that they bring back cultural expertise about Canada and join high ranks within the ministries of Asian countries and influence decision-making processes. “Given that both sides have Indigenous people, it should be easier to communicate on this issue. At the cultural level, Vietnam could work with Canada on sharing practices on mechanisms to support Indigenous groups. In the past years, Vietnam has started a number of programs on cultural exchange for youth, women, and ethnic minorities between Vietnam and ASEAN, Vietnam and Japan, and Vietnam and South Korea. Collaboration between Vietnam and Canada on Indigenous people may not be unprecedented,” observed Nguyen Anh Duong.

Furthermore, there was stress on devising a collaborative agenda to move forward – one that takes into account international viewpoints on trade and investment with Indigenous people.

“I was told that considering the energy issues, there’s a view from the First Nations and there’s a view from the environmental protectionists; there are also views from some developments. But no view from the international committee is included. So simply, I ask that all the views be put on the table so that we can take all of them into consideration. And because [of] that, I said it is very difficult to do [business] with Canada because it lacks a national energy strategy. It existed once, but it didn’t work because of the federal system,” said former Japanese ambassador to Canada, Kenjiro Monji.

ENGAGEMENT AREAS

In terms of engagement areas, most Asian experts with some knowledge about Indigenous people in Canada suggested that energy and eco-tourism would be prime sectors to collaborate on. “Some Singaporeans want new experiences in life and will be interested to visit Canada’s Indigenous communities. For example, a winter excursion in the Yukon. The richest market segment in Singapore looks for exotic goods and ornaments. It could be natural salmon. There will be some niche markets,” said Carlos Kuriyama.

Teruko Wada of Keidanren further indicated that infrastructure development and improvement could also be potential areas of engagement. “Personally, I think it’s important to respect the cultures, but if they want to make money they have to compromise somewhere.”

Approaches to Deeper Engagement

While the Asian countries surveyed in this project have very different socio-political environments and therefore have different approaches to deepen engagement, some of the common recommendations made by policy experts from each country can broadly be classified as follows:

- Conduct trade and investment missions (both to and from Canada);
- Reduce trade and investment barriers; and
- Enhance political friendships and bilateral partnerships.

It is pertinent to recognize that none of these categories are mutually exclusive, but rather they are interdependent. Conducting trade and investment missions from Canada to Asian countries not only increases market knowledge but also enhances political friendship, which can move beyond economic engagement. To provide more tailored suggestions for each individual country, the most common suggestions from policy experts representing each country have been outlined below.

CHINA

Common recommendations from Chinese policy experts include enhancing mobility, bilateral talks and enhancing political friendship, conducting trade and investment missions, reducing trade and investment barriers, and reducing international policy complexities.

Enhancing mobility referred not only to easier visa processing systems for foreign workers and scholars, for both countries, but also investor visa programs that would allow for entrepreneurship and innovation in Canada. By way of example, experts referred to the Australian Significant Investor Program. Interestingly, Canada did have an immigrant investor program, but it was terminated by the Canadian federal government in 2014 as it [failed to generate sufficient economic benefits for Canada](#).

Understandably, enhanced mobility would also allow Chinese investors and workers to come to Canada easily. “We can conduct bilateral exchanges through two-track diplomacy. The first track is government-to-government, Ministry of Foreign Affairs to Ministry of Foreign Affairs; the second track is

through collaboration with Chinese universities,” observed Tom X.,* a professor of Canadian studies in China. He also cautioned that the two countries’ political, economic, and people exchange relations are interdependent, and an imbalance on any one front can have effects on the others.

Further elaborating on collaboration and enhanced political friendship, economist Stephen S.** suggested that both governments need to be more open to encourage investments in each country. “China should encourage more local companies to invest in or trade with Canada. It is very important for both governments to be open-minded and to encourage investment from the other side. Canada was a haven for multinational investment. But now Canada has changed [ruined] it. Both countries must welcome investment from outside world. If [investment comes] from US, Canada is very welcome. But if it is from China, it becomes a challenge. This is very important. It is the same for US, for EU, for Japan, but for China it became a big challenge. So it is important [for both governments] to encourage and facilitate investment. And the most important thing is to be open-minded. You mustn’t think about the differences between Chinese investment and US investment. Canada shouldn’t discriminate.”

INDIA

Indian experts largely referred to bilateral talks and enhancing political friendship, enhancing mobility through visa and international mobility agreements, conducting trade and investment missions, government promotion, and reducing trade and investment barriers as possible approaches for deeper engagement. However, considering the tense political relations and the 2018 reception of Prime Minister Justin Trudeau in India, experts suggested a more strategic approach to engaging with the world’s largest democracy. “More policy discourse and signalling [of strategic intent] from Canada is needed especially in relation to India’s Act East Policy.* Sharing of maritime expertise would be useful,” said Harinder Sekhon of the Vivekananda International Foundation.

Similarly, ambassador Neelam Deo suggested that Canada and India need to move forward and leave behind old issues, including discussion points for an FTA. “More fruitfully for both countries would be to agree to an investment

* By request the name has been changed to maintain confidentiality of the interviewee

* The Act East Policy aims to increase economic and military ties with the ASEAN countries and countries that are to the east of India.

protection arrangement for both countries. Maybe [collaborate] on IPR [intellectual property rights] – even IPR regimes have to change. You can't have a patent law that is 150 years old; it does not make any sense anymore, especially in areas like pharmaceuticals. More discussions on collaboration on space or new technologies and less on tariffs on beef (which should go away anyway). Both governments would do better to move on from old economic issues.”

The two countries need to work on their diplomatic relations with strategic intent and at the same time negotiate trade deals that are mutually beneficial, as opposed to agreements that seem to end at an impasse. Trade and investment missions may be an excellent way to demonstrate and build awareness about Canadian companies and opportunities. Pritika Hingorani, however, suggests that the missions should be more focused at the state level and occur in a more targeted fashion, rather than being generalized. Enhanced two-way mobility of workers and investors can further enable the two countries to build bridges.

JAPAN

Quite a few of the Japanese experts emphasized on the need for the two countries to make use of their 90-year-old diplomatic relations and build on that. Similar to China and India, Japanese experts also suggested the use of trade and investment missions to build awareness and market knowledge about Canadian firms and opportunities.

Keidanren deputy director Teruko Wada suggested following in the footsteps of the United States and engaging at a more local level rather than nationally: “I recall that each US state would send delegations to promote themselves to Japanese businesses. And they also participate in trade shows throughout Japan (not just Tokyo). So if each province or state is interested, it could be good to bring a trade show around Japan, to local areas to show what business opportunities are there in Canada. And there are many competitive SME industries in Japan that may be located near Nagoya, Osaka, Kyushu, or Hokkaido. One state has done trade shows, once in Hokkaido, once in Sendai, Tokyo, Nagoya, Osaka, Kyushu, and Hiroshima, etc. They select the big cities in each area/region to conduct seminars on how attractive their state is [and what they offer], like no income tax or no need to pay VAT. In Japan, 99% of companies are SMEs located outside of Tokyo. They are competitive, they have great skills. They have a lot of room for growth. But they are bad at marketing. It's a pity.

They only look at the technology, but they do not have the business mind to sell the businesses. If they have people with good skills to help sell the business, they could expand. They have great engineers, but not great salesmen.”

Among other suggested approaches were government promotions of trade and investment opportunities, enhancing political friendships, and reducing trade and investment barriers. Former Japanese ambassador to Canada Kenjiro Monji suggested the reduction and removal of “administrative obstacles and red tape, like overly long assessments for environmental impact.” The CPTPP agreement arguably helps with this approach and also includes provisions for environmental protection.

According to some of the experts, the shared political objectives and policies can also lead to a collaborative role in multilateral partnerships, such as the WTO, G7, and G20, that play a key role in global environmental and security issues and aim to achieve global prosperity. “Of course bilateral co-operation is important, but on the other hand we need to maintain the rules and the [multilateral] framework, including the US and hopefully China. If you [Canada] can lead, we can co-operate. If we lead, we will need your co-operation,” observed Haru O.^{*}, a ministry official with expertise in foreign affairs.

SINGAPORE

Singapore also benefits from the CPTPP agreement with Canada, which helps to reduce trade and investment barriers. Experts further suggested that Canada should engage in bilateral talks, build business-to-business connections, and develop market knowledge, which in turn directly relates to organizing trade and investment missions to Singapore.

Many of the Singaporean experts were of the opinion that instead of the governments being involved, it should be the businesses from each country exploring potential areas of engagement with each other. “Canada selects the high-value items (e.g., ice wine) that can be air flown and sold at a profitable price. These are niche rather than mass market opportunities; we need to find a way to show each [other] our respective niche opportunities. In science and nascent technology we have A*Star (Agency for Science, Technology and

^{*} By request the name has been changed to maintain confidentiality of the interviewee.

Research); it could liaise with counterparts in Canada. Don't bring in the government types because then you get bogged down in bureaucracy and sometimes there is no follow up to G-to-G MOUs [government-to-government memorandums of understanding]. Make direct connections to the vendors, hospitals, researchers, etc.," said Ong Keng Yong, the executive deputy chair at the S. Rajaratnam School of International Studies, Nanyang University.

Yusof Ishak Institute's senior fellow Malcolm Cook further suggested that Canada needs to take a more active role in multilateral partnerships, such as hosting the APEC summit, which Canada last hosted in 1997.

SOUTH KOREA

Experts on South Korean international trade relations echoed the need for Canadian trade and investment missions coming to the country. "If Canada wants to differentiate itself from the US, [it should] conduct more formal business delegations, youth exchanges, more involvement to set different images and ideas," said Hyun Jung Je and Helen Oh of KITA. On the other side, professor Yeongkwan Song suggested that South Korea should also facilitate trade and investment missions to Canada for Korean companies.

As stated earlier, trade and investment missions are also related to enhanced mobility agreements and building market knowledge. The vice chair and CEO of the Federation of Korean Industries (FKI), Tae-shin Kwon, felt the same and said, "Canada should put more effort into its advertising and PR about the business climate in Canada. This is still not well-known to Korean businesspeople.

They should connect with private institutions like FKI and KITA, share more information and strengthen ties. The children of Korean immigrants in Canada may also be useful in developing the relationship." The Asian diaspora in Canada has been identified as one of its strengths and various experts touch on the possibilities it brings forth for deeper engagement, including building market knowledge, awareness, and networks.

South Korean experts also identified the strong presence of chaebol and other large business conglomerates (generally family owned) in their economy. While the Korean economy stands dependent on the chaebol, Tony Michell suggests that working with the chaebol, as opposed to running parallel or against it, will be beneficial for building bilateral partnerships, entrepreneurship, and innovation.

“One potential strategy would be for Canada to align with a single chaebol across all the relevant sectors, e.g., for SK Group [95 subsidiary companies] medical, electronics, culture, etc.”

VIETNAM

Vietnamese experts had few – but very strong – suggestions for approaches to deepen engagement, the primary being the organization of trade and investment missions. “Canada could organize some business missions or allocate more budget from the Canadian government for market research surveys or for business trips to Vietnam. SMEs sitting in Canada and searching on the internet will never know what Vietnam is really like – if they just come one or two times and they will know. Some people think that Vietnam is still a poor country, or still at war,” said Nguyen Van Tuan of the Vietnam Chamber of Commerce and Industry (VCCI). He further added that in reciprocation, VCCI would also send visiting delegations to Canada as Vietnam aims to grow its business and international trade.

Considering the opportunities that CPTPP brings forth, Vietnamese experts further stressed entrepreneurship and innovation, wherein Canada invests in Vietnam, an economy that is heavily dependent on SMEs. Furthermore, bilateral talks and participation were other suggested approaches. “Our government will revise a lot of laws and regulations in order to make them more transparent and meet the requirements of the CPTPP. Canada could be a very good advisor on this process. We would also encourage the participation of the business community to help create a better business environment. Canada could help with [be included in] a drafting group. When Vietnam revised its SME laws, it had an expert from Japan sit on the drafting board. So why not Canada sends its experts,” said Le Thi Thu Thuy, the deputy director of Small and Medium-sized Enterprises Promotion Center and a member of the VCCI.

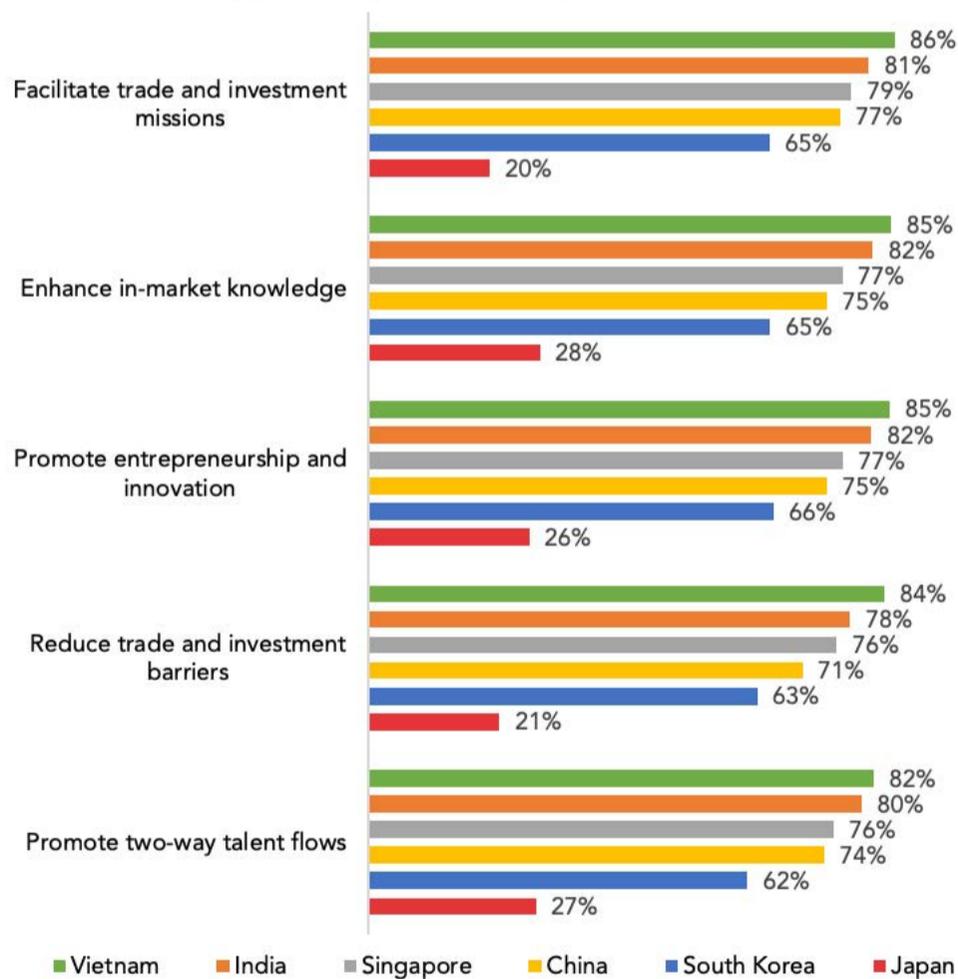
ROLE OF GOVERNMENTS

Expanded Trade: Policies and Concerns

Governments play an important role in cross-country business relationships, with the power to incentivize trade and investment through tariffs, taxes, and other regulations, and the power to facilitate trade and investment through training and marketing, among others.

FIGURE 38

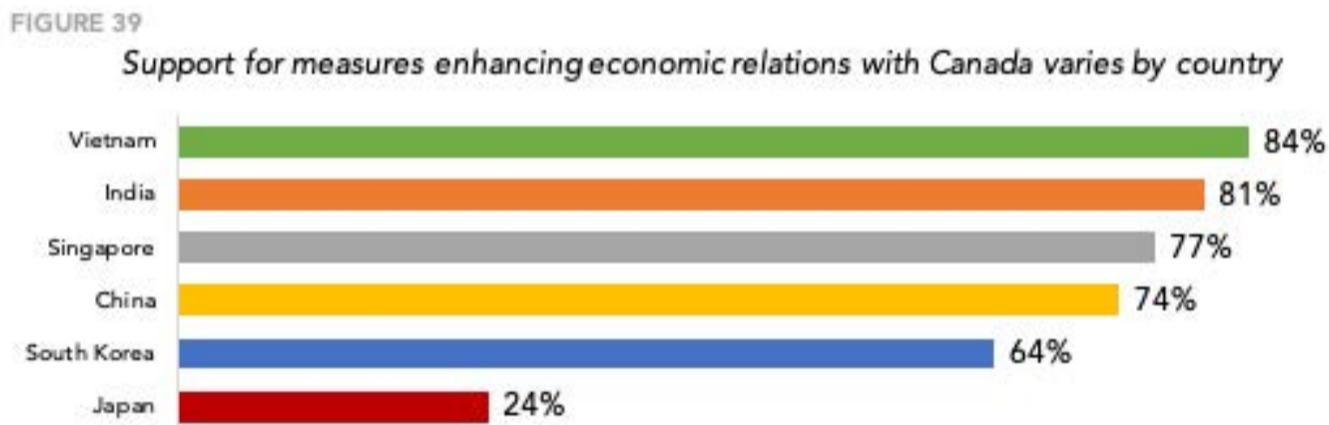
Support for policies to expand trade relations



Question: Do you agree that the following measures be taken by governments to enhance the economic relationship between Canada and your country?
Base: n=6,600 (all respondents).

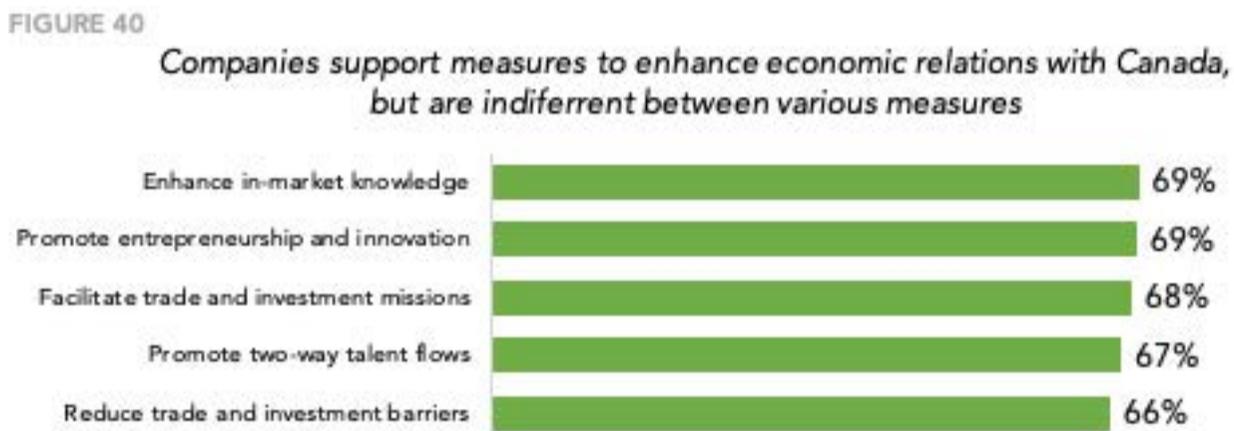
Most Asian business leaders expressed strong support for bilateral measures intended to enhance their countries' relationships with Canada.

While the level of support varies greatly by country (Figure 39), there is barely any variation in support for the different policies within these countries (Figure 38). For example, Japan exhibits consistently low support for each policy, irrespective of its aim, while Vietnam exhibits strong support for all policies. An overall look at the cross-country variation in support for measures enhancing the economic relationship with Canada shows that a majority of companies in Vietnam (84%), India (81%), Singapore (77%), China (74%), and South Korea (64%) support such measures. For its part, support from Japanese companies is low, at 24%.



Question: Would you agree or disagree that the following measures should be taken by governments to enhance the economic relationship between Canada and your country?
Base: n=6,600 (all respondents).

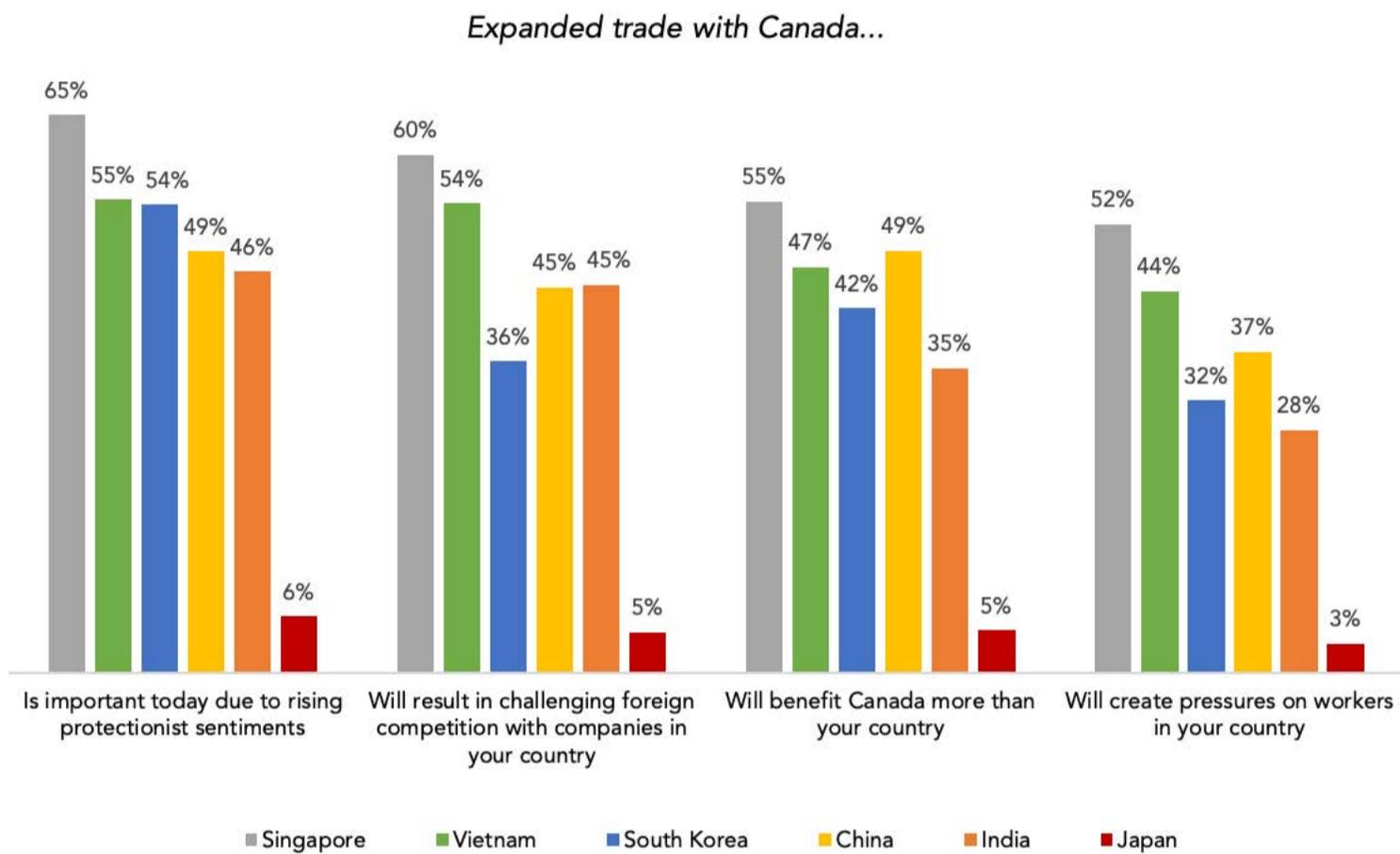
On average, 69% of companies support enhancing in-market knowledge, 69% support promoting entrepreneurship and innovation, and 68% support facilitating trade and investment missions (Figure 40). Promoting two-way talent flows (67%) and reducing trade and investment barriers (66%) also receive similar, high support.



Question: Would you agree or disagree that the following measures should be taken by governments to enhance the economic relationship between Canada and your country?
Base: n=6,600 (all respondents).

A closer look at companies’ concerns related to economic engagement with Canada could shed light on the variations in support for these policies, but that is not the case here. In fact, Japanese companies are by far the least concerned about increased competition from Canadian companies (5%) and possible increased pressures on Japanese workers (3%). Also, only 5% of them are concerned that expanded trade would benefit Canada more than Japan (Figure 41).

FIGURE 41



Question: Your country has been seeking a stronger trade relationship with Canada. Do you agree or disagree with the following statements?

Base: n=6,600 (all respondents).

On the other hand, Singaporean companies are the most concerned, followed by Vietnamese and Chinese companies. Specifically, 60% of Singaporean companies are concerned that expanded trade with Canada will result in challenging competition for domestic companies, 52% of Singaporean companies share concerns about pressures on domestic workers, and 55% of Singaporean companies are concerned that Canada will benefit more from expanded trade than their country will. Finally, about 65% of Singaporean companies believe that expanded trade with Canada is important in light of the protectionist sentiments in the United States and Europe, whereas only 6% of Japanese companies agree with this.

Free Trade Agreements

Of the six Asian countries considered for the business survey, only South Korea has signed a bilateral FTA with Canada thus far. The CKFTA became effective in 2015, and tariffs on trade have been removed progressively since then. Apart from that, Canada, Japan, Singapore, and Vietnam signed a mega free trade agreement – the CPTPP – in 2018, and the tenth round of negotiations for a proposed India-Canada Comprehensive Economic Partnership Agreements (CEPA) took place in New Delhi in August 2017.



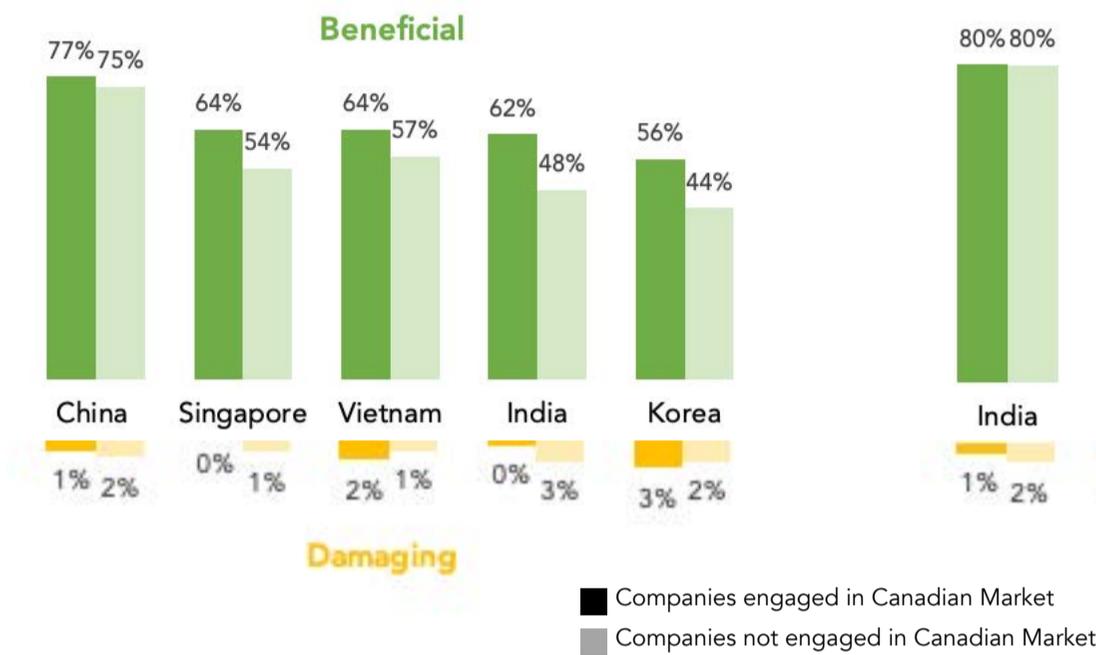
Tariffs on trade between South Korea and Canada have been gradually removed since the 2015 CKFTA

Source: Photo by Mango-Star Studio on Getty Images

The majority of South Korean companies (56%) engaged in Canada, as of 2019, believe the FTA has a beneficial effect on their business. On the other hand, companies engaged in the Canadian market from China (77%), Singapore (64%), Vietnam (64%), and India (62%) believe an FTA with Canada would be more beneficial for their business than Korean companies do (Figure 42). Across all countries, there remains a very low proportion of companies (ranging from 1% to 3%) that believe an FTA with Canada would be damaging to their company. Moreover, companies not engaged in the Canadian market also believe an FTA with Canada would be beneficial for their company, although 10 percentage points less in comparison to the Canada-experienced companies. The comparatively lower numbers for South Korea may be explained by South Korea's preference to invest in less-developed or under-developed countries, unlike Canada, as observed by one South Korean expert.

FIGURE 42

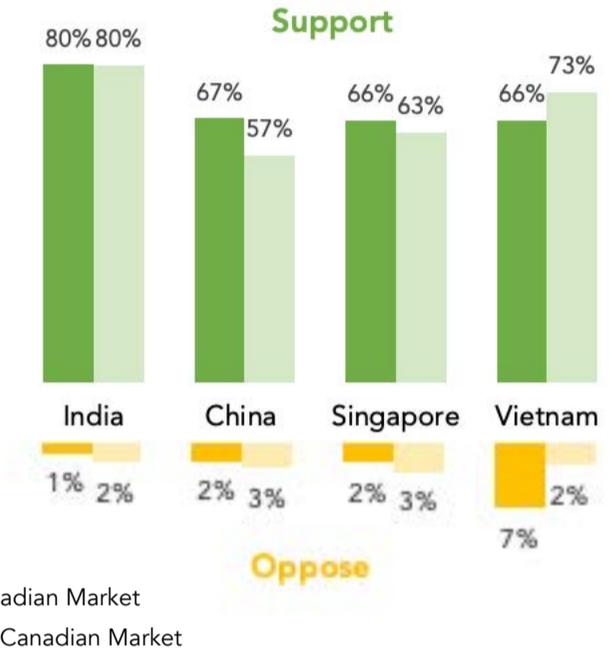
Companies anticipate an FTA between their country and Canada would be beneficial for their business



Question: Do you think that an FTA would be beneficial or damaging to the business of your company? (Bilateral for India and China/ASEAN-Canada FTA for Singapore and Vietnam/CKFTA for South Korea)
Base: Companies engaged in the Canadian market (n=758) and companies not engaged in the Canadian market (n=5,737).

FIGURE 43

Companies would support their country entering into an FTA with Canada



Question: Would you support or oppose your country entering into an FTA with Canada? (Bilateral for India and China/ASEAN-Canada FTA for Singapore and Vietnam)
Base: Companies engaged in the Canadian market (n=758) and companies not engaged in the Canadian market (n=5,737).

Lastly, Japan was excluded from this question as negotiations toward the Canada-Japan Economic Partnership [Agreement](#) have stalled. For their part, Vietnam and Singapore were included as Canada is contemplating an [FTA](#) with ASEAN.

Accordingly, support to enter into an FTA with Canada is high for companies engaged in the Canadian market, particularly those from India (80%), China (67%), Singapore (66%), and Vietnam (66%). However, there are significant differences in responses between the support for an FTA and the potential effect (beneficial or damaging) of an FTA. In India, about 20 (percentage) points more companies support an FTA than believe an FTA would be beneficial for their company.

As underscored by professor Debashis Chakraborty, India’s current strength

lies in services, and a trade agreement that is not comprehensive enough will not be considered under the current circumstances. “India has a 19th century agricultural sector, a 20th century manufacturing sector, and a 21st century services sector. Consequently, the government’s priority is to promote the service sector and service exports. There have been some early stage negotiations, but the final agreement must be comprehensive. If it mainly includes merchandise trade, this would not properly address Indian apprehensions. India is not competitive in manufacturing or agriculture.”

Furthermore, the Indian government is [allegedly protectionist](#), particularly with regard to agriculture. [Past experience](#) has shown India that an FTA leads to losses for the domestic market, and that may explain why Indian businesses are less likely to think an FTA is beneficial but are open to considering the possibilities and thereby support it.

Professor Nilanjan Ghosh from the Observer Research Foundation said, “India should go for an FTA with Canada—*this is my strong position*. By contrast, India should have avoided such trade agreements with East Asia (Japan, Korea) and SE Asia (ASEAN). In all of these FTAs, India’s trade deficit jumped after implementation. By contrast, India enjoys a good surplus with Canada, and the US and Canada can be a good consumer of Indian products and services. Conversely, if there are some complementary products in which Canada has a comparative advantage, these can also benefit India, availing ourselves of cheap inputs, factors of production. Forty-five percent of India’s trade deficit is driven by China (no FTA with China). When we have an FTA, Indian consumers have definitely benefited, but India’s industry has lost out.”

When asked about the CEPA negotiations, experts did not express any positive feelings about it. “I believe that negotiations have stalled due to an over emphasis on the economic aspects of the relationship. The EU-India FTA has also stalled. Foreign partners must recognize that India is no longer a colonial country. The underemployed and rural communities in India must be part of India’s success story. The country should not be a dumping ground for products. Projects need to generate employment. Walmart walked away when it refused to source 30% of its products locally,” said Harinder Sekhon, a senior fellow at the Vivekananda International Foundation, an Indian think tank.

Concerns surrounding the trade deficit ([imports increased](#) substantially more than exports) have been driving much of the Indian government's current decisions with regard to future trade agreements – a sentiment that is best expressed in their exit from the Regional Comprehensive Economic Partnership (RCEP) in November 2019. Pending a formal withdrawal, India has shown [no signs](#) of coming back to the negotiating table. In February 2020, the finance minister of India, Nirmala Sitharaman, observed the negative effects of international imports on the domestic industry, and therefore the need to check on FTAs. In the same month, India also skipped an RCEP negotiation meeting in Bali, to which it had been invited by the ASEAN Secretariat. Amid slowing economic growth and the RCEP countries' position not to accept India's terms to join the partnership, it seems unlikely that India will be a part of this trade bloc any time soon. Experts note that as well as negotiating for favourable conditions within international trade deals, India also needs to [rework](#) its own tax codes to benefit the Indian businesses, manufacturing, and agriculture sectors.

Meanwhile, for China, the opposite is true. On average, companies are more likely to believe in the potential benefits (76%) of an FTA compared to companies supporting (62%) an FTA (see Figure 42 above). While most Chinese experts hold a similar view and suggest that a bilateral FTA is important for China, they also highlight that tenuous relations between the two countries since December 2018, which seems to have grown more tense, makes the FTA less of a priority for the Chinese government. At the time of the study (October 2018 to August 2019), the experts reflected that the Sino-Canadian relationship was quite good, considering the circumstances. Furthermore, they indicated that an FTA and keeping China as a trading partner were in Canada's interests, because while the trade value is not significant for China, it is definitely big and visible for Canada. Essentially, in the case of a trade fallout between both countries, the Chinese economy will not be as affected as the Canadian economy.

Yingyi M.^{*}, a research fellow, observed that “the negotiations on a China-Canada FTA have not yet officially started. The main obstacle is lack of mutual trust. Canada has its own terms, which requires including some non-trade

^{*} By request the name has been changed to maintain confidentiality of the interviewee.

objectives [such as environmental standards, human rights, etc.] in the trade agreement. This will make the negotiation much more difficult.”

However, when discussing impacts on the Chinese economy, most experts underscore that a Canada-China FTA would be beneficial for both countries: “There is no problem [on the Chinese side with a bilateral FTA]. The products that Canada makes are ones that China is not good at producing. China is not good at producing wheat for example, [for] which there is huge demand. Another product in demand is dairy products. And Chinese consumers prefer imported brands because of food safety issues,” said law professor Jacob C.* At the same time, experts point out that Canada has to be willing to relax some of its progressive trade agreement requirements as the Chinese government gradually works toward possible liberalization of its economy.

As an exception, Vietnamese companies that are not engaged in the Canadian market support a Canada-ASEAN FTA by eight more points than Canada-experienced companies (see Figure 43 above). In fact, Vietnamese companies engaged in the Canadian market are the most likely (7%) to oppose an FTA with Canada. This may be in part due to the CPTPP, which came into effect for Vietnam in January 2019, and finds a lot more support, as discussed in the next section. At the time of the study, Vietnam had yet to experience any advantages from the CPTPP, and many policy experts asserted that they are hoping the plurilateral agreement will be enough to pursue trade relations with Canada. However, when asked about the proposed Canada-ASEAN FTA, the experts indicated a preference for a bilateral FTA between Canada-Vietnam over the regional agreement.

“It is very hard for a third party to negotiate with the 10 members of ASEAN given their different levels of economic development. The aim should be to have a bilateral FTA first and then aggregate for the whole region in a Canada-ASEAN FTA. Still, it won’t be easy for Vietnamese products to penetrate the Canadian market without the proper quality and compliance with regulations,” said Nguyen Anh Duong, director of the Central Institute for Economic Management.

Singaporean policy experts echoed Vietnamese experts’ thoughts on the negotiation for a Canada-ASEAN FTA. Deborah Elms, the executive director



Policy experts from Vietnam and Singapore expressed concerns at the prospect of negotiating a Canada-ASEAN FTA

Source: Photo by Mango-Star Studio on Getty Images

of the Singapore-based Asian Trade Centre, stressed that the Canada-ASEAN FTA will end up as a 12-part negotiation between Canada, ASEAN, and the 10 ASEAN member countries. The “negotiation will be resource-intensive, time-consuming, and a total nightmare.” However, the experts also realize that the Canada-ASEAN FTA will be a significant step for Canada in entering the Southeast Asian markets, where the country has little presence. “Canada needs to diversify and is looking more to Asia now (also Latin America). Canada feels that Asia is something they did not take advantage of in the past. So now Canada wants to have more business opportunities in Asia. I think the Canada-ASEAN FTA is worth pursuing for better market access to the ASEAN economies not in the CPTPP,” observed Carlos Kuriyama.

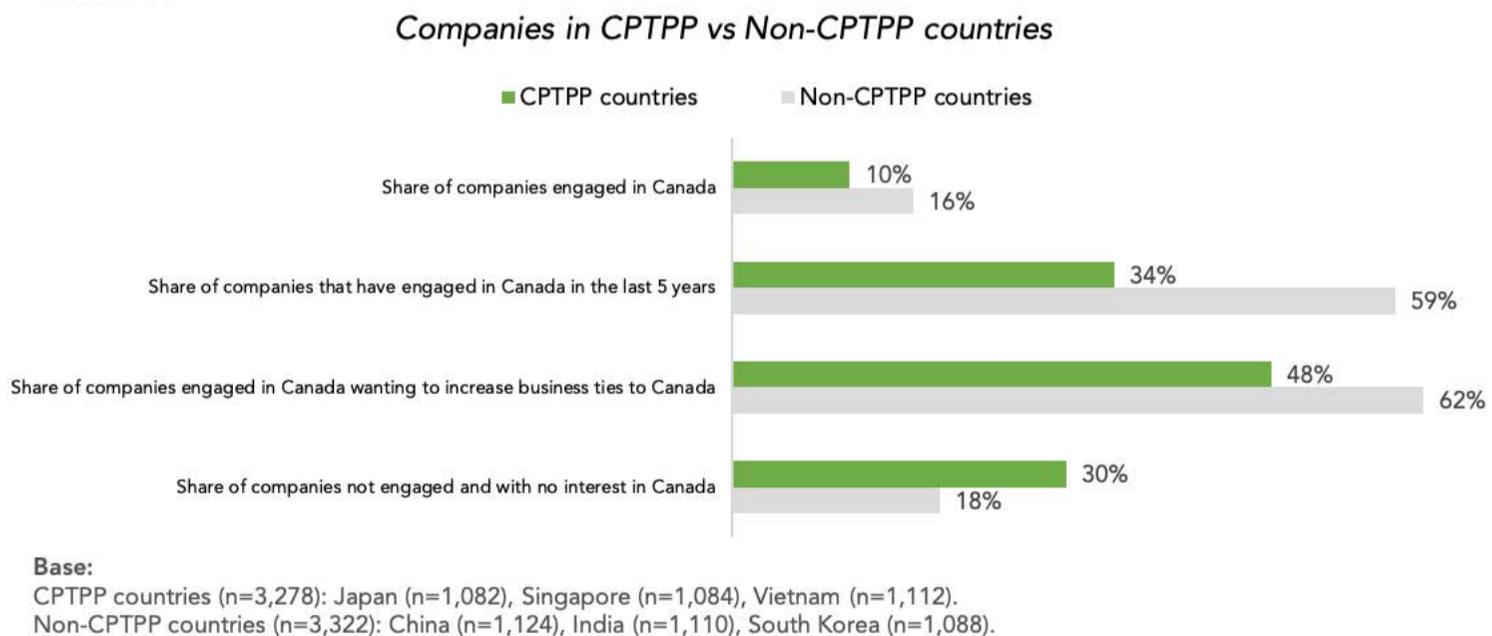
Some experts further suggested bilateral FTAs with some of the ASEAN countries as a first step toward the larger FTA with ASEAN. Meanwhile, others mentioned the expansion of the CPTPP to include interested ASEAN economies such as Thailand or Indonesia, as opposed to negotiating a separate FTA with ASEAN. A bilateral FTA with Singapore is perceived as redundant given the numerous bilateral FTAs that Singapore already holds, the existence of the CPTPP, and the ongoing negotiations for RCEP.

COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP

In March 2018, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership was [signed by](#) Canada, Singapore, Japan, Vietnam, and seven other countries in the Asia Pacific in an attempt to enhance business-to-business relationships among the participant countries. The CPTPP came into effect on December 30, 2018, for six countries that first ratified the agreement, including Canada, Japan, and Singapore, and eliminated 89% of tariff lines between them. The CPTPP entered into force on January 14, 2019, for Vietnam.

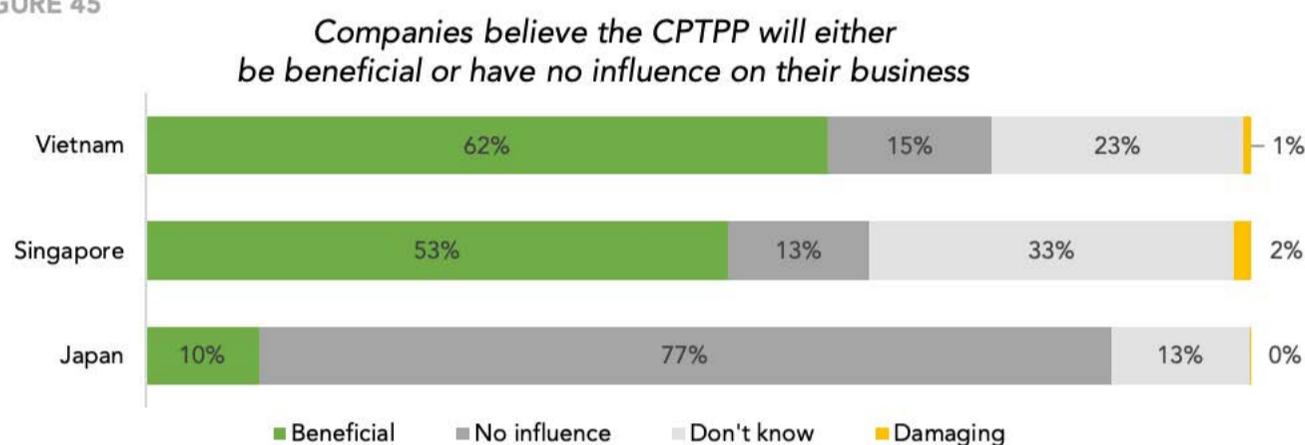
Since the survey was conducted only a few months after the ratification, the CPTPP is unlikely to have had major impacts on the business relationships with Canada for the participants, thereby affecting their perception of Canada for business among the CPTPP countries. It can be seen in Figure 44 that fewer companies from the CPTPP countries are engaged in Canada, and only 34% of the companies engaged in Canada from the CPTPP countries' have established relations in the past five years, while the rest established relations prior to 2014. It can also be seen that fewer companies from the CPTPP countries want to increase their ties to Canada, and when compared to non-CPTPP countries, more of them are not interested in Canada.

FIGURE 44



Business leaders in Vietnam (62%) and Singapore (53%) are likely to think that the CPTPP will have beneficial effects on their companies. By contrast, 77% of business leaders in Japan think the trade agreement will have no influence on their companies, and only 10% think it will be beneficial. Concurrently, only up to 2% of businesses think the CPTPP will be damaging for their companies.

FIGURE 45



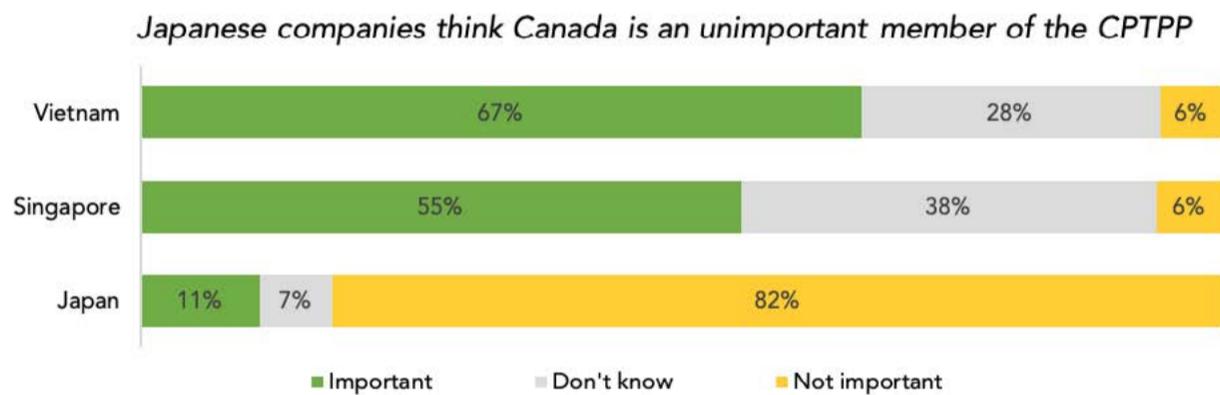
Question: Do you think the CPTPP will be beneficial or damaging to the business of your company?
Base: All respondents: Vietnam (n=1,112); Singapore (n=1,084); Japan (n=1,082).

Before the agreement was signed, [the Government of Canada estimated](#) that the CPTPP would benefit Canada the most through an increase in exports to Japan as a result of reduced tariffs. Japanese experts added that Japan has been importing Canola seeds from Canada, and that there has been an increase in the import of beef and pork. However, the United States' exit from the TPP negotiations, followed by the various additions and negotiations made by the Canadian government to incorporate its progressive agenda, has left a [bitter taste](#) for the Japanese counterparts. But former Japanese ambassador Kenjiro Monji held up a positive attitude toward the agreement and its possible effects for Canada-Japan relations, provided some required amendments are made: "The problem is Canada is not well-known in Japan so people cannot imagine the merit of having CPTPP with Canada. So in that sense we have to make Canada more known to Japanese people... overall, CPTPP is good for both countries."

While Canada is perceived as an important member of the CPTPP by Vietnamese (67%) and Singaporean (55%) companies, it is also perceived as an unimportant member by most Japanese companies (82%). Interestingly,

APF Canada's [CPTPP Tracker](#) findings exhibit that in the first three quarters since the CPTPP was ratified, both imports (-2%) and exports (-4%) from Japan to Canada have decreased compared to the first three quarters of last year. Meanwhile, for Vietnam and Singapore, the change is ambiguous, as exports to Canada increased for Vietnam and decreased for Singapore, while the opposite is true for imports from Canada. Japan is the largest CPTPP importer of Canadian products, importing over 10 times more goods and services than Singapore or Vietnam. This points again at a well-established, mature economic relationship between Canada and Japan, and may help explain the marginal effect of the agreement on the Canada-Japan trade relationship. While it is too soon to draw any conclusion on the effect of the CPTPP and there may be other factors affecting fluctuations in trade, the low enthusiasm from Japanese companies toward the CPTPP and Canada does not suggest, any more than trade data, that the agreement will boost the growth of Canadian exports to Japan as initially forecasted.

FIGURE 46



Question: Is it important or not to have Canada as part of the CPTPP?

Base: All respondents: Vietnam (n=1,112); Singapore (n=1,084); Japan (n=1,082).

In addition, there is variation across sectors toward both the perception of the CPTPP and Canada's importance within the CPTPP. First, in Vietnam, companies in the non-renewable energy sector (69%) are the most likely to think the CPTPP will be beneficial for their companies (see Figure 47). The equivalent is true for companies in the finance and insurance sector in Singapore (62%) and companies in the agriculture sector in Japan (22%). By contrast, in Vietnam, companies in the tourism sector (50%) are the least likely to think the CPTPP will be beneficial for their companies, as are companies in the tourism sector in Singapore (46%) and in the education sector in Japan (2%). Interestingly, both the tourism and education sectors have been identified as priority areas of engagement for Canada by policy experts from all six countries.

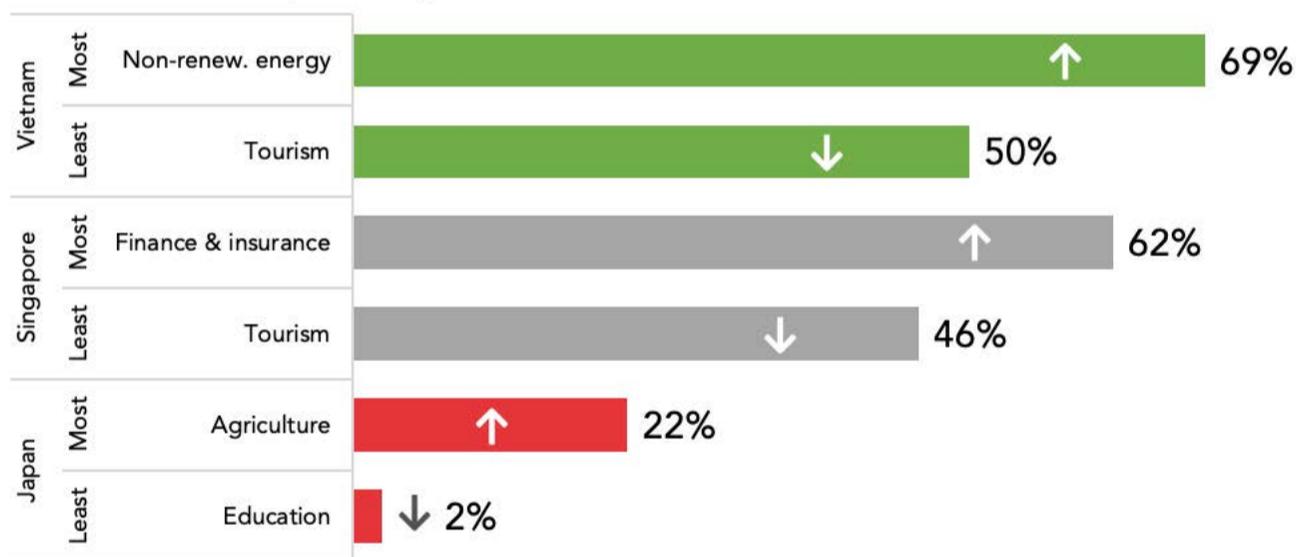
Second, Canada is seen as an important member of the CPTPP by the highest share of companies in Vietnam’s (79%) and Singapore’s (62%) finance and insurance sectors, and Japan’s (28%) agriculture sector (see Figure 48). The least likely companies to see Canada as important are in Vietnam’s tourism sector (59%), Singapore’s agriculture sector (48%), and Japan’s education sector (1%).

In the case of Japan, the results are noteworthy since within the given sample, it is the agriculture sector that finds the CPTPP to be beneficial and also perceives Canada as an important member in the plurilateral agreement, whereas various policy experts shared that there have been concerns surrounding how CPTPP may affect the Japanese agriculture sector as tariffs are lowered for both beef and canola oil imports from Canada. Natsuko U.^{*}, a government expert on Canada-Japan relations, said “...under the CPTPP, duty for canola oil will be abolished in six years so Canadian industry maybe more interested in exporting canola oil not just the seeds. But our vegetable oil companies would like to procure canola as seeds, not oil.”

FIGURE 47

Perceptions of the CPTPP vary by country and sector

Most and least likely sectors to perceive the CPTPP as beneficial or somewhat beneficial



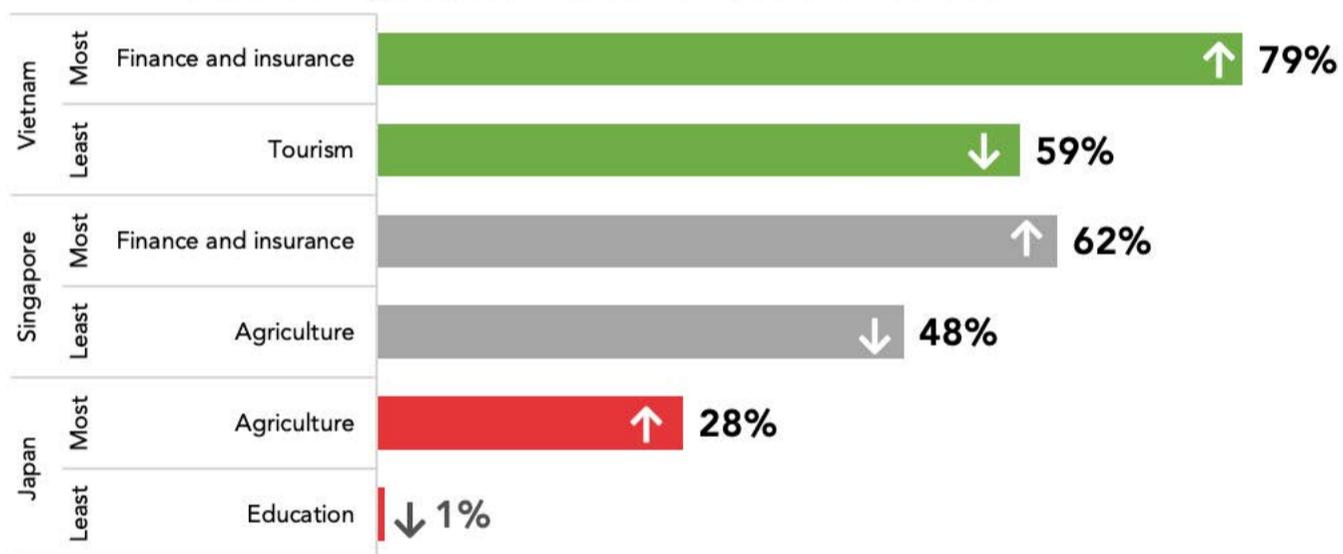
Question: Do you think the CPTPP will be beneficial or damaging to the business of your company?
Base: All respondents: Vietnam (n=1,112); Singapore (n=1,084); Japan (n=1,082).

Singapore, on the other hand, is still testing the waters with the CPTPP. The agreement brings forth the possibility to expand into Canadian and Mexican markets, which is seen as a positive by most Singaporean experts. Talking

^{*} By request the name has been changed to maintain confidentiality of the interviewee.

about the Singaporean government’s reaction to the CPTPP and articulating the possible advantages there, Deborah Elms of the Asia Trade Centre said, “they [the government] only see two things that came out of the TPP. One is that we have picked up Canada and Mexico in the agreement, which is like having two more bilateral [FTAs], and the other is that they have slightly better market access than before. But for services the chief negotiator cannot articulate the benefits for Singapore. The view in the Singapore government is that this is just one of many FTAs that the country has signed. But it is not. First, it is by far the best. Second, it is much different from past agreements, which have been mostly lousy to be honest – very narrow and not business friendly. This government attitude has filtered down to business who are not well informed or enthusiastic.”

FIGURE 48 *Canada's importance in the CPTPP differs by country and sector*
Most and least likely sectors to think Canada is an important member of the CPTPP



Question: Is it important or not to have Canada as part of the CPTPP?
Base: All respondents: Vietnam (n=1,112); Singapore (n=1,084); Japan (n=1,082).

Interestingly, South Korean policy experts expressed their government’s interest in joining the plurilateral agreement but, at the same time, many of the experts expressed hesitation on the grounds of [ongoing tensions](#) with Japan, which plays a large role in the CPTPP. Yeongkwan Song of KDI said, “Bilateral FTAs can be more limited in terms [of] rules of origin. The CPTPP has a much better reciprocal regime. The difference between these two agreements [CPTPP and bilateral FTA] is investment and the rules of origin, which are very important. The crucial way to deepen the bilateral relationship between Korea and Canada is for Canada to support Korea in its efforts to join CPTPP, which Canada can do because it is already a member. That is the priority right now.”

Canada's Progressive Trade Agenda

Since 2015, the Canadian government has emphasized a progressive trade agenda (PTA) that involves incorporating labour protection and enforcing labour laws in countries that partner for trade and investment, respecting domestic environmental laws, and promoting gender equality. This move toward a more progressive agenda in its trade agreements was first seen in the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), which entered into force in September 2017, followed by the CPTPP in 2018 and CUSMA in 2019. The PTA today has evolved into supporting export efforts of small and medium-sized enterprises through grants and export promotion, connecting them to business accelerators and trade promotion opportunities that enhance the possibilities of expanding their market share within regions where Canada has secured free trade agreements.

Socio-culturally, each of the Asian countries studied here are very different from Canada, which in turn affects the reception of the progressive agenda within trade deals. In general, most policy experts thought that it made trade deals more confusing, and they felt that the Canadian government was mixing their political aims with their economic deals. As Chinese professor Tom X.* puts it: “This issue is not easy to talk about. When talking about the trade process, political factors should not be involved. Economic diplomacy is more difficult to accomplish if it is confused with political diplomacy.”

Chinese experts emphasized that China was unlikely to give in to Canada's progressive trade agenda, particularly with regard to labour conditions and wages. Labour rights and working conditions were also highlighted as an issue by Indian, Singaporean, and Vietnamese experts. Meanwhile, Japanese experts found the progressive agenda irrelevant to economic relations and expressed a lack of understanding about the aims of such an agenda.

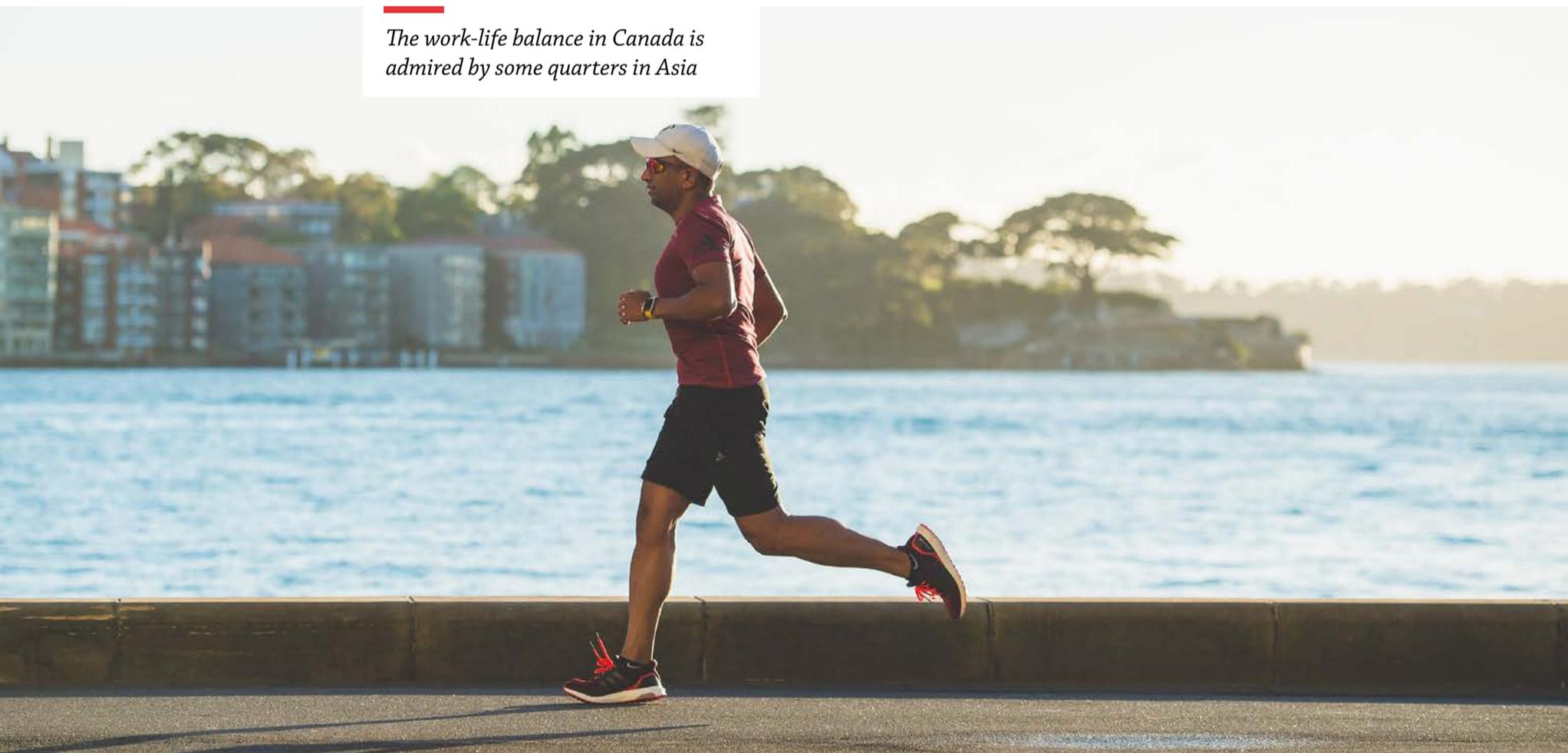
A former Japanese ambassador, Satoshi N.*, said, “Sometimes I'm not sure to what extent I understand it. Environment, labour, culture, and inclusion. Inclusion is an interesting word because I've yet to come up with Japanese translation for that. Somehow the idea, as it sounds in Japan, doesn't exist

* By request the name has been changed to maintain confidentiality of the interviewee.

in Japanese. It has to be explained and you have to paraphrase it. But it is important. Environment: I think we do have sympathies. Cultural identity, it does need some explanation, we think about Quebec, when we talk about culture and that's something that we have to learn more about as we try to become [a] more diverse society.”

Compared to all the other countries, South Korean experts were more appreciative of Canada's PTA, and some even stated that the country needs to learn from the Canadian work environment, such as the emphasis on maintaining a work-life balance. While much favoured by labour organizations in South Korea, there is quite a bit of resistance from various South Korean businesses. Despite resistance, the government may accept the introduction of a progressive agenda, as observed by KDI managing director Tony Michell: “While the government would not be very excited about the introduction of PTA provision in trade agreements, they did accept a lot of this in the 2011 FTA with Europe. Canada could read the relevant Chapter 11 and ask Korea to follow these stipulations. Korea tends to be poor on implementation and got a shock when the EU insisted that Korea must sign up to the ILO's guidelines as promised, or be penalized.”

The work-life balance in Canada is admired by some quarters in Asia



Source: Photo by Chanderr on Unsplash

Foreign Investment Promotion and Protection Agreement

Canada and China co-signed a Foreign Investment Promotion and Protection Agreement (FIPA) in 2014, despite resistance from the Canadian public. We found that Chinese investors are mostly unaware of the agreement. Specifically, 30% of Chinese companies that invested in Canada and 19% of companies interested in investing in Canada are aware of the FIPA (Figure 49). Moreover, only 18% of Chinese investors and 8% of potential investors used the FIPA.

FIGURE 49

Less than half of Chinese investors are aware of the FIPA

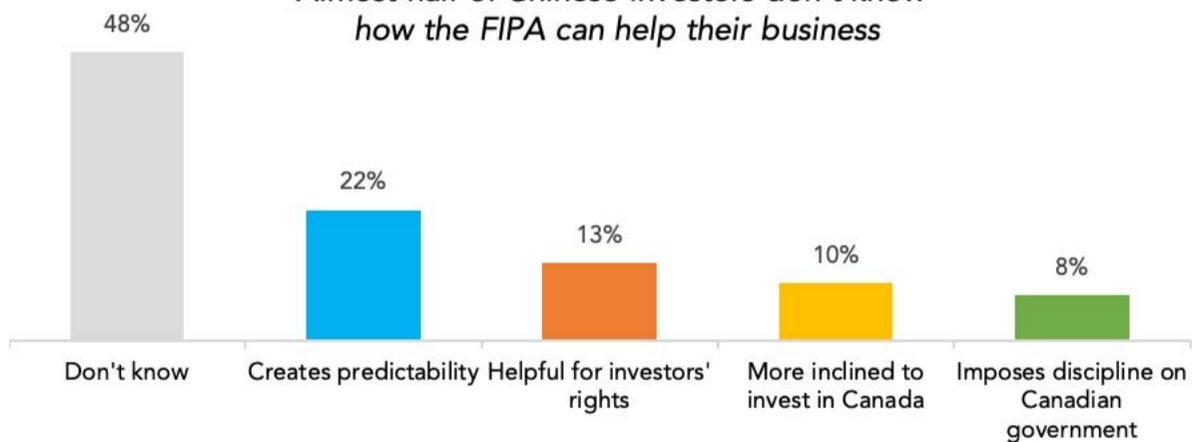


Questions: Were you aware of this agreement (FIPA)? & Has your company used this agreement?
 Base: Chinese investors (n=50); Potential investors (n=96).

Almost half of Chinese investors do not know how the FIPA can help their business (48%). Still, 22% of investors think it can help create predictability, 13% think it can help defend investors' rights, 10% say it makes them more inclined to invest in Canada, and 8% think it can impose discipline on the Canadian government (Figure 50).

FIGURE 50

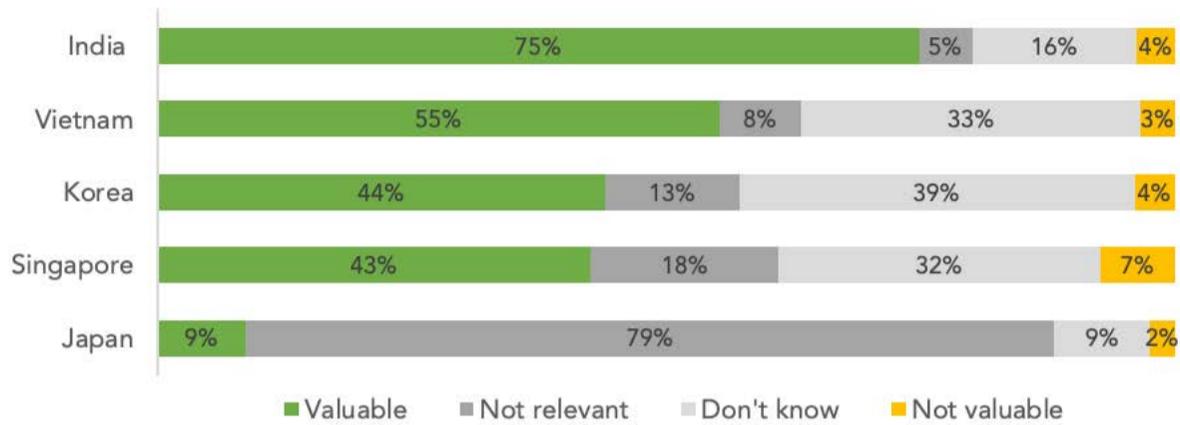
Almost half of Chinese investors don't know how the FIPA can help their business



Question: How can this FIPA help your business?
 Base: Chinese investors & Potential investors (n=146).

FIGURE 51

Most Asian businesses believe a FIPA with Canada would be valuable



Question: Do you think a FIPA with Canada would be valuable or not valuable to the business of your company?
Base: All respondents (n=6,600).

In Japan, again, about four out of five companies believe a FIPA would be irrelevant for their business. Nonetheless, as Canada considers pursuing stronger investment ties with the Asia Pacific region, it is important for the government to consider mutual benefits when embarking on such agreements. As professor Nilanjan Ghosh points out, India would be very much interested in finalizing a FIPA agreement with Canada, but then the agreement is likely to be focused on inward investment. “Given India’s poor experience with the trade benefits of FTAs, it is more interested in signing agreement that promote inward investment. Trade is good, but investment is better. India is looking to the example of Apple, which has started production in India [Apple started mass producing iPhones in India in 2019]. If Canada invests in India it will be a win-win for all, especially if these investments take place in the Eastern parts of India, which is more deprived in terms of standards of living, labour productivity, etc.”

CONCLUSION

This project allowed a unique glimpse into Asian business leaders' and policy experts' views on engagement in the Canadian market and opinions about the Canadian business environment. The Canadian economy has survived significant blows due to the COVID-19 pandemic, and as our country seeks to rebuild its international trade and investment opportunities, this study provides a ready guide and insights for the Canadian government and businesses about potential market opportunities and approaches to deeper engagement with six Asian countries – China, India, Japan, South Korea, Singapore, and Vietnam. The report also touches on areas that are often overlooked, such as perceptions about business engagement with the Indigenous people of Canada.

The large scale of the study coupled with the comparative analysis at the country level provides a unique opportunity for the Canadian government and businesses to consider the areas of engagement, ways of enhancing engagement by identifying barriers, and understanding Asian companies' perceptions about the Canadian market and trade agreements.

In conclusion, it is pertinent to revisit the primary objectives of the study and situate them within the context of the research findings. This project was aimed at gauging Asian businesses' perspectives on Canada, identifying potential barriers to engagement, and informing policy-makers on approaches to deeper engagement with Asia. In doing so, we also discuss the possible ramifications for the Canadian government and businesses interested in collaborating with various Asian countries.

1. First and foremost, there is a **significant amount of interest in the Canadian market from China, India, South Korea, and Vietnam**. We find that a majority of the companies from these countries that are already engaged in Canada want to expand their businesses in Canada. Furthermore, Canada is considered an important international market by India and China. While fewer respondents from Japan consider Canada to be an important market, it is pertinent to remember Japan's

longstanding trade and diplomatic relations with Canada.

- a. Following from the above point, it can also be seen that developed economies such as Japan, South Korea, and Singapore show lower interest in Canada (compared to the other three countries). Nonetheless, Canada maintains good relations with each of these countries and it would be beneficial to approach these markets with strategic intent.
- b. On the other hand, developing economies such as China, India, and Vietnam are more aware of and interested in the Canadian market and business opportunities. While it gives Canada the opportunity to invest in growth, it can be more challenging to conduct business in these markets. Case in point is India, which is well-known for its protectionist trade agenda and [high tariffs that directly impede foreign trade endeavours](#).
- c. However, the gap that exists in enthusiasm toward business in Canada between Asian companies in developed and developing countries can be partially explained by the companies' levels of revenue. As we have seen (see *Lifespan of Engagement*), the higher the company's revenue (and size), the lower the interest in Canada, and the companies surveyed in developed countries earn higher revenue on average. Hence, if Canada wants to extend its relationships with the more developed economies, it may have to strategize ways to attract larger companies.
- d. Among the developing economies, both China and India play an important role for Canada. Not only economically, as both countries strategize for faster growth and profitable trade partnerships, but also politically as Canada is home to large immigrant populations hailing from both China and India. However, given the ongoing political turmoil with China (following the arrest of Huawei CFO Meng Wanzhou) and the growing social issues in India (following the dissolution of the state of Jammu and Kashmir and the controversial Citizenship Amendment Act 2019), both of which bring into purview

significant human rights violations, it is a crucial juncture for Canada to come up with ways to navigate these Asian markets without jeopardizing the Canadian values that stand to protect human rights.

2. Second, the report identifies some of the major barriers to engagement in Canada, according to Asian policy experts. Among them, **CUSMA** figures quite largely. Canada's current trade system is largely dependent on the United States, and following the CUSMA negotiations, Asian countries fear that Canada may have little control over its own relations due to Article 32.10, which allows the CUSMA partners – the United States and Mexico – to pull out of CUSMA in the event that either of them disapproves of any free trade relationship that Canada pursues with non-market economies. For example, if a Sino-Canadian FTA is finalized and the United States disapproves, it will be able to unilaterally pull away from the CUSMA agreement, which in turn leaves Canada's economic conditions vulnerable. A better understanding of Canada's position within CUSMA and its implications for other trade relations is pertinent to making a pathway for Asian trade and investment prospects in Canada. It is a vicious cycle wherein Canada needs to diversify its markets but is also tied by agreements with its largest trading partner. The other significant barrier to consider is the **lack of value chain complementarity**, as underscored by policy experts from India, South Korea, Singapore, and Vietnam. Future studies that draw on raw data, such as collected here, and historical trade and investment statistics can help identify the complementary areas of trade and investment – existing and potential – with these Asian economies. Canada needs to build up its relevance within the value chain networks in order to capture these markets.
3. Third, one of the primary concerns highlighted by Asian business leaders is the perceived complexity of conducting business in Canada (see *Approaches to Deeper Engagement*). This factor is further highlighted by the fact that the vast majority of Asian business leaders surveyed do not understand the **Canadian business operating environment** at all. While those engaged in the Canadian market have a slightly better understanding, it is notwithstanding the fact that there are many

who have only a partial understanding of the business environment.

Moving forward, this trend can be detrimental to trade and investment prospects. This finding calls for better and more accessible information on the Canadian business environment, a simplification of regulations and required compliance, and the establishment of directions to better business flows within the country.

4. Fourth, a point of note in this report is the emphasis on **trade missions** as a preferred method of increasing awareness about Canadian market opportunities. Many of the Asian experts indicate the lack of information about areas of engagement in Canada as a deterrent for trade and investment. Some also underscore the lack of Canadian presence on the ground in their countries, in comparison to other trading partners. Therefore, trade missions going both from Canada to Asia and vice versa can be extremely beneficial. However, experts caution that these missions need to have a more targeted approach. For example, if Canada were to attract AI investment and talent from South Korea, it should consider sending trade missions for that specific market to the city of Seoul. The city boasts some of the top AI companies in the country.
5. Fifth, trade missions also bring forth the importance of the various **trade agreements** between Canada and the six Asian economies studied here. There is a need to focus on building more awareness around how these agreements can enhance business opportunities for the countries involved. We find that even though Canada has an FTA with South Korea, the perception of benefits from the agreement is much lower for South Korean businesses compared to the expected benefits for businesses from the other markets that don't have an FTA with Canada yet. Policy experts believe this may be due to South Korea's focus on trading and investment in less-developed and growing economies rather than on developed ones such as Canada. Some experts also indicate a lack of knowledge about Canada. However, considering that South Korean economic growth is dependent on the export of manufactured goods, Canada can leverage its position as a country with natural resources and export primary products to the manufacturing industries in South Korea.

6. Sixth, and lastly, following from the point on building awareness and disseminating information about the Canadian business environment, it is imperative to build up and highlight resources that guide foreign countries and businesses in the processes for conducting business with **Indigenous communities in Canada**. Both Chinese and Japanese businesses seemed to be of the opinion that policies and regulations that govern trade and investment with Indigenous communities made matters more complex for collaborating with Canada, while others expressed an extreme lack of awareness about the communities and their importance for the Canadian economy. Experts suggest initiating programs that go beyond just resources, but rather introduce Asian countries to the Indigenous people of Canada. It may start with youth exchange programs, but can extend to conducting Asian business to Indigenous business exchanges. Considering international opinions on Canadian trade practices can be a novel approach to resolving the existing issues and enabling better investment in areas such as energy and eco-tourism.

The concluding remarks would be remiss in not addressing the interesting survey results from Japan. We find low support for trade agreements with Canada, which may in part stem from the fact that the two countries have longstanding relations that have existed without the presence of any trade agreement. But it is also important to note that the CPTPP negotiations underwent significant changes due to requests from Canada, and that has affected Japan's perceptions about the agreement in particular and the Canadian market in general. Additionally, policy experts indicated that Japan needs to know more about Canadian market opportunities to better engage and expand business. In fact, we find that almost 90% of all Japanese companies surveyed don't understand the Canadian business operating environment (see *Perceptions of the Canadian Business Environment*). Ironically, only 26% of Japanese companies identified lack of familiarity with the Canadian market to be a barrier to engagement, the least out of the six countries. To attract more Japanese companies, Canada would need to address the puzzling, yet definitive, bad perception of Canada among companies who are not interested in doing business in Canada (see *Perceptions of the Canadian Market*).

The report brings forth interesting results and factors that Canada needs to consider as it moves forward in its trade diversification. Canada is considered a prime destination for training and educating people, particularly in the areas of AI, technology, and life sciences. Additionally, services, natural resources, and agriculture are also seen as the main strengths of the country. Identifying areas of collaboration and investment can start with something as simple as analyzing similar strategies in the various sectors with the partner or potential Asian markets. For example, Singapore's Artificial Intelligence Strategy and the Pan-Canadian AI strategy are similar and can enable the countries to cooperate with each other on digital governance (see *Policy Experts on Potential Areas of Engagement*). Promoting these areas through marketing and awareness campaigns and adding in potential areas of trade and investment to the marketing strategy will be pertinent to the country's growth both in terms of the economy and politically within the Asia Pacific region.

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Annex A: Methodology (detailed)

QUESTIONNAIRES

The questionnaire items were drafted using previous surveys conducted by APF Canada, various business surveys conducted by other organizations, such as the Canada China Business Council, and feedback from field experts and the funding partners. The questionnaire underwent further modifications following the initial launch of the survey. The final questionnaire used in the fieldwork and analysis came after multiple reviews.

SURVEYS

Target firms: Domestically owned private and state-owned enterprises currently involved or interested in international trade or investment.

Target sectors: Agriculture and agri-food; non-renewable energy (e.g., oil and gas); clean technology (includes renewable and nuclear energy); environmental goods and services; education; finance and insurance; health care, medical, or biotechnology; information and communication technology; and tourism.

Sample: The sampling target for the surveys was set at 1,080 per country, equally divided (n=120) between the nine specified sectors (above) for an initial total target of 6,480 respondents. Each respondent represented a single business. Allocating an equal number of companies to each sector for each target country resulted in a uniform representation by sector, except in the non-renewable energy sector, where the sample targets were lowered for both Japan and South Korea. Meanwhile, Vietnam's state dominance in the energy sector led to a poor attendance of businesses at oil and gas trade shows and exhibitions, leading to a lower number than targeted.

Data collection: The survey was conducted at 105 different trade shows that occurred across the six Asian countries. Purposive and convenience sampling methods were used to approach approximately 8,710 people, out of whom 6,969 participated. After accounting for non-completes and possible duplication, 6,600 surveys qualified for the final analysis. The response rate

was 76%, and around 3% of the data (Singapore and Vietnam) was collected over email or through LinkedIn; the rest were collected in person.

Data analysis: The survey data was collected, cleaned, and coded by Intercedent Asia before being sent to the APF Canada research team for analysis. APF Canada’s research team used statistical programs in Stata and Microsoft Excel to analyze and visualize the data patterns and trends that have been presented in this report.

Table 1: Survey Sample Distribution Across Country and Sectors

Sectors	China	India	Japan	Singapore	South Korea	Vietnam	
Agriculture and agri-food	121	122	121	120	145	149	
Non-renewable energy (e.g., oil and gas)	136	122	58	127	67	81	
Clean technology (includes renewables)	123	124	129	104	122	124	
Environmental goods and services	132	121	137	102	132	159	
Education	123	113	127	126	121	100	
Finance and insurance	121	120	129	133	123	107	
Health care, medical, or biotechnology	121	120	124	120	132	145	
Information and communication technology	122	133	121	130	126	125	
Tourism	125	135	136	122	120	122	
TOTAL	1,124	1,110	1,082	1,084	1,088	1,112	6,600

INTERVIEWS

Sample: Following the definition of policy experts as outlined in the Methodology section, the APF Canada research team identified potential interview candidates based on their background and accessibility for each of the six target countries. The list of candidates was then forwarded to Intercedent Asia. In addition to the candidates suggested by APF Canada, Intercedent Asia identified potential interview participants and approached them for the study. Letters of invitation from APF Canada were provided to the interview participants requesting them to share their expertise and knowledge in the area.

Data collection: Using convenience and snowball sampling methods, 10 policy experts were recruited from each country. However, the international tensions

between Canada and China negatively affected the recruitment efforts and the responses. Only eight respondents from China agreed to be interviewed for this study, and everyone requested to remain anonymous. This led to the collection of 58 interviews across the six countries. The respondents were provided three options in terms of being quoted in the study: free to quote, no comments to be attributed to individual or organization, and approval required before publishing attributed comments. All Chinese respondents chose the second option. All respondents from India, Singapore, and Vietnam agreed to be freely quoted. There were mixed responses from South Korea and Japan.

Table 2: Interview Participants Distribution by Country and Affiliation

	Universities/ Academics	Private/non-profit – Research institutions/ Organizations	Publicly funded – Research institutions/ Organizations/ Ambassadors	Total
China	3	5	0	8
India	3	7	0	10
Japan	0	3	7	10
Singapore	2	5	3	10
South Korea	3	4	3	10
Vietnam	2	3	5	10
Total				58

Data analysis: The interviews were transcribed and arranged according to interview questions by Intercedent Asia. After transcription, the raw files for the interview recordings and transcripts were shared with the APF Canada research team. Using QDA Miner, the APF Canada research team coded and categorized the interview data under broader themes following from past literature and objectives of the study. Respondents who requested anonymity or non-attribution were given pseudonyms and all identifying information was removed. Where required, approval was sought for publishing the verbatim quotes.

Limitations

- 1) Sampling bias:** There were many business leaders and companies who chose not to participate in the study; around 75% claimed their products and services were intended for a more domestic market. Since many of the companies that declined to participate in the surveys were also likely to have no interest in Canada, the “interest” for doing business in Canada as identified in this report may reflect an upward bias. Furthermore, the non-probability sampling methods adopted in this study directly affect the possibility of generalizing the survey findings. However, the study provides a unique insight into Asian business leaders’ and policy experts’ views on the Canadian market and business environment. Future studies modelled on the current research can help build on this understanding.

- 2) Questionnaire length:** The length of the questionnaire used for both the surveys and the interviews led to a higher drop-out rate. The survey questionnaire comprised 30 questions; each question further included multiple sub-sections. The structured interviews comprised seven broad questions, with 3 to 23 sub-questions. A shorter questionnaire should be considered for future studies to reduce the number of non-completes and rejections.

- 3) Sample recruiting:** Singapore, South Korea, and Vietnam have a smaller number of policy agencies and institutes, thereby leading to difficulty in the recruitment of policy experts for this study.

Annex B: Demographic Data

Table 3: Demographic Data of the Businesses Surveyed

	Total	China	India	Japan	Singapore	South Korea	Vietnam
Company size							
Large	18%	24%	17%	22%	18%	10%	15%
Medium	28%	38%	29%	33%	23%	14%	31%
Small	54%	38%	54%	45%	58%	76%	54%
Last year's global gross revenue							
Pre-revenue	3%	3%	5%	0%	5%	6%	1%
Less than \$4.9M	16%	13%	29%	19%	15%	9%	13%
\$5M to \$9.9M	10%	12%	11%	18%	9%	7%	3%
\$10M to \$49.9M	11%	12%	9%	22%	6%	15%	4%
\$50M to \$99.9M	5%	5%	4%	6%	3%	10%	4%
\$100M to \$499.9M	6%	3%	3%	13%	3%	11%	4%
\$500M to \$999.9M	2%	1%	1%	4%	1%	3%	2%
\$999.9M or more	4%	5%	2%	9%	4%	5%	3%
Don't know	41%	47%	36%	9%	55%	35%	66%
Share of international business							
10% or less	44%	37%	34%	49%	22%	55%	68%
11% to 20%	10%	13%	13%	13%	9%	10%	4%
21% to 30%	11%	12%	15%	14%	11%	11%	5%
31% to 40%	5%	6%	9%	5%	6%	3%	2%
41% to 50%	10%	11%	7%	8%	16%	8%	6%
Above 50%	19%	20%	22%	10%	35%	13%	16%
In what year was your company established?							
Don't know	8%	3%	8%	2%	18%	16%	4%
Last 5 years	17%	16%	17%	10%	20%	18%	21%
5 to 10 years	17%	23%	17%	10%	14%	16%	20%
10 to 20 years	25%	35%	24%	16%	19%	21%	35%
20 to 50 years	23%	20%	26%	29%	22%	25%	18%
Over 50 years	9%	2%	7%	34%	7%	4%	3%
Company description							
Publicly listed	13%	13%	8%	14%	16%	15%	10%
Private shareholding	48%	43%	56%	80%	21%	34%	54%
Sole proprietorship	11%	10%	11%	0%	16%	25%	6%
Partnership	5%	7%	7%	0%	11%	1%	5%
Limited partnership	8%	16%	8%	1%	18%	4%	1%
Other	9%	4%	9%	4%	7%	12%	17%
Don't know	6%	7%	1%	1%	11%	9%	8%

Table 3: Demographic Data of the Businesses Surveyed

	Total	China	India	Japan	Singapore	South Korea	Vietnam
Private or Government ownership							
100% private	74%	72%	90%	96%	63%	66%	59%
<10% govt.	5%	4%	2%	2%	11%	7%	3%
10-50% govt.	2%	2%	1%	0%	2%	2%	3%
>50% govt.	3%	4%	2%	0%	3%	4%	6%
Don't know	16%	18%	5%	2%	21%	20%	28%
Women-owned companies							
0-35%	52%	43%	61%	89%	32%	42%	41%
36-50%	14%	18%	15%	3%	22%	9%	19%
51-64%	5%	7%	3%	1%	9%	3%	6%
65-100%	3%	3%	4%	0%	5%	3%	4%
Don't know	26%	29%	17%	7%	31%	43%	31%

Note: Interestingly, a high share of respondents (26.22%) seem not to know. At most, 22% of the Singaporean businesses said that their companies are 36%-50% owned by women.

Respondent role in company

Senior manager	46%
Prefer not to respond	24%
Staff member	11%
Executive position	11%
Founder/board	9%

Respondent's no. of years doing international business

<5 years	46%
6-9 years	15%
>10 years	24%
No response	16%

Thank you to the Policy Experts and Business Leaders

We would also like to express our sincere gratitude to the policy experts who gave us their time and expertise without which this study would not have been complete. Please find below a list of all the policy experts interviewed in this study. The list excludes names of experts who requested to remain anonymous and/or withhold their names and affiliations. We also thank all the Asian Business Leaders who stopped and took the time to fill out our survey.

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- **Ian Eddie**, VinaCapital Professor of Private Equity, RMIT Vietnam University
- **Jonghyuk Kim and Jeewoon Rim**, Senior Researchers, Korea Institute for International Economic Policy (KIEP)
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- **Kensuke YANAGIDA**, Research Fellow, The Japan Institute of International Affairs

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TAIWANESE PUBLIC OPINION ON FOREIGN POLICY AND NATIONAL SECURITY

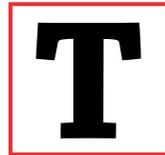
Asia Pacific Foundation of Canada
in partnership with RIWI

OCTOBER 2020

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ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA



The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development, and Asia Competency.

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, and a regular Asia Watch newsletter that together support these thematic areas.

APF Canada also works with business, government, and academic stakeholders to provide custom research, data, briefings and Asia Competency training for Canadian organizations. Consulting services are available by request. We would be pleased to work with you to meet your research and business intelligence needs.

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EXECUTIVE SUMMARY

The COVID-19 pandemic has created some very real challenges globally. At this juncture, Taiwan has emerged as a leader with its effective management of the COVID-19 pandemic within its borders.

After years of increasing isolation on the global stage, Taiwan's status has recently soared around the world as a result of its agile diplomacy. And due to the increasing U.S.-China confrontation and the protests and political unrest in Hong Kong, Taiwan has attracted considerable interest as an alternative market in the region for Western companies.

To understand public perspectives on the current developments in the island jurisdiction of Taiwan, the Asia Pacific Foundation of Canada partnered with RIWI to conduct a short, online, anonymous public opinion poll. In this report, we document the opinions shared by 1,088 Taiwanese respondents on various issues, such as the Hong Kong National Security Law and Taiwan's national security, strategic position, foreign policies, and significant regional partners, including Taiwanese opinion on Canada.

- 1. The majority of the Taiwanese public feels that the Hong Kong National Security Law constitutes a national security threat for Taiwan.** This survey found that 66% of the Taiwanese public are extremely to slightly concerned about the implications of the National Security Law for Taiwan. Furthermore, 57% of Taiwan's public feel that with the implementation of the Hong Kong National Security

Law, the People’s Republic of China (PRC) has violated the constitutional principle of “one country, two systems.”

- 2. Respondents who identify as Taiwanese and/or Democratic Progressive Party (DPP) supporters indicate more concern for Taiwan’s national security following the enactment of the Hong Kong National Security Law than those who selected another identity and/or political affiliation.** Among the respondents who identify as Taiwanese, 75% express concerns about the implications of the Hong Kong National Security Law for Taiwan’s national security, compared to 38% of respondents who identify as Chinese, and 46% of those who identify as both Taiwanese and Chinese. Similarly, 78% of respondents who self-identify as DPP supporters indicate they are concerned, as opposed to 42% of the Kuomintang (KMT) supporters.
- 3. Good economic relations with the People’s Republic of China is an integral part of Taiwan’s future economic prosperity.** Overall, 59% of Taiwan’s public believe that good economic relations with the PRC is important for Taiwan. However, there is a major difference in opinion based on political support, as only 37% of DPP supporters feel the PRC is significant, as opposed to 76% of KMT supporters.
- 4. Both security ties with the United States and economic ties with the PRC are vital to strengthening Taiwan’s strategic position.** Even though 30% of the respondents felt that both were important, 23% exclusively chose security ties with the United States, while 22% just chose

economic ties with the PRC. Interestingly, 24% of the respondents said neither country was significant for Taiwan.

5. **The Taiwanese public chose the United States, the PRC, and Japan as the most significant regional partners for Taiwan's foreign policy.** The United States was chosen by 46% of the respondents, whereas only around 38% of the respondent chose the PRC, followed closely by Japan with 36%.

6. **The majority of the Taiwanese public don't know enough about Canada.** In this study, 53% of the Taiwanese public report that they are not aware enough about Canada to consider whether the North American country is an ally. Among the remainder, even though 26% feel that Canada is a good friend to Taiwan, there are 21% who feel the contrary. This feeling is also reflected by the fact that only 17% of the survey respondents think that Canada is an important regional partner for Taiwan.

INTRODUCTION

In many ways, 2020 has been a watershed year for Taiwan. The Tsai Ing-wen administration's effective response to the COVID-19 pandemic has demonstrated the jurisdiction's effective governance structure to the rest of the world. As larger regional economies such as Japan struggled with pandemic containment, communication, and response, Taipei emerged as a world leader with respect to its effective use of travel restrictions, contact tracing, and pandemic-related messaging. Outside the media spotlight for many years, Taiwan is now a recognized global leader with respect to public health. Calls to ensure Taiwan's participation and representation in international forums and institutions such as the World Health Organization are growing and present a very real opportunity for Taipei to increase its visibility on the global stage.

Indeed, the Tsai administration has also raised Taiwan's status among Western nations in 2020, with both the United States and European Union member states demonstrating clear support for the jurisdiction. In August 2020, for instance, the Trump administration's Secretary of Health and Human Services, Alex Azar, travelled to Taiwan in what amounted to the most senior active U.S. government official to visit the island since the 1970s. Not to be outdone, Czech Senate President Milos Vystrcil, while addressing Taiwan's parliament, declared, "I am Taiwanese" in a show of solidarity and support for Taipei. While anodyne displays of bilateral solidarity are common for nearly all states, such demonstrations of state-level support are rare – indeed, previously non-existent – for Taiwan.

Not all developments for Taipei, however, have been positive. The People's Republic of China (PRC) has responded to growing Western support for Taiwan with demonstrations and threats of force, most notably the deployment of fighter jets across the Taiwan Strait's median point during Secretary Azar's visit. Further, Beijing's July 2020 implementation of a National Security Law in Hong Kong has drawn the "one country, two systems" formulation – one of the foundational concepts informing PRC-Taiwan contemporary relations – into question. These developments suggest a shift in the current status quo of PRC-Taiwan relations, all at a time when the Xi Jinping administration has indicated its strategic "patience" over the "Taiwan question" is wearing thin.

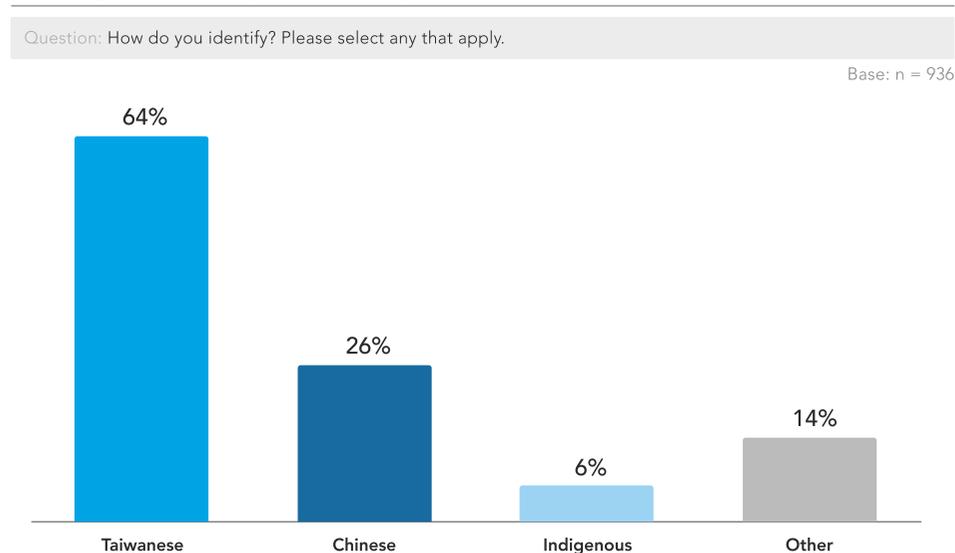
For better or worse, the ground on which Taiwan's foreign policy toward the PRC is based is shifting. Along with growing Western support for Taiwan's international position, much is uncertain about Taiwan's national and foreign policy future.

To provide some insight into current developments around Taiwan, the Asia Pacific Foundation of Canada (APF Canada), together with RIWI, conducted an anonymous online survey to determine the Taiwanese public's perspectives on Hong Kong's National Security Law, Asia's post-COVID-19 geopolitical landscape, and the jurisdiction's foreign policy priorities. Conducted over the month of August 2020, APF Canada received 1,088 responses from across Taiwan. The survey's findings are summarized below.

TAIWANESE PUBLIC OPINION ON IDENTITY

Identity can play a crucial role when analyzing public perceptions. In Taiwan, the democratization process in the 1980s and 1990s facilitated the emergence of a growing consciousness around a specific national identity that is not based on ethnicity and historical experiences, but rather is influenced by the development of political institutions and rapport with the PRC. But as the concept of identity nevertheless lacks clarity, we asked the public to provide a response to whether they identify as Taiwanese, Chinese, Indigenous, any combination of those three, or “Other” (similar to the Election Study Center at National Chengchi University polls). Our results confirm previous findings, with the majority of respondents identifying as Taiwanese (64%), while 26% identify as Chinese. Around 6% of the respondents also identify as Indigenous, a category seldom provided in previous public opinion polls of the Taiwanese public.

FIGURE 1
Majority of Taiwan’s public identify as Taiwanese



Overall, 86% of the respondents chose to identify as Taiwanese, Chinese, and/or Indigenous. The remaining 14% of the respondents identified as “Other,” which may signal Taiwan’s growing position in the global economy and migrant population.

Since respondents could choose multiple identity categories among Taiwanese, Chinese, and Indigenous, breaking down the identity category even further, we find that 57% identify as only Taiwanese, 19% identify as only Chinese, and 4% identify as only Indigenous. Meanwhile, about 43 respondents (5%) identify as both Taiwanese and Chinese. The remaining 1.3% of the respondents identify in various combinations (see Table 1).

For the purposes of analysis, we have made a distinction between three identity categories: Taiwanese,¹ Chinese,¹ and both Taiwanese and Chinese.² Since the sample size for the other identity groups are relatively smaller, unless relevant, they are not discussed in this report.

TABLE 1: TAIWAN PUBLIC OPINION AND IDENTITY

Identity Choices	No. of Respondents	Percentage
Only Taiwanese	529	56.5%
Only Chinese	182	19.4%
Taiwanese and Chinese	43	4.6%
Indigenous	37	4.0%
Indigenous and Taiwanese	8	0.9%
Taiwanese, Chinese, and Indigenous	3	0.3%
Indigenous and Chinese	1	0.1%
Other	133	14.2%
TOTAL	936	100%

¹ Excludes respondents who chose “Both Taiwanese and Chinese,” but may include respondents who have also identified as Indigenous.

² Includes respondents who may also identify as Indigenous.

We find that Taiwanese is the predominant choice across all age groups, followed by Chinese, Other, and then Indigenous. Within the Chinese category, we find a significant difference between the age groups, as 42% of the respondents who chose Chinese were above the age of 55 (n=154). Among the respondents who identify as both Taiwanese and Chinese, the majority (74%) were above the age of 45 (n=48).

A large proportion of the respondents in this study identify their political support as “Others” (35%),³ while around 28% identify their support for “Independents” (n=625). But around 13% identify as Kuomintang (KMT) supporters, and 11% identify as Democratic Progressive Party (DPP) supporters. The rest of the respondents were spread out among Taiwan’s People Party (4%), New Power Party (4%), Taiwan Statebuilding Party (3%), and People First Party (1%).

Identity was found to have a significant association with political support as well. Among the Taiwanese identifying respondents, 17% support DPP, 10% support KMT, but 30% chose Others, and 29% chose Independents. This large proportion of respondents choosing to opt for either Independents and Others is also found among respondents who identify as Chinese. While 22% of Chinese identifying respondents exhibit support for KMT, and only 4% support DPP, around 35% express their support for Independents, and 30% said Others. Furthermore, 44% of the respondents who identify as both Taiwanese and Chinese support KMT, 8% support DPP, but, 32% chose Independents and 12% chose Others.

³ The selection of “Others” can potentially indicate sensitivity to the survey subject.

TAIWANESE PUBLIC OPINION ON THE HONG KONG NATIONAL SECURITY LAW

The Hong Kong National Security Law, which was instituted on June 30, 2020, is perhaps one of the most pertinent topics of discussion in the context of PRC-Taiwan relations. We posed a question seeking to gauge the Taiwanese public on their awareness of the implementation of the law and included a short description, elaborating on the four types of offences outlined in it: secession or undermining national unification; subversion of state power; terrorist activities; and, collusion with foreign countries or entities to undermine national security.

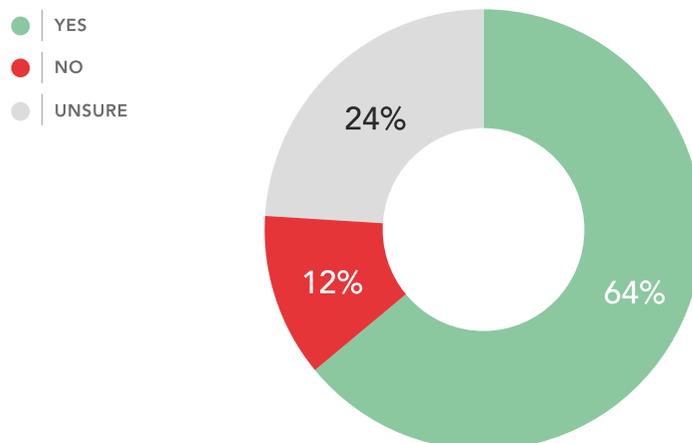
We found that the majority (64%) of the respondents (n=1,088) had heard about the law's implementation, but around 24% said they were unsure. A comparatively smaller proportion of people said they had not heard of the law or its implementation. There was a significant difference in response across gender, as 71% of male respondents, compared to 54% of female respondents, said "yes," they have heard about the law.

FIGURE 2

The majority of the respondents are aware of the Hong Kong National Security Law

Question: Have you heard about the implementation of the National Security Law in the Hong Kong Special Administrative Region?

Base: n = 1,088



When comparing responses by individuals' education levels, it was found that respondents are aware of the implementation of the National Security Law in Hong Kong, but there are small differences between each education level. Among the respondents with an associate's degree (equivalent to an advanced diploma in Canada), 85% said "Yes," they have heard of the law, as compared to 70% with bachelor's degrees and 60% with master's degrees or above. What is curious to note here is that around 28% of those with higher education, such as graduate degrees, said they are unsure about the law.

We further asked respondents to reflect upon the implications of the National Security Law, and 57% of the Taiwanese public feels that the PRC has violated the "one country, two systems" principle that was instituted in 1997 for Hong Kong after it became a Special Administrative Region. This principle was also suggested by Beijing to Taipei as a way to accommodate its current de facto independence and democratic political system in an eventual PRC-Taiwan reunification. The principle is, however, rejected by most Taiwanese.

According to an August 2020 survey conducted for the Mainland Affairs Council in Taiwan, more than half of the Taiwan public support the recent establishment of an office to assist Hong Kongers affected by the new National Security Law imposed by Beijing on the territory.

In the current poll, we find that there are mixed opinions about whether the Hong Kong National Security Law constitutes a national security threat for Taiwan; however, 66% of respondents were extremely to slightly concerned about that possibility. At the same time, 34% of the public are "not at all concerned" that the events in Hong Kong pose the possibility of a national security threat for Taiwan (see Figure 3).

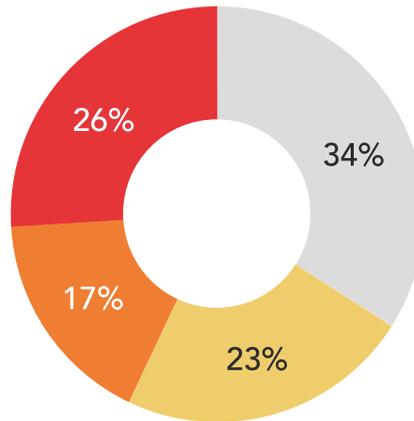
There is a significant positive correlation between concerns for Taiwan’s national security and agreement that the PRC has violated the “one country, two systems” principle. Respondents who believe that the PRC has violated the “one country, two systems” principle are also more likely to see the implementation of the National Security Law in Hong Kong as constituting a national security threat for Taiwan.

FIGURE 3
Taiwanese are concerned that the Hong Kong National Security Law constitutes a national security threat for Taiwan

Question: Are you concerned that the Hong Kong National Security Law constitutes a national security threat for Taiwan?

Base: n = 1,088

- NOT AT ALL CONCERNED
- SLIGHTLY CONCERNED
- MODERATELY CONCERNED
- EXTREMELY CONCERNED



On average, we found that the Taiwanese respondents with primary-level education expressed more concern than those with higher educational levels.

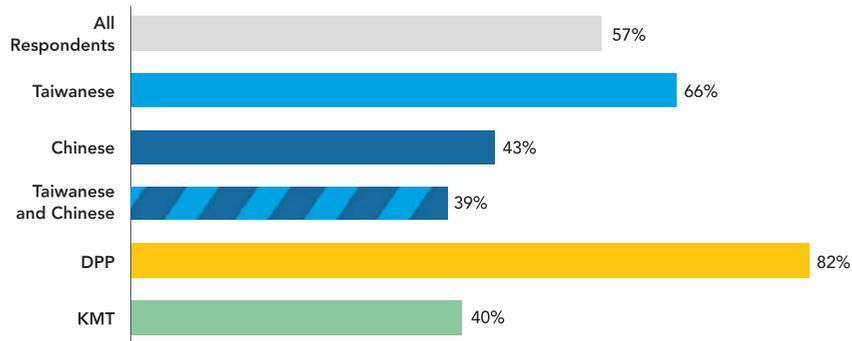
Respondents who identified as Taiwanese were found more likely than those who identified as Chinese to agree that the PRC violated the “one country, two systems” principle (see Figure 4). Similarly, Taiwanese-identifying respondents expressed a higher level of concern that the PRC’s actions in Hong Kong constitute a national security threat for Taiwan.

FIGURE 4

Taiwan’s public largely agrees that the PRC has violated the “one country, two systems” principle by implementing the National Security Law in Hong Kong, but opinions differ across identity and political support

Question: Do you agree or disagree with the following statement: The People’s Republic of China has violated the “one country, two systems” principle by implementing the National Security Law in Hong Kong.

Base: All Respondents (n = 1,088); Taiwanese (n = 450); Chinese (n = 154); Taiwanese and Chinese (n = 48); DPP (n = 56); KMT (n = 69)



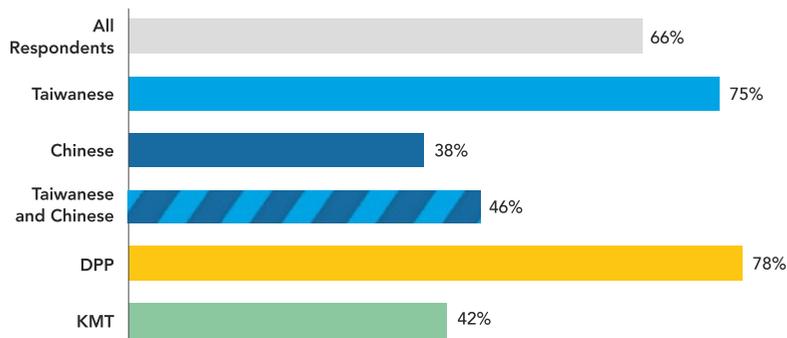
Respondents also tended to differ based on their political support. Most DPP supporters agreed that the PRC violated the “one country, two systems” policy and also expressed a high level of concern that the national security law bore national security implications for Taiwan (see Figures 4 and 5). On the opposite end of the spectrum, KMT supporters were the least likely to agree with the first statement, and about 42% expressed some concern about the Hong Kong National Security Law posing a national security threat for Taiwan.

FIGURE 5

Taiwan’s public expresses concerns that the Hong Kong National Security Law increases the national security threat for Taiwan

Question: Are you concerned that the Hong Kong National Security Law constitutes a national security threat for Taiwan?

Base: All Respondents (n = 1,088); Taiwanese (n = 450); Chinese (n = 154); Taiwanese and Chinese (n = 48); DPP (n = 56); KMT (n = 69)



TAIWANESE PUBLIC OPINION ON CHINA AND THE UNITED STATES

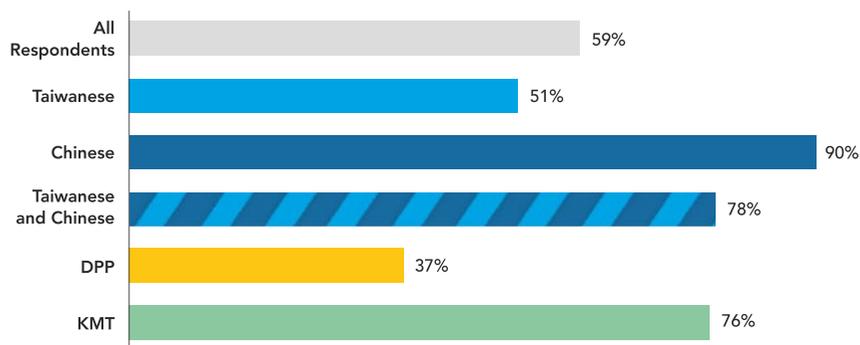
Despite the reservations about the People's Republic of China in relation to the Hong Kong National Security Law, as expressed by a majority of the respondents, we found that 59% of the respondents believe that good economic relations with the PRC is a central part of Taiwan's future economic prosperity. To break it down politically, more DPP supporters on average disagree with the statement (see Figure 6). Meanwhile, KMT supporters, and respondents who identified their support for the People First Party, expressed most agreement with the statement.

FIGURE 6

Majority of Taiwanese public agree that the PRC plays a significant role in Taiwan's future economic prosperity

Question: Do you agree or disagree with the following statement: *Taiwan's economic relations with the People's Republic of China is a central part of Taiwan's future economic prosperity.*

Base: All Respondents (n = 1,088); Taiwanese (n = 450); Chinese (n = 154); Taiwanese and Chinese (n = 48); DPP (n = 56); KMT (n = 69)

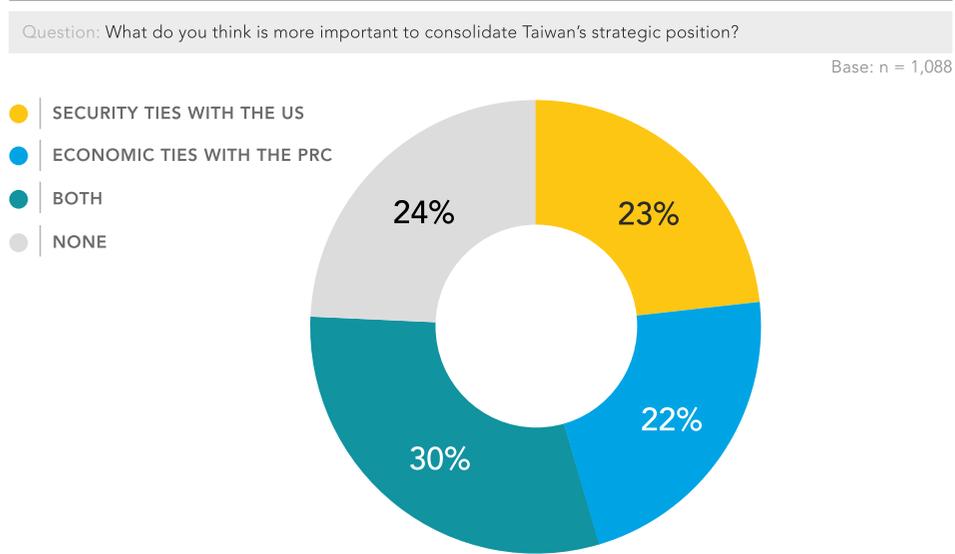


When asked to prioritize whether security ties with the United States or economic ties with the PRC were of more importance, 30% of the Taiwanese public said both are important. But 23%

were inclined toward security ties with the United States, and 22% were inclined toward economic ties with the PRC as being more important. Interestingly, around 24% of the respondents said “none,” implying neither was significant for Taiwan (see Figure 7).

FIGURE 7

Both security ties with the United States and economic ties with the PRC are important to consolidate Taiwan’s strategic position



We found that being male or female had a statistically significant association with responses to what’s more important for Taiwan’s strategic position. Both respondents who identified as male (31%) and those who identified as female (29%) were most likely to say that both economic ties with the PRC and security ties with the United States are important for Taiwan, but more female respondents (27%) than male (21%) felt that security ties with the United States are important to Taiwan, while more male (27%) than female (16%) respondents felt that economic ties with the PRC are important for Taiwan.

Furthermore, in light of the different national approaches to managing the COVID-19 pandemic, respondents were also asked

if they believe that the pandemic will accelerate the U.S.'s declining global status, the pandemic will boost the PRC's position on the global stage, both situations will occur, or none of them are likely. It was found that 49% of the respondents believed that neither of the situation is likely to occur, while 24% believe that both will occur. Around 16% think that the pandemic will accelerate the U.S.'s declining global status, while 11% feel the pandemic will boost the PRC's position on the global stage.

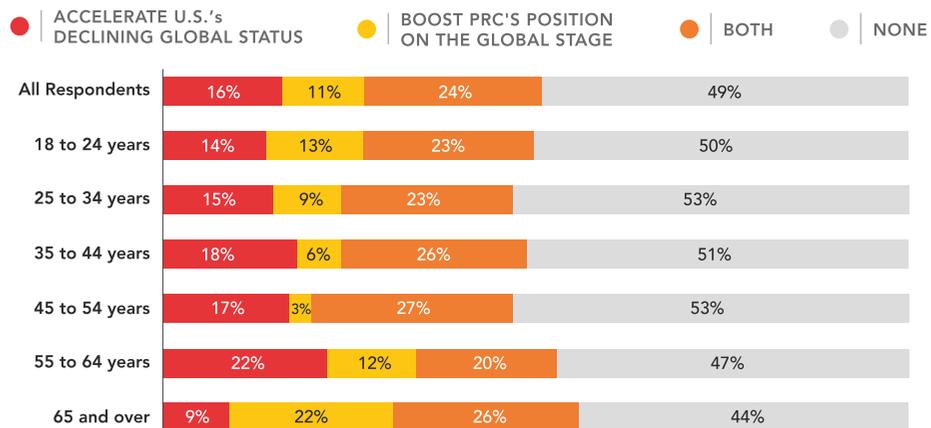
There is a statistically significant difference in responses between the different age groups. We found that while most of the respondents across all age groups tended to believe that neither of the situation is likely, within the 45 to 54 age group, around 17% think that the US's declining global status will accelerate, while only 3% think that the PRC's global position will receive a boost. Similarly, 22% of the 55 to 64 age group also believe that the U.S.'s declining global status will accelerate.

FIGURE 8

Middle-aged respondents are more likely than young adults or seniors to agree that the U.S.'s global status will decline further

Question: Based on each country's management of the COVID-19 pandemic, do you agree with either of the following statements? COVID-19 pandemic will...

Base: All Respondents (n = 1,088); 18 to 24 (n = 112); 25 to 34 (n = 164); 35 to 44 (n = 181); 45 to 54 (n = 170); 55 to 64 (n = 137); 65 and over (n = 183)



Based on respondents' choice of Taiwanese or Chinese identity, we also found significant differences in opinions on the United States' and China's importance for Taiwan, and the U.S.-China position in the post-pandemic world (see Figure 9).

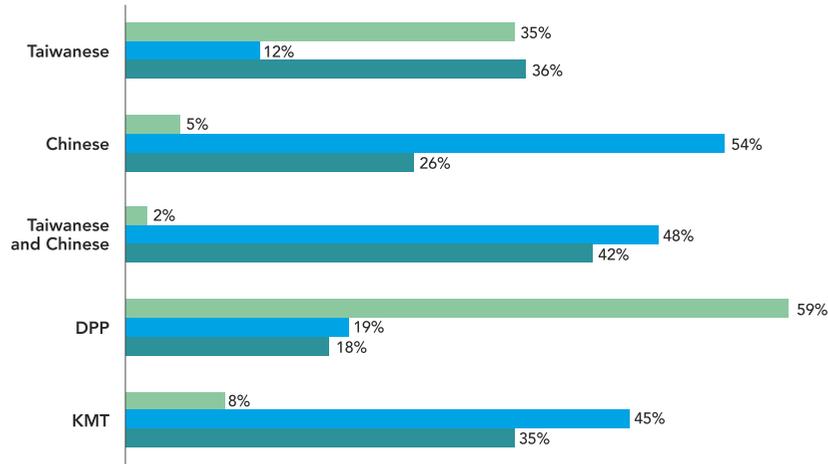
FIGURE 9

Identity and political support play a crucial role in support for the United States or China

Base: Taiwanese (n = 450); Chinese (n = 154); Taiwanese and Chinese (n = 48); DPP (n = 56); KMT (n = 69)

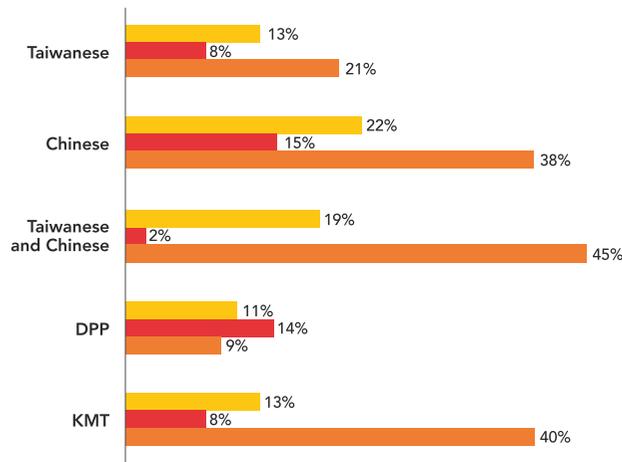
Question: What do you think is more important to consolidate Taiwan's strategic position?

● SECURITY TIES WITH THE U.S. ● ECONOMIC TIES WITH THE PRC ● BOTH



Question: Based on each country's management of the COVID-19 pandemic, do you agree with either of the following statements? The COVID-19 pandemic will...

● ACCELERATE U.S.'s DECLINING GLOBAL STATUS ● BOOST PRC's POSITION ON THE GLOBAL STAGE ● BOTH



PUBLIC OPINION ON TAIWAN'S REGIONAL PARTNERS

The United States and the PRC are the top two regional partners considered by Taiwan's public as essential to their nation's foreign policy. It is interesting to observe that the difference in choices of regional partners had a significant association with the respondents' gender. The majority of the male respondents (57%) were likely *not* to choose the United States as an important regional partner for Taiwan's foreign policy, compared to just 48% of the female respondents.

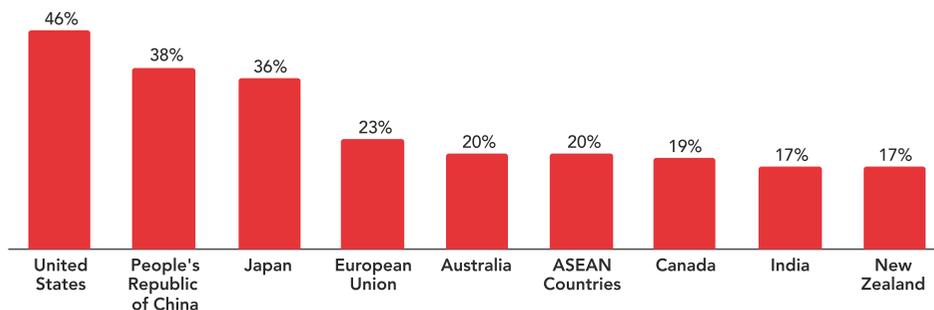
There is also a significant association between respondents' education level and their position on Australia, the European Union, India, Canada, ASEAN countries, and New Zealand as regional partners. Respondents with associate's or bachelor's degrees were more likely to select these countries as an important regional partner than were respondents with other levels of education, except for respondents with primary education. Among respondents with primary education, many chose New Zealand and ASEAN as important regional partners.

FIGURE 10

Taiwanese public opinion on regional partners most integral to Taiwan's foreign policy

Question: Among the following, which regional partners do you believe are the most integral part of Taiwan's foreign policy? Please select any that apply.

Base: n = 960

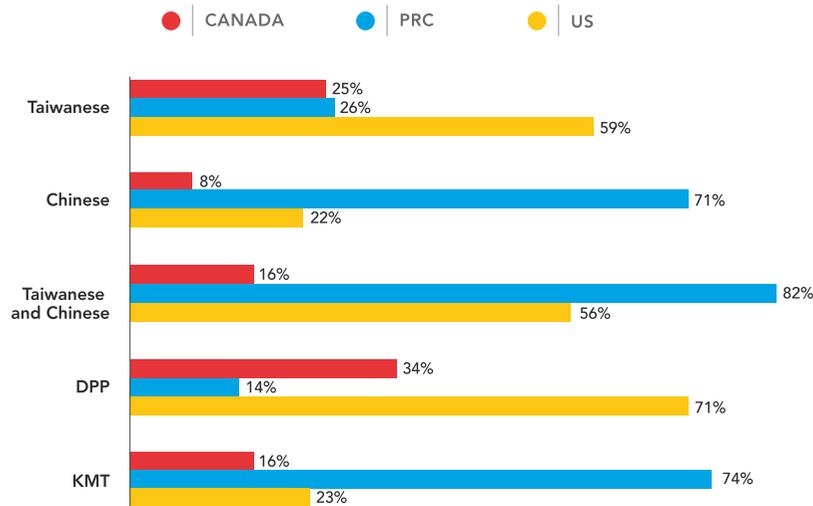


Taking a closer look at the Taiwanese public’s opinion on the United States, the PRC, and Canada, we find that across the board, respondents don’t consider Canada as a significant regional partner for Taiwan, but those who identify as Taiwanese and/or DPP supporters are more in favour of Canada. Those who identify as Taiwanese mostly chose the United States, while those who identify as Chinese mostly chose the PRC as an important regional partner for Taiwan. But among respondents who identify as both Taiwanese and Chinese, even though 82% chose the PRC, around 56% chose the United States (see Figure 11).

FIGURE 11
Taiwanese public’s support for Canada, the PRC, and the United States as regional partners integral to Taiwan’s foreign policy

Question: Among the following, which regional partners do you believe are the most integral part of Taiwan’s foreign policy? Please select any that apply.

Base: Taiwanese (n = 450); Chinese (n = 154); Taiwanese and Chinese (n = 48); DPP (n = 56); KMT (n = 69)



In terms of foreign policy, the Taiwanese government, under President Tsai Ing-wen, instituted the New Southbound Policy in 2016. The policy is aimed at increasing trade with the 10 ASEAN economies (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam), six South

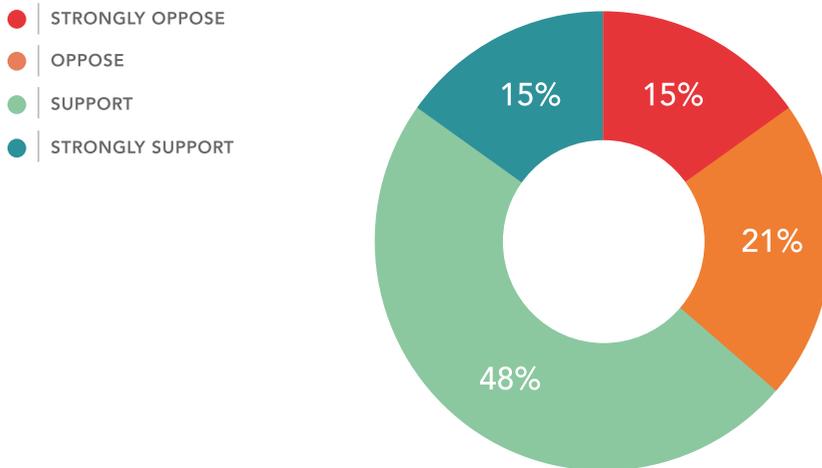
Asian countries (including India), and Australia and New Zealand. Taiwan’s public largely supports the policy (63%, see Figure 12), but less than 20% of the respondents consider any of these countries as a significant regional partner (see Figure 10). Furthermore, those with graduate degrees are inclined to oppose the policy more than are respondents with lower education levels. Respondents who identify as Taiwanese were also in support of the policy, more than were those who chose other identity categories.

FIGURE 12

Taiwanese public largely support President Tsai Ing-wen’s “New Southbound Policy”

Question: How strongly do you support or oppose President Tsai Ing-Wen’s “New Southbound Policy”? Launched in 2016, it aims at increasing trade and cultural relations with 10 ASEAN member states, six South Asian countries, Australia and New Zealand.

Base: n = 1,088



Not surprisingly, with 88% of the respondents who identify themselves as affiliated with the Democratic Progressive Party supporting the policy, on average, DPP supporters show the highest amount of support for the policy. But 49% of Kuomintang supporters also express support for President Tsai Ing-wen’s 2016 policy.

TAIWANESE PUBLIC OPINION ON CANADA

The Taiwanese public has seldom been asked about their perspectives and perceptions of Canada. In our poll and analysis, we found that 53% of the respondents “don’t know enough” about Canada to consider whether Canada is an ally for Taiwan. This reveals the need to consider building awareness about Canada, not only as a country but also as a brand facilitating Canadian exports of products and services, and as a potential market for Taiwanese businesses. A lack of awareness of Canada has been a significant deterring factor for Asian businesses, as APF Canada found in its recent survey of business leaders across six Asian economies.

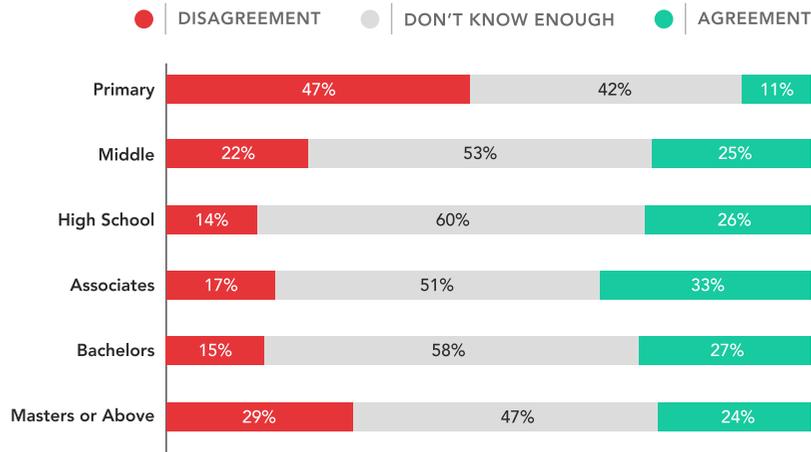
About 26% of respondents feel that Canada is an important ally for Taiwan, while 21% disagree with that statement. Further analysis suggests that there is a significant difference in responses across the different education levels, as we observe a significant difference between respondents with graduate degrees and those with just high-school or bachelor’s degrees. Those with high-school degrees (60%) and bachelor’s degrees (58%) are more likely to say they “don’t know enough” about Canada than those with master’s degrees or above (47%). Interestingly, 29% of those with graduate degrees are unlikely to consider Canada as an important ally for Taiwan.

FIGURE 13

Taiwanese public across all education groups don't know enough about Canada

Question: Do you agree or disagree with the following statement: Canada is an important ally for Taiwan today. If you don't know enough about Canada, please also indicate this.

Base: Primary (n = 27); Middle (n = 35); High School (n = 152); Associates (n = 95); Bachelors (n = 261); Masters or Above (n = 183)



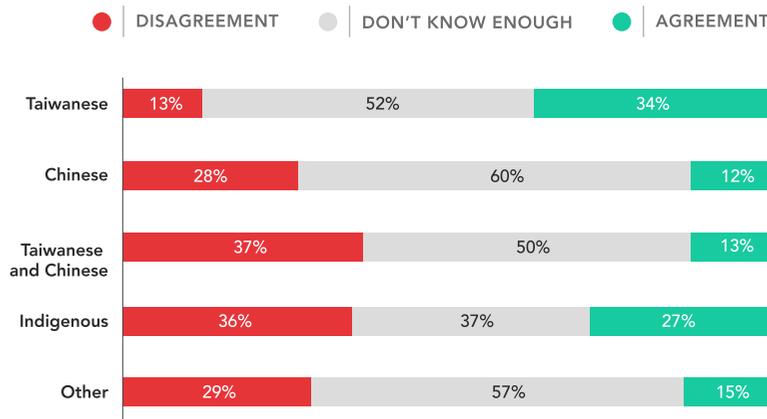
Respondents who identified as Taiwanese (34%) or Indigenous (27%) were also found to consider Canada as an important ally, unlike those who identified as Chinese (14%) or both Taiwanese and Chinese (13%).

FIGURE 14

Taiwanese- or Indigenous-identifying respondents see Canada as an important ally

Question: Do you agree or disagree with the following statement: Canada is an important ally for Taiwan today. If you don't know enough about Canada, please also indicate this.

Base: Taiwanese (n = 450); Chinese (n = 154); Taiwanese and Chinese (n = 48); Indigenous (n = 30); Other (n = 107)



CONCLUSION

After years of increasing isolation on the global stage, Taiwan's status has recently soared around the world as a result of its agile diplomacy and the efficiency of its responses to the COVID-19 pandemic. And due to the increasing U.S.-China confrontation and the protests and political unrest in Hong Kong, Taiwan has attracted considerable interest as an alternative market in the region for Western companies.

As many countries around the world are increasingly pressed to rethink their approach to Taiwan due to the current geopolitical tensions and in the interest of trade diversification – reflected in the discussion around its inclusion in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – it is more important than ever to understand Taiwan's perspectives on the recently enacted Hong Kong National Security Law, the post-COVID-19 geopolitical landscape, and the economy's foreign policy priorities. Taiwan's public opinion on these critical issues will have significant implications for the foreign policy of many countries, including Canada.

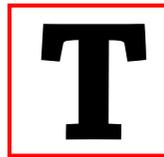
As this is the first time APF Canada has conducted this survey, no baseline for comparison is available. However, similar to previous polls, such as the Taiwan National Security Survey (TNSS) conducted by the Election Study Center at the National Chengchi University in partnership with the Program in Asian Security Studies at Duke University, the survey results highlight the complexity and entanglement of Taiwan's relationship with the PRC. For example, despite a majority of Taiwanese residents supporting the recent establishment of an office to assist Hong

Kong residents affected by the new National Security Law, the survey illustrates how Taiwan's public is only moderately concerned about the law enacted in Hong Kong. Furthermore, only 57% feel that the National Security Law has violated the "one country, two systems" principle, which constitutes the basis on which the PRC has proposed a reunification with Taiwan.

Regarding Taiwanese citizens' perspectives on the PRC's and the U.S.'s economic and strategic importance, we found that 59% see China as a central part of Taiwan's future economic prosperity, although with a significant variation according to the political party the respondent supports (DPP vs KMT). Also interesting is the split between whether security ties with the United States or economic ties with China are a priority for Taiwan's strategic position.

Finally, and of immediate relevance for Canadian policy-makers, a majority of Taiwanese people do not consider Canada as a significant regional partner. Most respondents chose the United States, China, and Japan as a partner most integral to Taiwan's foreign policy. Furthermore, one out of two Taiwanese (53%) claim not to know enough about Canada to consider the country as a potential ally. This lack of awareness is reciprocal. APF Canada's 2018 [*National Opinion Poll*](#) shows that Canadians are generally not aware of Taiwan and underestimate its economic importance. APF Canada's 2020 *National Opinion Poll* shows that Canadians continue to share similar feelings toward Taiwan and its economic importance as they did in 2018. But the proportion of the Canadian public that is aware of Taiwan is increasing, along with their support for the Canadian government expanding relations with Taiwan despite the possibility of issues in Canada-China relations. These results have significant implications as Canada further develops its foreign policy and trade diversification strategy for the region.

METHODOLOGY



The Asia Pacific Foundation of Canada partnered with RIWI to poll Taiwan's public (18 years or older) on various pertinent issues. The research team at APF Canada framed the survey instrument, in consultation with RIWI. The anonymous online survey was translated into traditional Chinese and administered by RIWI in Taiwan from August 6 to August 31, 2020. Initially, the online survey was accessed by over 6,000 people in Taiwan. The survey asked 13 questions in total, and 1,088 respondents completed the core questions. The average completion time for the survey was 2.07 minutes (124 seconds). Weights are applied to age and gender as per the most recent national census data available, drawn from the US Census Bureau. Weighted data estimates what the nationally representative population perceives. Discrepancies in or between totals are due to rounding.

HOW RIWI WORKS

RIWI technology allows for the rapid capture and assessment of large samples of broad, truly randomized opinion and perceptions data on an ongoing basis. RIWI delivers anonymous opt-in surveys to web users who are surfing online, with access to the entire global internet population. When users stumble upon domains that RIWI owns or controls, these random, non-incented users are filtered through a series of proprietary algorithms to ensure there are no non-human respondents and invited to participate in a survey.

RIWI technology is able to target respondents automatically by geography and provide participants with a language- and context-appropriate survey. Survey participants are accessed on all web-enabled devices, and the technology cannot be blocked by state surveillance or internet control, nor is it susceptible to the increasing prevalence of ad-blocking technologies. Although RIWI collects and reports the age, gender, and geographic location of all respondents, no personally identifiable information is ever collected or reported.

STRATEGIES FOR ENGAGING AND RETAINING ONLINE PARTICIPANTS

RIWI's engagement and retention policy is built on years of experience, testing, and development of the optimal online survey experience, highly respectful of the time and other activities of the intercepted potential respondent. Surveys are designed to use clear and accessible language with responsive design formatting, ensuring a high-quality survey-taking experience on mobile devices, tablets, and desktop computers. Data quality is ensured by using tested questionnaire design methods to create the most intuitive survey for the random, non-incented respondent. No enticements are used, and participants can easily exit the survey at any time.

ANONYMITY AND SECURITY OF RESPONDENTS

RIWI has significant experience developing and launching anonymous digital polling to reach anonymous users globally. RIWI does not collect any personally identifiable information from respondents. All data captured, acquired, used, published, or disseminated by RIWI technology and systems, or data released by RIWI, are fully compliant with all applicable laws.

RIWI employs strategic security measures at all levels of the survey design, respondent experience, and data storage. Security measures are specific to the topic and region of deployment, as well as the recognized security risk, and can be adjusted as new information and geopolitical developments unfold. No response is traceable to an individual. All RIWI respondents are advised of their anonymity, security, and privacy when they randomly access an RIWI survey, allowing for the collection of otherwise sensitive and unsafe answers, or socially undesirable perceptions.

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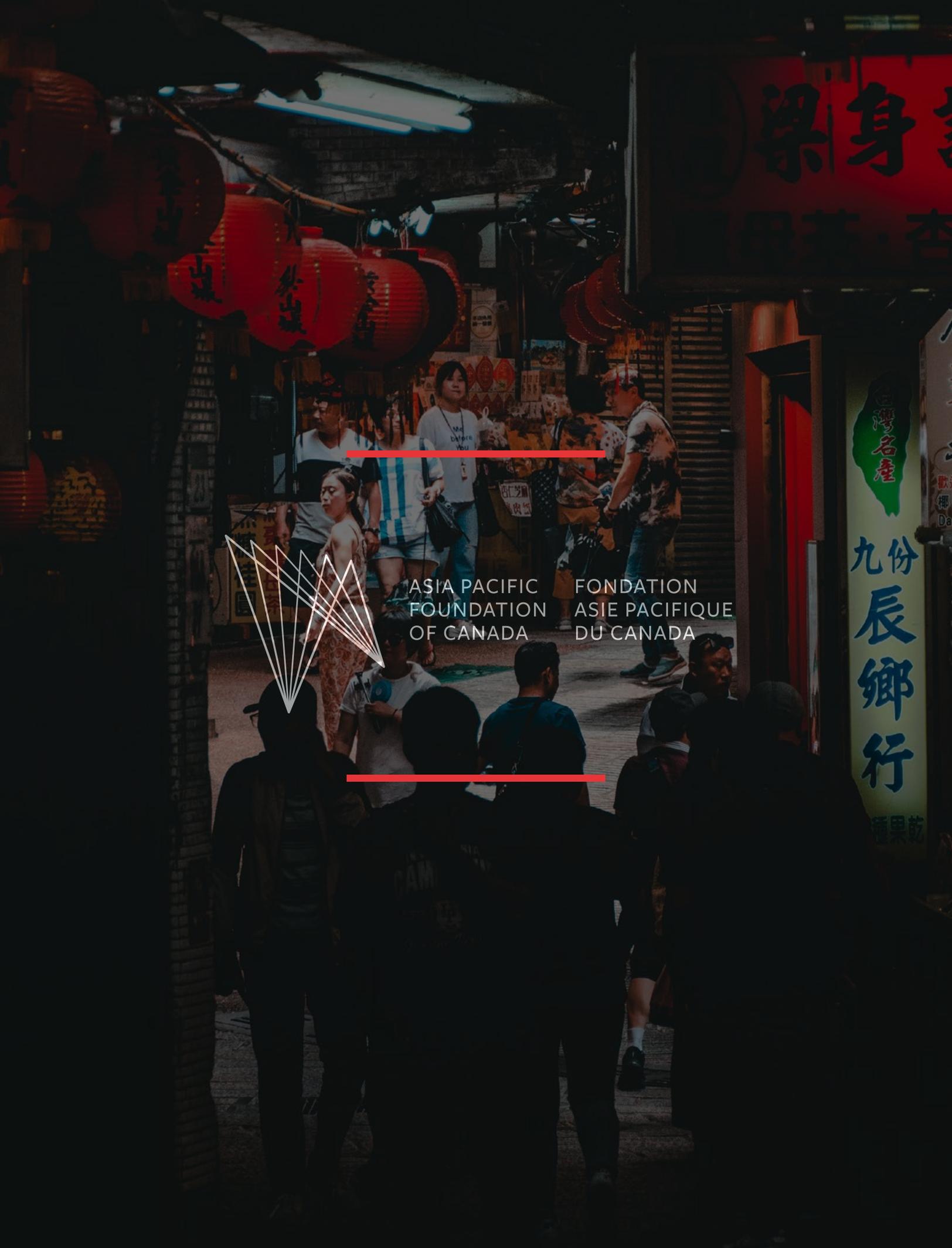


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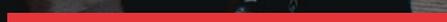
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CANADA AND THE
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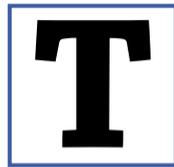
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ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA



The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development, and Asia Competency

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, and a regular Asia Watch newsletter that together support these thematic areas.

APF Canada also works with business, government, and academic stakeholders to provide custom research, data, briefings and Asia Competency training for Canadian organizations. Consulting services are available by request. We would be pleased to work with you to meet your research and business intelligence needs.

Visit APF Canada at www.asiapacific.ca.

ABOUT THE APF CANADA INVESTMENT MONITOR

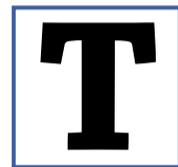
In Canada, there is a general lack of awareness of the scope and impact of our investment ties with the Asia Pacific. Recognizing this gap, the Asia Pacific Foundation of Canada developed the APF Canada Investment Monitor to deepen understanding of the scale, nature, and scope of Canada's investment ties across the Pacific. The APF Canada Investment Monitor offers detailed information related to Canada-Asia investments, drawn from public sources and APF Canada's own unique legacy data, which has been collected over more than a decade.

Since 2017, APF Canada has published reports on the Canada-Asia Pacific foreign direct investment (FDI) relationship, providing an evidence-based discussion on the amounts, locations, and investors shaping Canada's engagement with this vital region. The inaugural Investment Monitor 2017 report looked at investment from the Asia Pacific into Canada, the Investment Monitor 2018 report focused on Canadian outbound investment into the Asia Pacific, and the Investment Monitor 2019 annual report focused on both inbound and outbound foreign direct investment between Canada and the Asia Pacific, while also highlighting key trends in the two-way investment ties at the national, provincial, and city level.

This year, the 2020 annual report focuses on the relationship of FDI with free trade agreements between Canada and the Asia Pacific. The 2020 annual report also highlights new areas of interest, such as Canadian source cities of investment in the Asia Pacific, and inbound investments in Canada's technology industry.

The APF Canada Investment Monitor is able to act as a complementary source to official FDI statistics. APF Canada has partnered with The School of Public Policy at the University of Calgary to develop the Investment Monitor. This has enabled the APF Canada Investment Monitor to add more nuance to the official statistics. By collecting transaction data on a national, provincial, and city level, as well as providing analysis, the Investment Monitor presents a more comprehensive picture of FDI flows between Canada and the Asia Pacific.

MESSAGE FROM THE PRESIDENT & CEO, ASIA PACIFIC FOUNDATION OF CANADA



he extraordinary first months of this new decade serve as a stark reminder of how central the Asia Pacific has become to all aspects of our lives. Now more than ever, Canada is witness to the increasing significance of the region as the engine of the new global economy – and witness to what happens when the engine stops, however temporarily. Since 2017, APF Canada has published reports on the Canada-Asia Pacific foreign direct investment (FDI) relationship, providing an evidence-based discussion on the amounts, locations, and investors shaping Canada’s engagement with this vital region. The inaugural Investment Monitor 2017 report looked at investment from the Asia Pacific into Canada, the Investment Monitor 2018 report focused on Canadian outbound investment into the Asia Pacific, and the Investment Monitor 2019 annual report focused on both inbound and outbound foreign direct investment between Canada and the Asia Pacific, while also highlighting key trends in the two-way investment ties at the national, provincial, and city level.

The need for Canada to strategically deepen and diversify its linkages with the Asia Pacific has become more pressing, as even the strong, historical trade and investment ties with our partners in the United States and Europe face stress from the confluence of disease and economic downturn. As Canada looks ahead to a period of recovery and re-engagement, policy-makers, the business community, and the public will need to return to discussions – and debate – around foreign direct investment (FDI).

In 2020, the APF Canada Investment Monitor is turning its attention to the connections between Canada’s free trade agreements with Asia Pacific economies and FDI. Canada’s trade agreements provide a rules-based system that encourages both trade and investment with partners in the region. With 2019 concluding the first year of our participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), this report

adds to our understanding of how agreements can provide a road map for Asia Pacific engagement.

Additionally, the report expands on our city-level coverage of FDI by analyzing how Canada's cities are hubs as both investors and recipients and describing FDI's role in rural Canadian communities. You will also find new analysis on investment in health care, pharmaceuticals, biotechnology, and clean technologies, and descriptions of bidirectional impacts on FDI in 2008-2009, filling gaps in the data and analysis that is otherwise publicly available on where investment opportunities have been – and where we can expect them to re-emerge once again.

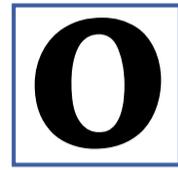
On behalf of APF Canada, I would like to acknowledge the efforts of those involved in producing this report, especially our partner, The School of Public Policy at the University of Calgary, and our sponsors – Export Development Canada, Invest in Canada, the Government of British Columbia, Advantage BC, and the Bank of Canada. I would also like to extend my appreciation to our Advisory Council members – Sarah Albrecht, Eugene Beaulieu, Joan Elangovan, Lori Rennison, Clark Roberts, Siobian Smith, and Stephen Tapp – for the valued feedback they have provided.

And finally, I would like to thank the members of our APF Canada research team who were responsible for writing and finalizing this report: Jeffrey Reeves, Vice-President, Research; Pauline Stern, Program Manager, Business Asia; Grace Jaramillo, Interim Program Manager, Business Asia; Kai Valdez Bettcher, Research Specialist; our Post-Graduate Research Scholars and Junior Research Scholars, Isaac Lo, Phebe Ferrer, and Sainbuyan Munkhbat; and APF Canada's communications team for editing and designing the final publication, Michael Roberts, Communications Manager, and Jamie Curtis, Graphic Designer.



Stewart Beck,
President and CEO,
Asia Pacific Foundation of Canada

EXECUTIVE SUMMARY



Over the past two decades, the Asia Pacific's dynamic, fastest-growing economies have played a central role in the global economy, boasting unprecedented opportunities for foreign investment in a number of key markets – in terms of both opportunities for Canada to receive foreign investment and opportunities for Canadian investors to invest abroad. To describe this relationship, the APF Canada Investment Monitor aggregates raw data from the Asia Pacific Foundation of Canada's archive of investment deal announcements from 2003 to present (see methodology section for further details).

Each year of the project corresponds with an annual theme; this year's theme is investment and free trade agreements, with previous years focusing on inbound investment, outbound investment, and city-level data.

This annual report presents the following:

- 1. General trends in Canada's foreign direct investment relationship, with specific reference to the Asia Pacific, up to 2019;**
- 2. The connections between Canada's free trade agreements in the Asia Pacific and investment; and**
- 3. Inbound and outbound relationships at the national, provincial, and city levels.**

KEY TAKEAWAYS FROM THE REPORT

IN 2019, THE TOTAL TWO-WAY VALUE OF CANADIAN INVESTMENT WITH CPTPP-RATIFIED ECONOMIES WAS C\$5.8B BY WAY OF 56 DEALS.

Of these, C\$3.0B was in Canadian outbound investment to these trade partners, while C\$2.9B came into Canada. However, investment flows for 2019 between Canada and CPTPP economies decreased from 2018.

IN THE ASIA PACIFIC, THE STRONGEST EVIDENCE FOR INCREASED FDI AFTER A FREE TRADE AGREEMENT IS THE CANADA-SOUTH KOREA FREE TRADE AGREEMENT SIGNED IN 2015.

Canada received an additional C\$870M from South Korea from 2015 to 2019, while the total value of two-way investment flow in the period increased significantly by 35 percent, from C\$5.1B in the five years prior to the agreement to C\$7.8B in the five years post-agreement.

IN 2019, CANADA RECEIVED A TOTAL OF C\$8.3B OF FOREIGN DIRECT INVESTMENT FROM ASIA PACIFIC ECONOMIES.

This represents a decline in new investment received from the historic high of C\$33B in 2018. From 2015 to 2019, Canada received C\$56B in Asia Pacific investment through 428 deals, hitting a 16-year high.

THE NUMBER OF INBOUND INVESTMENT DEALS IN 2019 SET A RECORD WITH 151 DEALS.

The Asia Pacific's investment activity in Canada was high, part of a multi-year trend with investments increasing each year since 2015.

IN 2019, CANADA INVESTED A TOTAL OF C\$7.2B IN THE ASIA PACIFIC.

This represents a significant drop from 2018's C\$18B in investment. Deal counts also dropped and reached the lowest point since 2003, with only 75 outbound FDI deals made that year.

MANY PROVINCES SAW INCREASES IN NEW INVESTMENT RECEIVED ACROSS THE PAST DECADE.

The value of Ontario's new investments received increased C\$12.6B in the second half of the decade, while Quebec added C\$5.1B in new investment. Flows of Asia Pacific investment received by BC nearly tripled, rising to C\$32.8B, but new Asia Pacific investment into Alberta dropped from C\$44.0B in the first half of the 2010s to just C\$2.9B in the second half.

OVER THE PAST 17 YEARS, 97 CANADIAN CITIES HAVE INVESTED INTO THE ASIA PACIFIC, AND 191 CITIES HAVE RECEIVED INVESTMENT, REPRESENTING A STRONG NETWORK OF TIES ACROSS THE PACIFIC.

During that same period, 21 Canadian cities invested half a billion or more into the region, some with hundreds of deals. On the Asia Pacific side, Beijing, Tokyo, and Hong Kong lead as sources of investment in Canada, while Melbourne and Sydney are the top destinations for Canada.

INTRODUCTION

GENERAL TRENDS IN INVESTMENT TO 2019

W

With the turn of the new decade, the Asia Pacific continues to be a dynamic region of economic growth and opportunity. In 2020, some are heralding the start of an “Asian century,” where the region becomes “the new centre of the world” as it continues to grow and expand. According to the 2019 World Investment Report released by the United Nations Committee on Trade and Development (UNCTAD), Asia remains the largest recipient region of FDI flows, with 4 percent growth since 2018. China is the second FDI receiving economy after the United States, closely followed by Hong Kong and Singapore, in third and fourth place, respectively. In particular, Southeast Asian economies like Singapore and Indonesia are expected to continue being “the region’s growth engine,” with an estimated 19 percent increase in FDI flows for 2019. Overall, in terms of shares of world GDP in purchasing power parity, the Asia Pacific region is projected to become larger than all other economies combined.

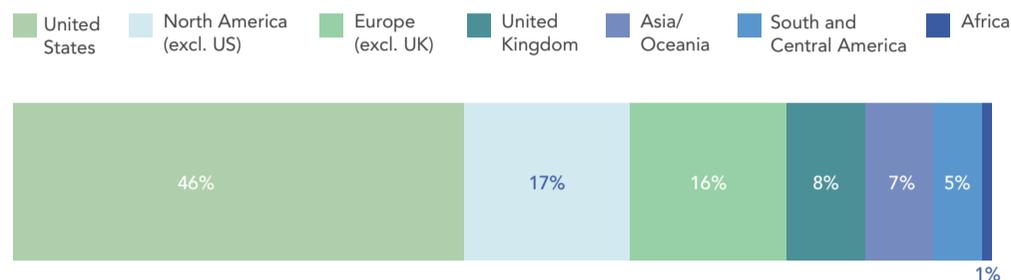
Recent developments in US-China trade tensions have led to uncertainty in the global economy, as have slowdowns in the US and Chinese economies, raising the risk of slowed economic growth. Indeed, the growth of the Asia Pacific was expected to slow, even before the ongoing COVID-19 pandemic: the most recent Global Investment Trend Monitor update forecast a 6 percent drop in regional FDI inflows for 2019.

For Canada, while the Asia Pacific region is a small part of its FDI flows, it is a growing region of interest. From 2015 to 2018, Canada’s FDI flows to the region made up 7 percent of its total outbound FDI. In the same period, incoming flows from the region made up 10 percent of Canada’s total inbound FDI.

HOW CANADA STACKS UP IN ITS INVESTMENT RELATIONSHIP WITH THE ASIA PACIFIC

Breakdown of Destination for Canadian Outward FDI Stock, 2018

Investment Value (C\$ Millions)



Source: Statistics Canada, Table 36-10-0008-01

Canadian outward direct investments are highly concentrated in traditional economic partners. Europe, the United Kingdom, and the United States accounted for almost 80 percent of Canadian FDI stocks in 2018. The United States, in particular, remains Canada's top investment destination: in 2018, Canada's southern neighbour accounted for 46 percent of Canada's outward foreign direct investment stock with C\$595B of value, a 13 percent increase from the previous year. Europe and the United Kingdom, on the other hand, accounted for 33 percent of Canadian investment stock. Canadian investment in the Asia Pacific region remains limited: in 2018, the region accounted for 6.9 percent of Canada's total outward FDI stock, a 0.4 percent drop from 2017 data.

Asia Pacific's Share of Total Inbound FDI, by Inbound Economy

Economy	% of Total Inward Foreign Direct Investment
Australia	23.05%
United States	16.36%
United Kingdom	11.51%
Canada	10.25%
France	5.23%

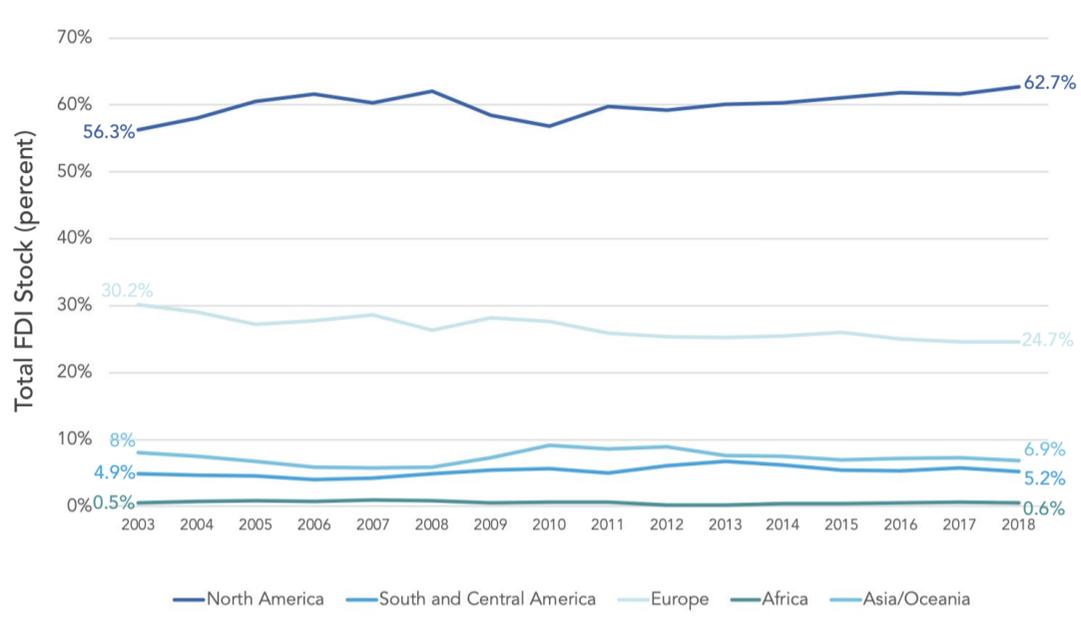
Source: Australian Bureau of Statistics; Bureau of Economic Analysis (US); Statistics Canada; Office for National Statistics (UK); Banque de France

When it comes to the economy's share of total investment from the Asia Pacific, Canada ranks low compared to many comparator economies, including Australia, the United States, and the United Kingdom. The average proportion of their Asia Pacific investments in 2018 was 14 percent, and Canada was about 4 percentage points below the average. This suggests that there remains room for Canada to improve investment ties with the region.

BOX 1. WHAT OFFICIAL STATISTICS CAN AND CANNOT TELL US

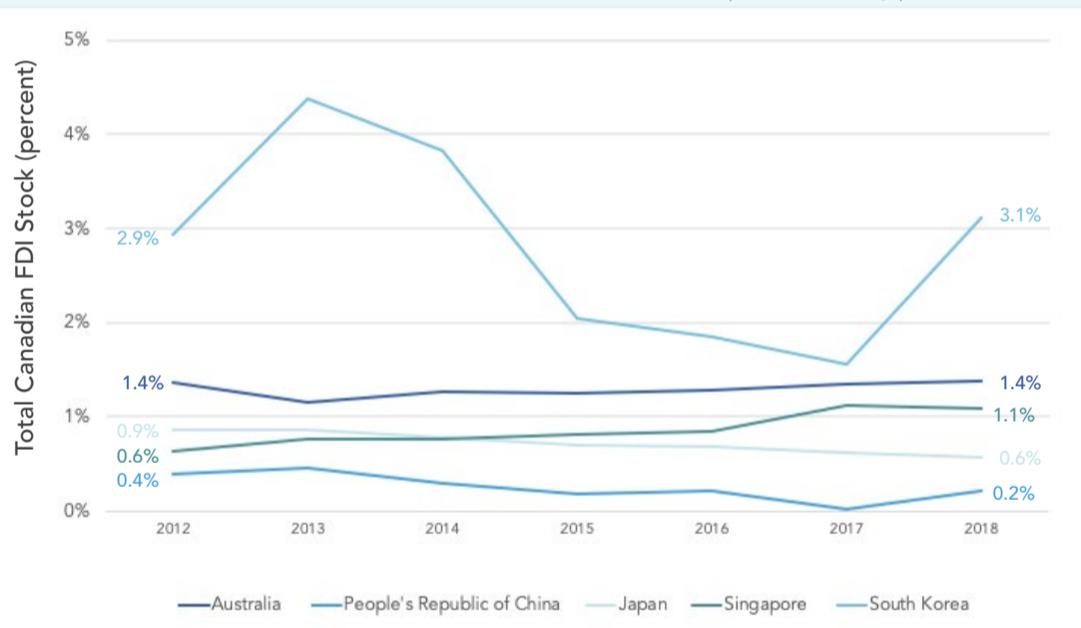
Official Statistics on Canadian FDI Stock Abroad, 2003-2018

Source: Statistics Canada, Table 36-10-0008-01



Canada's Market Share of Select Asia Pacific Economies' Inward FDI Stock, 2012-2018

Source: Australian Bureau of Statistics; National Bureau of Statistics of China; JETRO (Japan); Statistics Singapore; Statistics Korea



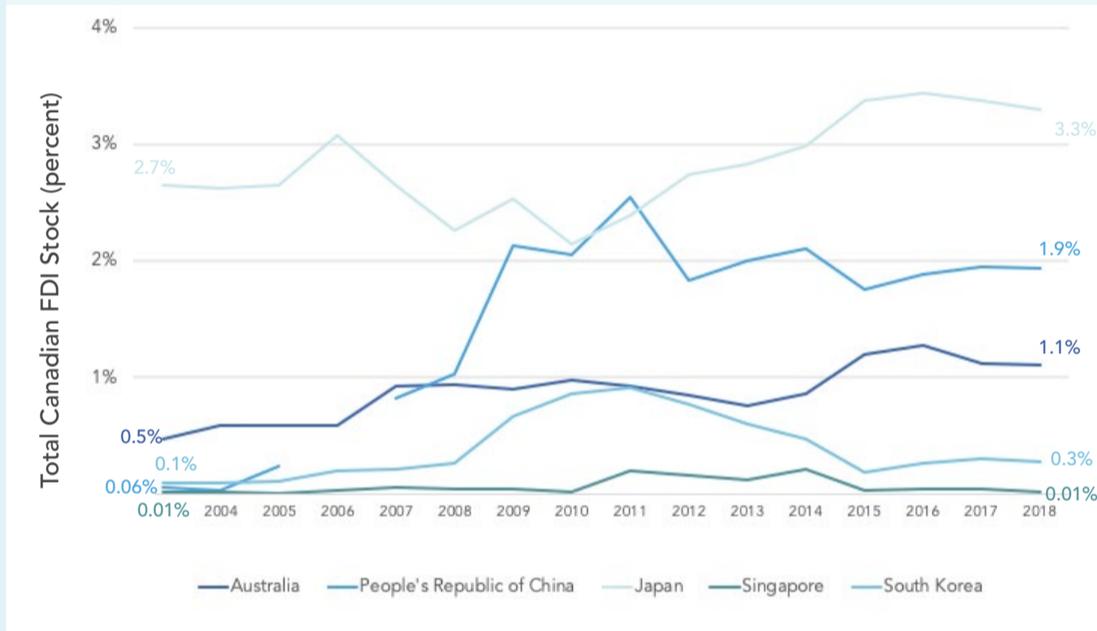
Canada's role as investor in the Asia Pacific remains small, both as a share of Canada's total outward investment and as a share of investment received by Asia Pacific economies. As of 2018, Canadian investment in the region totalled C\$88.9B, or 10 percent of all Canadian investments abroad. Some of the most invested-in economies in the region are Australia, China, Hong Kong, and Japan, which have shares of total Canadian outbound flows ranging from 0.5

to 2.4 percent. Inbound investments from the Asia Pacific are also small, but have been generally stable since 2015. Japan notably has the highest relative share of inbound investment into Canada, while Singapore has the lowest share. Official statistics from economies across the Asia Pacific similarly show that Canada is a small investor in the region. Data from 2018 for Australia, China, Japan, Singapore, and South Korea show that Canada's share in their inward FDI flows ranged from only 0.2 to 3.1 percent.

For investment coming into Canada, these statistics also show that Canada is not a significant destination for the Asia Pacific. One notable exception is South Korea, where outward FDI to the Canadian market is steadily rising.

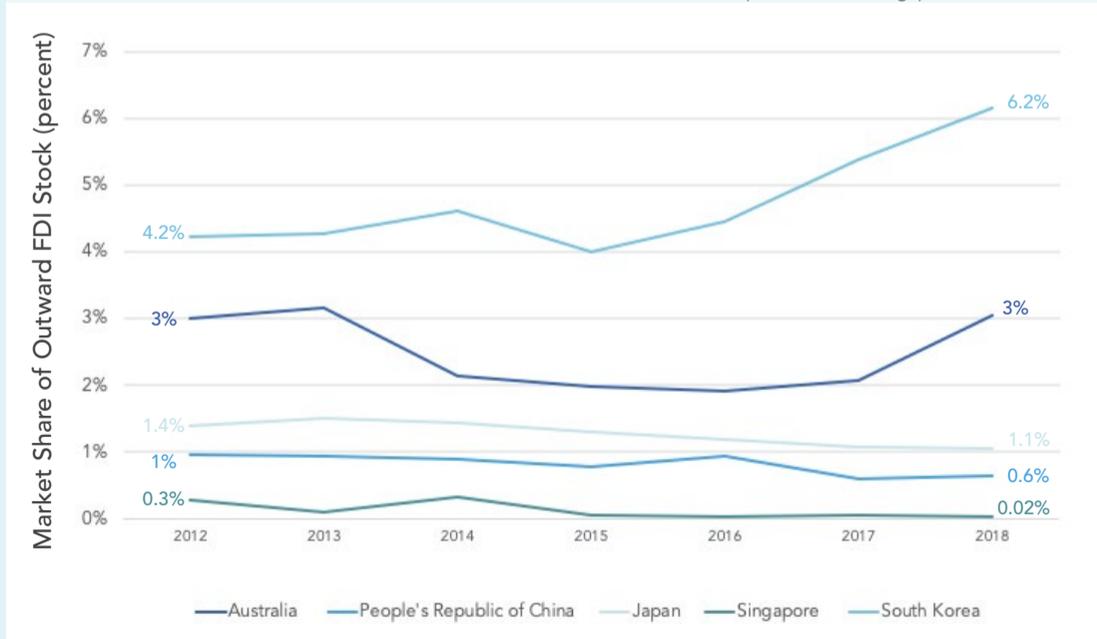
Official Statistics on Asia Pacific FDI Stock in Canada, 2003–2018

Source: Statistics Canada, Table 36-10-0008-01



Canada's Share of Select Asia Pacific Economies' Outward FDI Stock, 2012–2018

Source: Australian Bureau of Statistics; National Bureau of Statistics of China; JETRO (Japan); Statistics Singapore; Statistics Korea



The official statistics provided by Statistics Canada show Canada's international investment position on a national level, using a top-down approach in its collection of data. The data is mainly gathered from surveys of Canadian and foreign firms, as well as reports from government bodies like the Bank of Canada.

Due to the top-down nature of the data, Statistics Canada is unable to record the ultimate sources and destinations of investments, the subnational-level distribution of investments, and the distribution of investments by industry. As such, national data provided by Statistics Canada and Asia Pacific economies does not offer transaction-level information on FDI, nor details on the number of deals and distribution of investments across geographic regions and industries.

BOX 2. CROSS-BORDER INVESTMENT AND FDI

Cross-border investments can be separated into two major groups: 1) foreign portfolio investment (FPI) and 2) foreign direct investment (FDI).

Foreign Portfolio Investment

FPI is a temporary investment by a resident or enterprise of one economy into a financial asset of another economy. This investment involves a non-controlling stake in an enterprise in the form of equity, debt securities, or loans. For example, a Canadian firm increasing its stake from 3 percent to 5 percent in a South Korean firm would be an FPI.

Foreign Direct Investment

FDI is a long-term or lasting-interest investment by a resident or enterprise of one economy into a tangible asset of another country. This type of investment is deemed "long term" or of "lasting interest" if it is either a greenfield investment or an acquisition of at least 10 percent of the equity or voting shares of an enterprise. This 10 percent threshold is considered a controlling interest in an enterprise and is what primarily distinguishes FDI from portfolio investment, since it usually coincides with a transfer of management, technology, and organizational skills along with capital. One example of FDI is Canada-based Gildan Activewear's investment of \$45M into a new manufacturing plant in another country that would expand its textile and sewing operations in the country.

BOX 3. STOCK AND FLOW

The concepts of stock and flow are commonly used in economics and accounting. **Stock** refers to an existing quantity at one specific time, whereas **flow** refers to the movement of quantities in and out of the stock. There are two types of flows: **inflow**, which is an addition to the stock, and **outflow**, which is a deduction from the stock. The numerical difference between the inflow and outflow is called a **net inflow**. If the net inflow is positive, this means that the stock is rising, whereas if it the net inflow is negative, this means that the stock is falling. A bank account can illustrate these concepts. The balance of the account is the stock, while deposits and withdrawals from the account are the flows. In an investment scenario, the total amount of capital that Canada has accumulated and depleted through investment over the years is considered the stock. The amount of investment flows coming into and exiting Canada then represent its inflows and outflows, respectively.

FREE TRADE AGREEMENTS IN THE ASIA PACIFIC AND FDI: ANY CORRELATION?

KEY SECTION TAKEAWAYS

- Free trade agreements have a strong positive effect on boosting foreign direct investment among developed economies. The main causal mechanisms are the additional investment protection clauses included in all agreements, the expanded market, and the lowered costs and barriers for doing business.
- In the Asia Pacific, the strongest evidence for increased FDI after a free trade agreement is the Canada-South Korea free trade agreement signed in 2015. Canada received an additional C\$870M from 2015 to 2019.
- In 2019, two-way investment flows between Canada and the CPTPP economies were mostly tied to the software and computer services sector, which accounted for 25 percent (C\$1.4B) of the total value of inward and outward investment. The next two biggest sectors were mining (C\$1.2B) and aerospace and defence (C\$963M).
- In 2019, the Association of Southeast Asian Nations (ASEAN) economies invested over C\$1.2B (12 deals) in Canada, whereas Canada invested C\$112M (8 deals) into ASEAN.
- In the past five years, Canadian companies have been investing in greenfield deals in the economies of the Pacific Alliance, with a cumulative investment value of C\$17.1B.

FDI AND TRADE THEORY

In this report, APF Canada decided to explore one of the most common questions about foreign direct investment: What is the relationship between FDI and trade, and more specifically free trade agreements? Since the 1990s, economic theory and research has been conducted on if and how increasing bilateral investment treaties and free trade agreements heightens investors' confidence by securing equal treatment, respect for international norms, and rule of law, including protection of the right to profit and capital repatriation.¹ The proliferation of free trade agreements after the 2000s put this theory to the test. Different studies have proved that there are not one, but numerous causal mechanisms behind the strong relationship existing between FTAs and foreign direct investment, depending on the size of the market, the levels of commercial exchange, and the possibilities of expansion.²

The first and most important incentive for investment as a result of an FTA is the enhancing credibility of the chapter on investment protection that is included in every FTA. Investment protection chapters now not only prohibit expropriation without prompt and adequate compensation, but they also prohibit discriminatory treatment toward foreign investors. In addition, all FTAs, as well as most bilateral investment treaties (BITs), offer the additional benefit of settling any international investor-state dispute through third-party arbitration and other dispute-settlement mechanisms.

These benefits provide levels of guarantees that help investors feel safe moving in and out of the member countries in the new agreement. They reassure the investor that the host country will eliminate production distortions and procedural or institutional barriers to conducting business in that country.³ For the Canadian economy this is significant because FTA investment protection chapters have protected one of its most important investment sectors, mining and extractive industries, whose products are usually not covered by tariff reductions.

Other scholars have found that the potential size of the market induced investment in local production and incorporation in core value chains of the most developed country.⁴ For instance, South Korea's FDI in greenfield investments and advanced manufacturing expanded rapidly with FTA partners because of the added value of bilateral tariffs over time.⁵ Trade openness offers

additional incentives for South Korean companies as they use the agreements to expand manufacturing facilities and create economies of scale. Our own findings suggest this relationship in the case of South Korea, as Canada's investment in South Korea increased almost threefold after the ratification of the FTA. While Korean investment in Canada was already significant, it increased even more after the agreement. Korea's wide manufacturing base and Canada's large market provided additional incentives, but the FTA explains at least 50 percent of the additional investment Canada received from this new partnership.

Mega free trade agreements tend to provide further incentives to increase foreign direct investment. Jang has shown that, at least for developed countries like Canada, the existence of a regional FTA increased FDI by 14 to 35 percent from member countries alone and by 28 to 35 percent from non-member countries.⁶ Multilateral and plurilateral trade agreements such as the CPTPP can create additional incentives, such as regional market integration and regional supply chains in both goods and services, which make investment flows easier and more attractive. In other words, these mega agreements not only enhance investors' confidence in a common set of rules and legal protections for investments, but also in the fluidity and increase in labour services, equity markets, financial services, innovation, and technology that become available when distance stops being an issue.

In sum, FTAs are potentially better at increasing foreign direct investment – rather than trade – in the new member countries, at least in the first five years after ratification.⁷ Increasing investment protection, national treatment, expanded market possibilities, and implicit economic co-ordination compound the incentives that boost FDI in new FTA partners, even before the agreement enters into force. The Investment Monitor 2020 report presents only an example of what Canadians should observe about the relationship between FTAs and foreign direct investment inward and outward. We start by analyzing the deals and investment in the largest free trade agreement in the Pacific, the CPTPP, and then look at the Canada-Korea Free Trade Agreement (CKFTA). For comparative purposes, this chapter will also examine Canada's investment ties with the ASEAN economies and the Pacific Alliance FTA under analysis by the Canadian government.

FTAS AND INVESTMENT

THE COMPREHENSIVE PROGRESSIVE TRANS-PACIFIC PARTNERSHIP

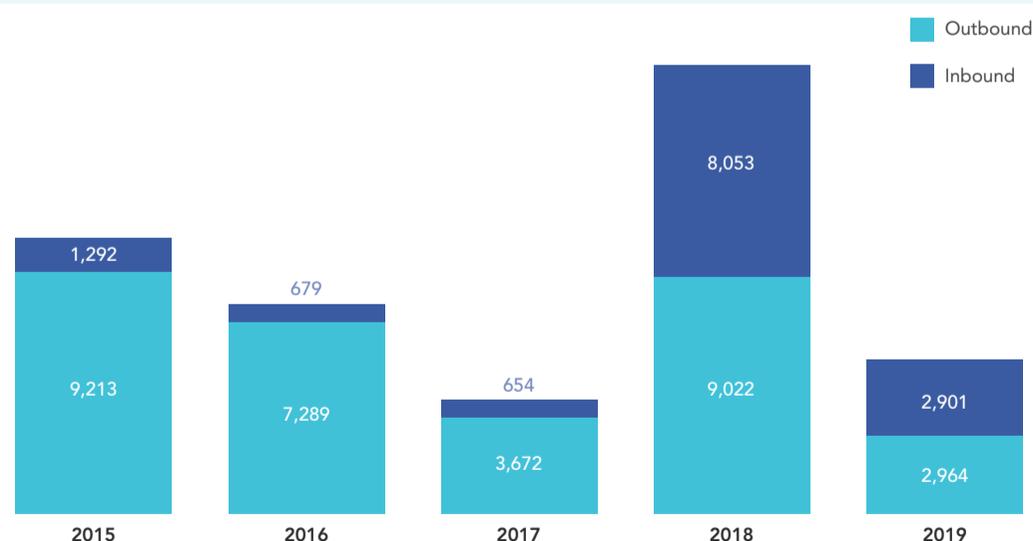
The CPTPP was signed in March 2018 between Canada and 10 other economies in the region, and entered into force on December 30 of the same year. As of April 2020, the trade agreement has been ratified by seven economies, including Australia, Japan, Mexico, New Zealand, Singapore, and Vietnam.⁸

The CPTPP was first implemented in 2019, but this was a difficult year for the global economy and the Asia Pacific region in particular. The US-China trade dispute derailed many trade and investment opportunities on both sides of the Pacific, and it is difficult to assess to what extent the trade war influenced the final investment outcome compared to the opportunities lost.

The total two-way value of Canadian investment with economies that ratified the CPTPP was C\$5.8B (56 deals). In particular, outward and inward Canadian investments were valued at C\$2.95B (25 deals) and C\$2.9B (31 deals), respectively. The biggest inbound investment deal of 2019 into Canada from the CPTPP was a C\$731M deal from Tokyo-based Mitsubishi Heavy Industries Ltd. to acquire the Canadair Regional Jet Program from Bombardier Inc. Meanwhile, the biggest outward Canadian investment transaction was a C\$917M investment from Toronto-based Brookfield Asset Management Inc., acquiring a 49 percent stake of Vodafone New Zealand Limited.

Two-Way Investment Flow between Canada and Ratified Asia Pacific CPTPP Economies, 2015-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Canada and five other economies in the region have ratified the CPTPP, including Australia, Japan, New Zealand, and Singapore. Overall, the investment flows for 2019 between Canada and CPTPP-ratified economies decreased from 2018. However, in 2018, there were a few deals that dominated the share of total investment flow. Of these high-scale deals, state-owned enterprises such as the Ontario Municipal Employees Retirement System and the Canada Pension Plan Investment Board had the lion's share (over 50 percent) of investments into the Australian real estate and mining sectors. These pension-backed enterprises from Canada invest in a diverse range of assets in public and private sectors worldwide.

Similarly, the volume of inward Canadian investment in 2018 was dominated by a few investment deals. Over three-quarters of the total inward investment (C\$6.1B) was from Japanese Mitsubishi Corporation through its joint venture, LNG Canada, into the oil and gas producers' sector of Canada, building a liquefied natural gas export facility in BC. LNG Canada is a joint venture among Shell Canada Energy, Petronas, PetroChina Company Limited, Mitsubishi Corporation, and Korea Gas Corporation.

Within the CPTPP economies, Australia, New Zealand, and Japan were the top investment destinations for Canada in 2019. Canada invested over C\$1.4B (18 deals) into Australia, C\$1.1B (3 deals) into New Zealand, and C\$436M (4 deals) into Japan. The target investment sectors in Australia were diverse, with chemicals (C\$623M), health care equipment and services (C\$335M), and travel and leisure (C\$150M) at the top. On the other hand, New Zealand's software and computer sector attracted the most Canadian investment (C\$1B) to the country. Canada invested in Japan's utilities sector (C\$436M), particularly in alternative electricity.

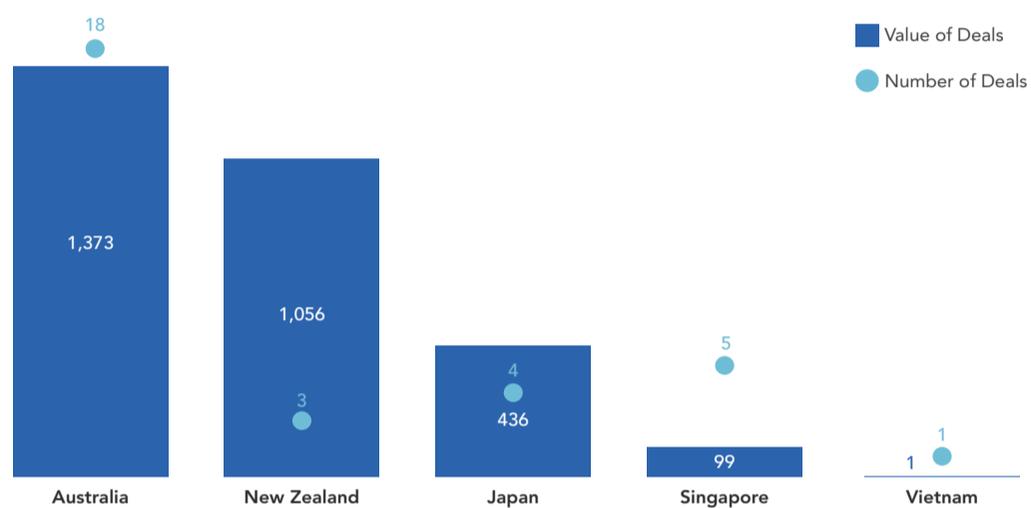
In terms of Canadian inward investment from the CPTPP economies in 2019, Australian investment into Canada amounted to over C\$1.5B (25 deals), and Japan invested C\$1.3B (31 deals). The majority of Australian investment (C\$1.2B) went to the mining sector of Canada, while a big share of the Japanese investment (C\$933M) was in the aerospace and defence sector.

Overall two-way investment with Australia is the highest in both scale (C\$2.9B) and number (43 deals) of deals among the CPTPP-ratified economies,

whereas Japan is the second-largest investing partner with Canada, accounting for C\$1.7B in 35 deals in 2019. Moreover, New Zealand had only six deals in both inward and outward investments with Canada, but their value was quite high (C\$1.1B) compared to the number of deals.

Canadian Investment into Ratified Asia Pacific CPTPP Economies in 2019

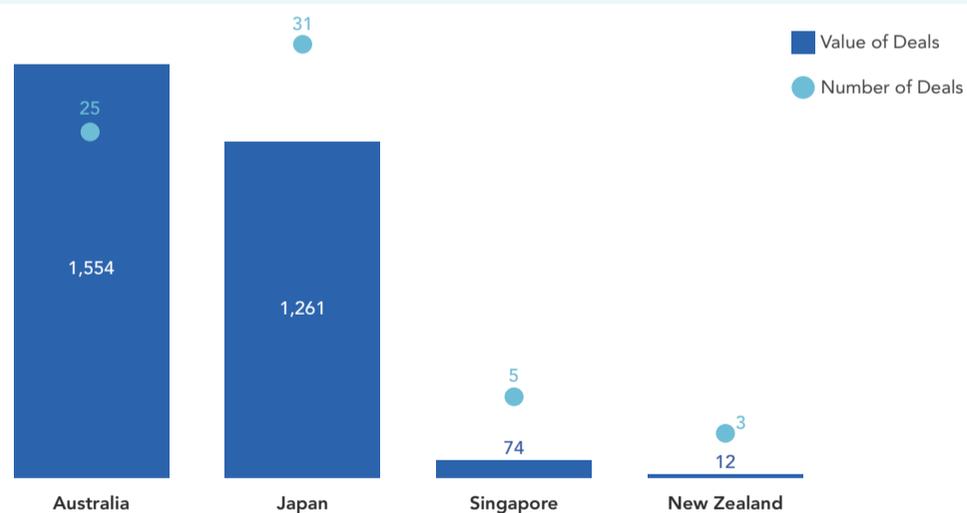
Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Ratified Asia Pacific CPTPP Economies' Investment into Canada in 2019

Investment Value (C\$ Millions)

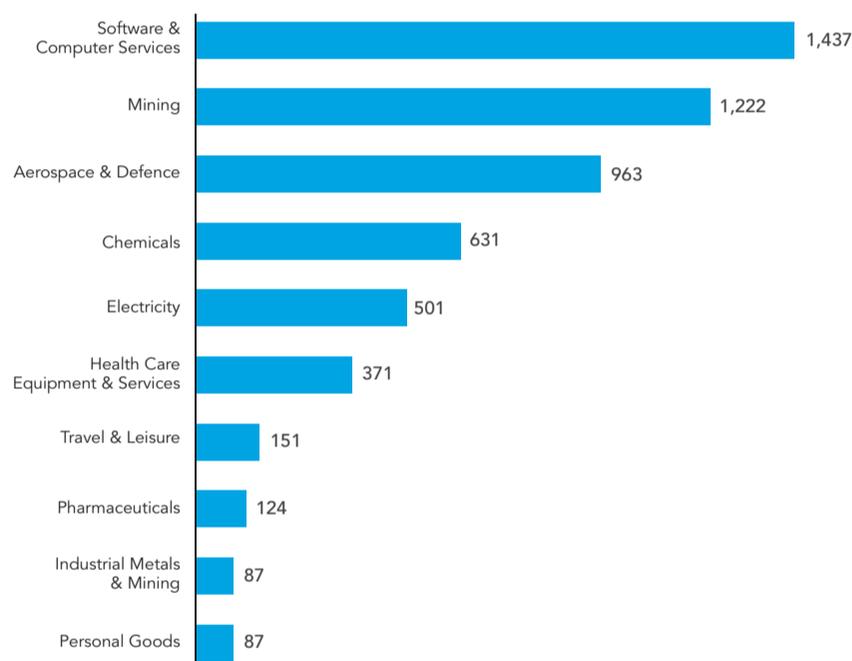


Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Two-way investment flows between Canada and the CPTPP economies were mostly tied to the software and computer services sector, which accounted for 25 percent (C\$1.4B) of the total value of inward and outward investment in 2019. The next two biggest sectors were mining (C\$1.2B) and aerospace and defence (C\$963M). While the former accounted for 21 percent, the latter accounted for 16 percent in the last year. Other sectors did not receive as much investment as these three sectors received in 2019.

Two-Way Investment Flow between Canada and Ratified Asia Pacific CPTPP Economies by Top 10 Sectors, 2019

Investment Value (C\$ Millions)

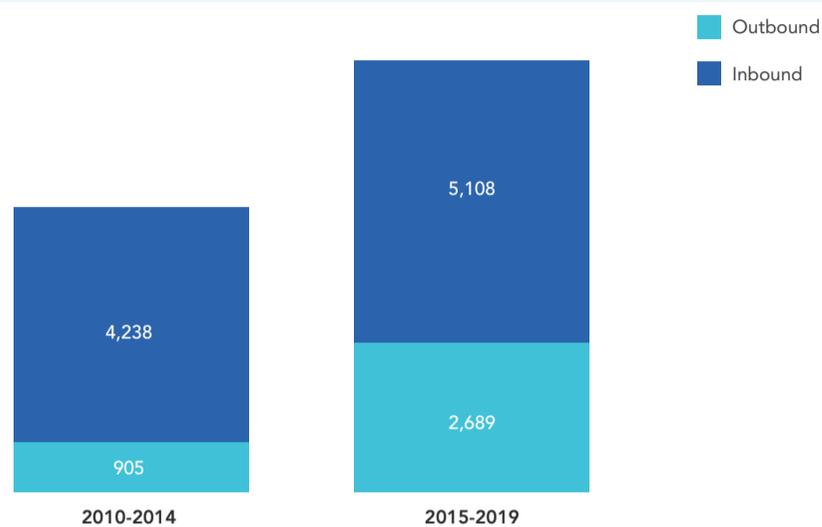


Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

CANADA-KOREA FREE TRADE AGREEMENT

Canada and South Korea signed their free trade agreement in 2014, and the treaty came into force in January 2015. The CKFTA contains protection clauses that aim to set out a more transparent and predictable environment for both Canadian and Korean investors.⁹ After the CKFTA was ratified, there were a total of 37 investment deals between the two countries, and the value of the two-way investment flow was C\$7.8B between 2015 and 2019.

Two-Way Investment Flow between Canada and Korea, Pre- and Post-Ratification of CKFTA



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Although it has been only five years since the ratification, the value of total two-way investment flows in the period increased significantly, by 35 percent, from C\$5.1B to C\$7.8B. Compared to the preceding period (2010-2014), the number of total deals made between Canada and Korea increased by 16 percent, from 31 deals to 37 deals.

Over the last 10 years, Korean investment into Canada has consistently surpassed outbound Canadian investment into South Korea. Within the previous five years, inbound investment from Korea rose by 17 percent, reaching C\$5.1B, from C\$4.2B (2010-2014). On the other hand, interest in the Korean market by Canadian businesses surged after ratifying the FTA, reflected by the number of deals and the value of investments made from Canada to Korea. Canada invested over C\$2.4B between 2015 and 2019, a 63 percent increase compared to the pre-ratification period. There were 13 deals from Canada to Korea from 2015 to 2019, while there were only nine deals in the previous five years. This growth is consistent with what the theory predicted about the positive effect of FTAs in boosting foreign direct investment for new partnerships.

In terms of sectors, Canadian investment into South Korea in the last five years focused on a few main sectors, including general retailer (28 percent), real estate investment and services (26 percent), electronic and electrical equipment (22 percent), and industrial transportation (13 percent). Two of the

largest investment deals into South Korea were from one source, the Canada Pension Plan Investment Board (CPPIB). In the year the CKFTA was ratified, the CPPIB invested over C\$763M in one of the largest retailers in Korea, Homeplus. Also, in 2018, the pension fund invested C\$250M to own a 50 percent stake in real estate located in the centre of Seoul, the Kumho Asiana Main Tower. The CPPIB has stated that its investment in the Korean real estate sector reflected its desire to enhance the firm's investments in the Asia Pacific region as well as its strategy to invest in top-tier, well-located properties.

In the previous five years, inbound investment from South Korea was worth C\$5.1B. Of this C\$5.1B, 43 percent went into the oil and gas producers sector, 32 percent into the industrial engineering sector, 8 percent into the pharmaceuticals sector, and 5 percent into the construction and materials sector of Canada. The biggest investment deal made in the oil and gas producers sector was C\$2B from Korea Gas Corporation, which entered the Canadian market through its joint venture, LNG Canada, in 2018. In the same year, Korean Hanon Systems invested over C\$1.6B to acquire the fluid pressure and controls business of Magna International Inc., an Ontario-based auto parts company.

LOOKING AHEAD: CANADA'S INVESTMENT TIES WITH ASEAN AND PACIFIC ALLIANCE ECONOMIES

CANADA AND ASEAN

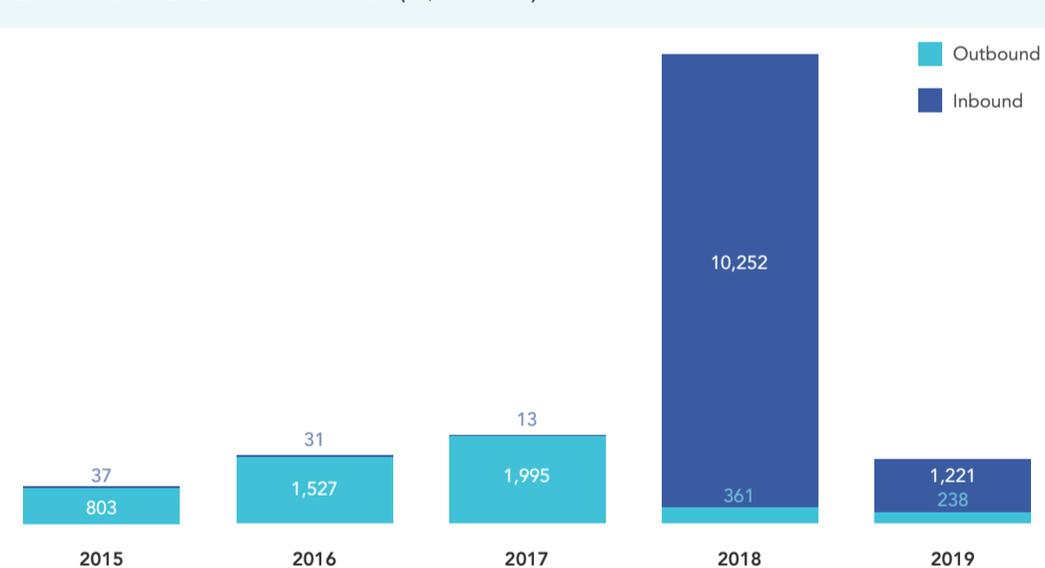
ASEAN is one of the world's fastest-growing economic regions, including Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. According to the 2019 ASEAN Economic Integration Brief, the economic growth rate of ASEAN was 5.1 percent in 2018, compared to 3.6 percent of the world growth rate. From 2003 to 2019, two-way investment between Canada and ASEAN accounted for only 13 percent of total investment between Canada and the Asia Pacific, still lagging behind the other Asia Pacific economies. Therefore, both a gap and an opportunity exist for Canada to strengthen its two-way investment ties with ASEAN and other emerging economies.

In 2019, the ASEAN economies invested over C\$1.2B (12 deals) in Canada, whereas Canada invested C\$238M (11 deals) in ASEAN. Those 12 deals

from ASEAN economies in 2019 marked a significant increase in activity, up from seven deals for the four years prior combined. The source of investing economies (Malaysia, Singapore, and Thailand) became more diversified in 2019. Before 2019, there were only one or two economies of ASEAN, such as Singapore and Malaysia, invested in Canada. One of the sources that became active in the Canadian market in 2019 was Bangkok-based Charoen Pokphand Group, which acquired Manitoba-based HyLife for C\$498M. HyLife operates in the fishing and animal production sector, focusing on producing and supplying pork products.

On the other hand, Canadian investment in the ASEAN economies shrank both in the value of investment and in the number of deals from the previous four-year period. The majority of Canadian investment to ASEAN in 2019 was in the Philippines, which accounted for 52 percent (C\$124M) of the total Canadian outbound investment in the ASEAN economies. There were two big deals made into the Philippines' financial market out of a total of 11 outward investment deals from Canada.

Two-Way Investment Flow between Canada and ASEAN, 2015-2019



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Although total two-way investment decreased significantly in 2019, the reason for the large amount of investment inflows into Canada in 2018 was one deal from a Malaysian state-owned enterprise, Petronas. The deal, which saw C\$10B invested in LNG Canada, was the biggest investment made in Canada from the ASEAN economies between 2003 and 2019.

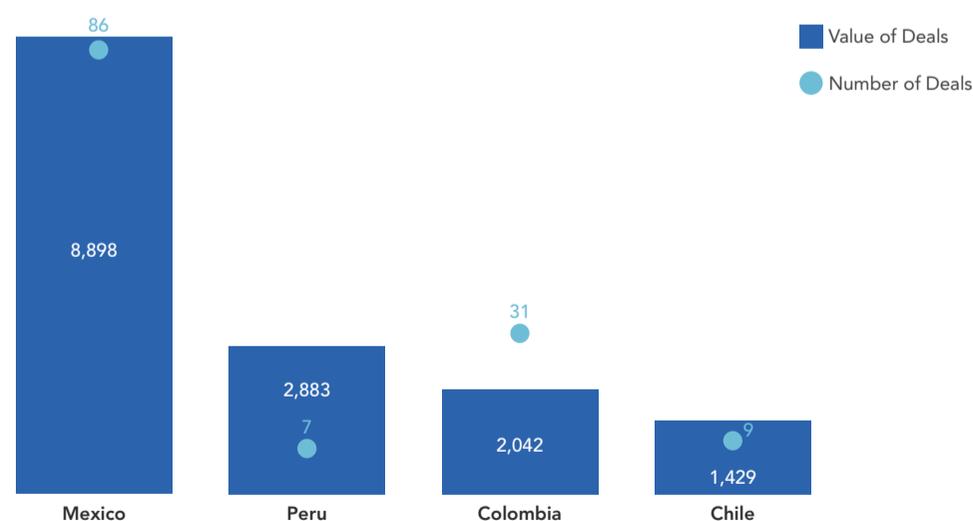
CANADA AND THE PACIFIC ALLIANCE

The Pacific Alliance is a regional economic bloc composed of Chile, Colombia, Mexico, and Peru, established in 2011. The Alliance was formed to deepen the integration between the members, promoting free trade in goods and services and increasing mobility of capital and labour within the bloc. In June 2017, Canada was invited to be an Associated State of the Pacific Alliance, which required it to begin the negotiation of an FTA with the bloc. The negotiation between Canada and the Pacific Alliance is still ongoing.¹⁰

In 2019, Canadian investment value in the Pacific Alliance was over C\$2.6B, made through 37 greenfield investment deals. Of the total Canadian investment in the Alliance, C\$1.2B (48 percent) flowed to Mexico through 18 deals, and C\$678M (26 percent) went to Peru through 3 deals. Considering Colombia's inward investment from Canada, despite a high number of deals (14 deals), the total amount of the investment barely reached C\$644M. Meanwhile, Chile had only two investment deals from Canada in 2019, which accounted for C\$4M. The biggest outbound deal in 2019 to the Pacific Alliance was by Vancouver-based PPX Mining Corp. in the mining sector of Peru to build a heap leach gold and silver processing plant, valued at C\$655M. Meanwhile, there was only one inbound deal (C\$12M) made in greenfield investments in 2019 from the Alliance, which was from Mexico to the Canadian software and computer service sector.

Outbound Canadian Greenfield Investments in the Pacific Alliance, 2015-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Over the past five years, Canadian investment in Pacific Alliance economies had a cumulative value of C\$17.1B, and the investment flow trend has fluctuated. A majority of Canadian outbound investment in the Alliance went to Mexico, valued at over C\$8.9B (86 deals). The second most popular investment destination in the Alliance for Canadian business was Peru, with over C\$2.9B invested (7 deals), the third was Colombia, valued at C\$2B (31 deals), and the last was Chile, with C\$1.4B (9 deals) between 2015 and 2019. Despite the significant flow of Canadian investments into the bloc, the reverse flow of investment has not occurred, except for sporadic Mexican investments into Canada, which were valued at C\$56M (4 deals) from 2015 to 2019. The reason for the higher investment scale between Canada and Mexico is that these two countries have a long-term partnership rooted in the North American Free Trade Agreement (NAFTA), while the other economies have only recently partnered with Canada. The additional reason is that the positive effect of FTAs on investment is stronger in developed economies and weaker when the partnership includes developing ones. Even when an FTA provides the same clauses for investment protection, the realities on the ground and the size of the market works against a stronger benefit for the developed economy, while the benefit is still there for the developing one.¹¹

USAGE CHALLENGES AND FUTURE PROMISES

In all, the CPTPP adds an additional positive effect, as predicted by the theory. Within the Pacific Alliance, the economies of the CPTPP are the top investment partners of Canada in terms of the number of deals and the value of investments. Although the investment volume with the CPTPP did not increase after the FTA ratification, it is still too early to determine the potential of the FTA based on the one-year investment flows between Canada and the CPTPP.

On the other hand, the CKFTA has showed a significant increase in the number of deals as well as the value of investments between Canada and South Korea over the past five years. Thanks to the FTA, opportunities were provided not only to South Korea to increase its investment into Canada, but also to Canadian businesses to expand their investments in the South Korean market. Meanwhile, Canadian investments with ASEAN and the Pacific Alliance showed inconsistencies in investment trends, because Canada's investment

flows were often distorted by high-scale transactions, particularly in inbound investments with ASEAN in 2018. However, with the Pacific Alliance, the two-way flow in greenfield investments was mainly composed of outbound Canadian investment, the majority of which went to Mexico based on their relatively long-term partnership through NAFTA.

The Pacific Alliance represents a promise for Canadian foreign direct investment that needs to be monitored and understood in the future as Canada moves closer to securing a free trade agreement with the bloc. The economies of scale, especially in the energy and mining sectors, can be multiplied with an enhanced trade ecosystem that involves the Canadian service sector.

THE NATIONAL PICTURE

Key Section Takeaways

- Between 2016 and 2019, Canada received C\$60B in inbound investment from the Asia Pacific through 413 deals, hitting a 16-year high.
- While investments from the Asia Pacific into Canada are still primarily in natural resources, which comprises the energy, mining, and agriculture industries, inbound investments in the technology sector have been increasing, from C\$396M from 2008 to 2011, to C\$1.7B from 2016 to 2019.
- Since 2003, Australia, China, and India have been the top destinations for outbound Canadian investment into the Asia Pacific. Investment in these economies totalled C\$136.7B, accounting for 73 percent of all outbound investment to the region.
- In 2019, 17 percent of Canadian investment went to the automobiles and parts sector, with a dollar value of C\$1.3B. Most of these deals involved the establishment of new manufacturing plants for electric cars in China.

INBOUND TRENDS AND PARTNERS IN A YEAR OF RECORD DEALS

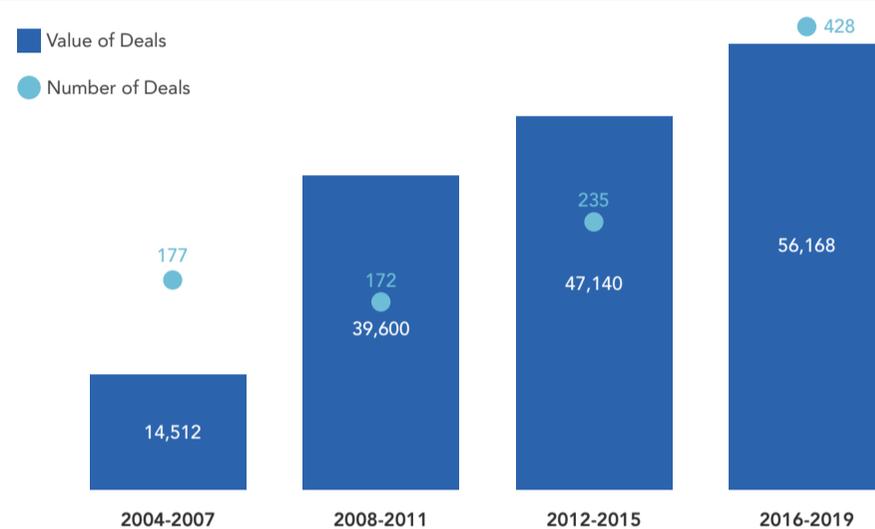
In 2019, Canada received a total of C\$8.3B of foreign direct investment from Asia Pacific economies. While it was a drop from the historic high of C\$33B in 2018, of which the liquefied natural gas (LNG) project in Kitimat made up close to C\$25B, the number of inbound investment deals in 2019 set a record with 151 deals.

From 2015 to 2019, Canada received C\$56B of Asia Pacific investment through 428 deals, hitting a 16-year high. Compared to the previous four-year period, inbound investment from the Asia Pacific has jumped by C\$9B, or 19 percent. Other than the well-known LNG project in 2018, one of the largest Asia Pacific investments came in 2019, when Jiangxi Copper Corporation acquired PIM Cupric Holdings Limited from Pangaea Investment Management Limited for C\$1.5B.¹²

Over the last 16 years, Asia Pacific investment into Canada has been growing both in terms of the investment amount and the number of deals. In this period, APF Canada's Investment Monitor has captured approximately C\$161B in investment through 997 deals. The bulk of the investment came in the last eight years, accounting for 66 percent of the captured investment.

Canadian Foreign Direct Investment Received, 2004-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

While high-dollar-value investments continue to have significant sway in shaping the total amount of inbound FDI from the Asia Pacific to Canada, the sharp increase in investment deals in the 2016 to 2019 period renders a lower concentration of investment per transaction in comparison to the previous four-year period. The average investment per deal has dropped from C\$201M in the 2012 to 2015 period to C\$131M in the most recent four years. This figure suggests that while Asia Pacific investment into Canada continues to grow in dollar amount, investment activities – an indicator of investment ties – are increasing at a more rapid pace and smaller-dollar-amount investment forms a growing proportion of inbound investment into Canada.

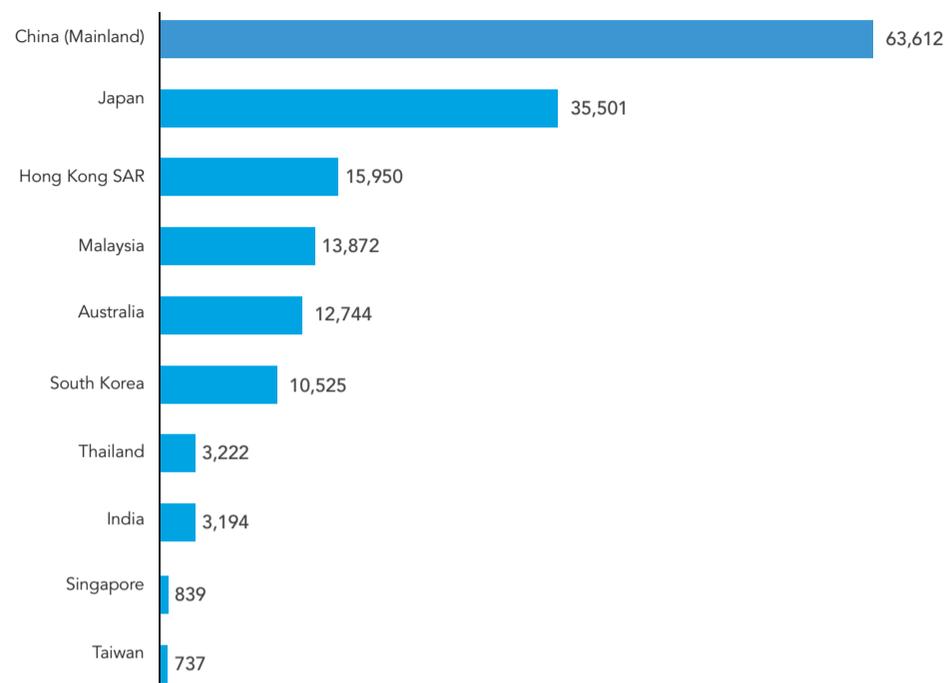
Comparison of Average Dollar Amount Invested Per Deal, 2004-2019

Time Period	Average Amount Invested Per Deal (C\$ Millions)
2004-2007	82
2008-2011	230
2012-2015	201
2016-2019	131
Total	156

Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Asia Pacific Investment into Canada by Major Source Economy, 2003-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Consistent with previous reports, inbound Asia Pacific investment into Canada has been highly concentrated in a few source economies. The top three source economies alone account for 72 percent of the total Asia Pacific inbound investment into Canada. Over the last 17 years, China remains Canada's top investor in the region with C\$64B injected into Canada's economy through 275 deals, followed by Japan with C\$36B through 292 deals and Hong Kong with C\$16B through 74 deals.

China remained the top Asia Pacific FDI source economy for Canada in 2019 with C\$3.5B of investment injected into the Canadian economy. The value of new investments from China dropped significantly between 2018 and 2019, with the impact attributable to the significant investment made by China in the LNG project in 2018. Without the China-sourced investment in LNG in 2018, the investment levels between 2018 and 2019 would be roughly the same (C\$4.0B and C\$3.5B, respectively).

However, China's investment has subsided in the last four-year period compared to earlier periods. Chinese investment into Canada has decreased from C\$27B in the 2012 to 2015 period to C\$21B in the most recent four-year period, a C\$6.6B, or 24 percent, drop. In comparison to the previous four-year period, Chinese investments are less concentrated in the Canadian oil and gas

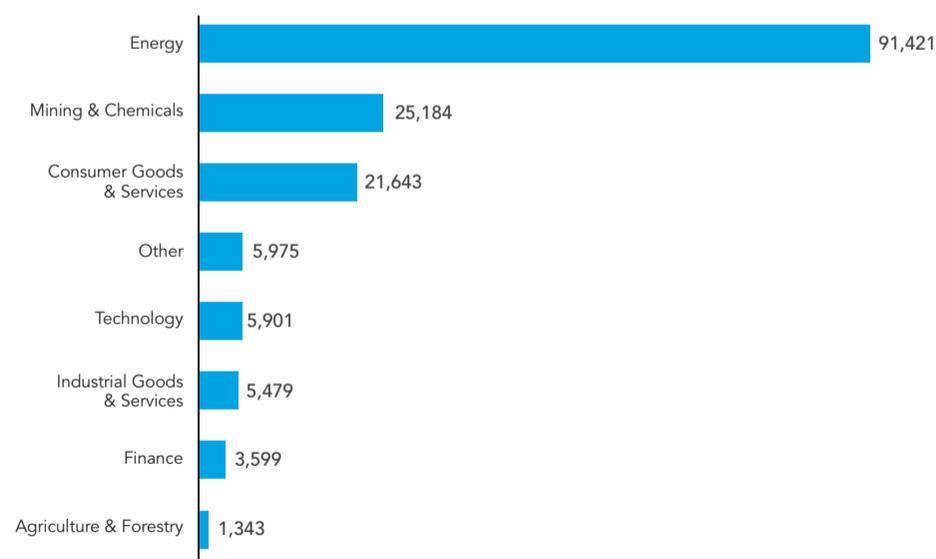
sector, but China has developed a more diversified portfolio with investments in the mining, real estate investment and services, and health care equipment and services sectors.

Canada has seen dollar-value growth in its inbound Asia Pacific investment from both traditional and non-traditional economic partners. Over the last eight years, investments from Malaysia, Hong Kong, South Korea, and Japan have seen the sharpest increase. The four economies combined represent growth of C\$18B when comparing the data between the two most recent four-year intervals. The bulk of the increase is driven by Canada's oil and gas sector. For Japan, Malaysia, and South Korea, the growth mostly stemmed from their respective investments into the construction of the LNG Canada facility in Kitimat 2018, whereas Hong Kong's increase can be attributed to CK Hutchison's C\$2.3B investment via Husky Energy into an offshore oil exploration project near St. John's, Newfoundland, in 2017.

ASIA PACIFIC INVESTMENT IN CANADA'S SECTORS: RESOURCES, TECHNOLOGIES, AND THE REST

Asia Pacific Investment into Canada by Industry, 2003-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Investments from the Asia Pacific into Canada are still primarily in natural resources, which comprises the energy, mining, and agriculture industries. In 2019, half of all inbound investments were in the mining and chemicals

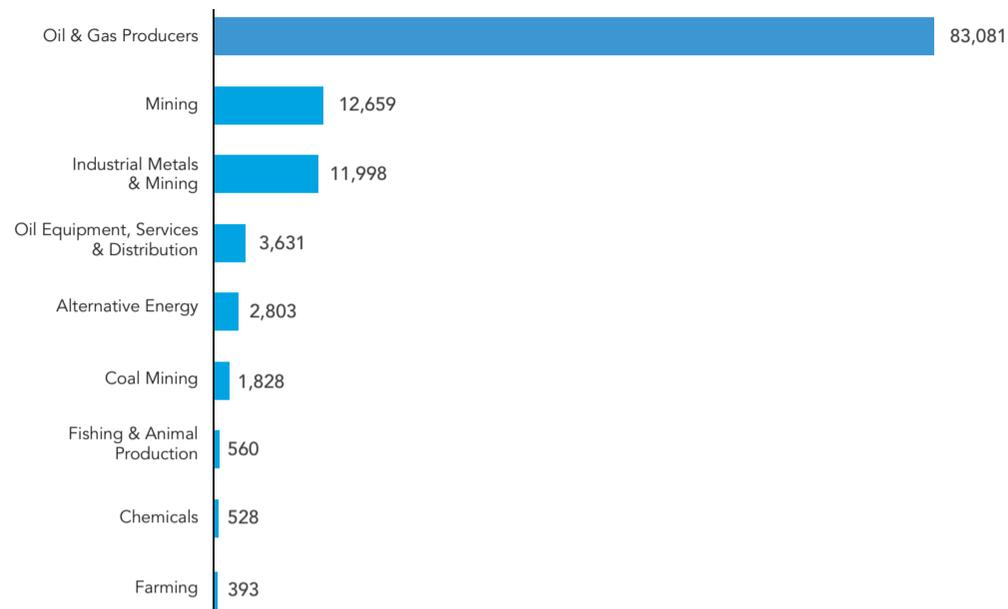
industry. This includes the largest deal made in 2019: the C\$1.5B acquisition of a 17.6 percent stake in Vancouver-based First Quantum Minerals by Chinese state-owned enterprise (SOE) Jiangxi Copper, through its purchase of PIM Cupric Holdings. This investment is closely followed by the C\$1.3B acquisition of Continental Gold by another Chinese SOE, Zijin Mining. Zijin Mining's acquisition of Toronto-based Continental Gold is its second in Canada, following the company's 2018 acquisition of Nevsun Resources for C\$1.9B. In contrast, Jiangxi Copper's acquisition of a stake in First Quantum Metals is its first deal in Canada.

Another noteworthy deal in the mining industry is the acquisition of Halifax-based Atlantic Gold Corporation and Atlantic Mining NS Corp for C\$723M by Australian company St. Barbara Ltd. This acquisition is St. Barbara's first Canadian mine, adding to its existing assets in Western Australia, Papua New Guinea, and the Solomon Islands. Considering other investments in natural resources, one notable deal in 2019 occurred in the agriculture industry. Manitoba-based pork producer and supplier La Broquerie was acquired for C\$498 by Thailand-based Charoen Pokphand Foods PCL through its Canadian subsidiary.

As for the main sectors of inbound investment in Canadian natural resources, in 2019 the mining sector received the highest dollar amount, made up of the deals mentioned above. Overall since 2003, the top sector continues to be oil and gas production, totalling C\$83.1B. From 2016 to 2019, this sector again tops inbound investment at C\$30.4B, remaining largely consistent with the 2012 to 2015 period, when the sector received C\$30.6B. For the mining sector, there was a substantial increase in investments, from C\$1.9B from 2012 to 2015 to C\$7.3B during the 2016 to 2019 period. This increase is largely due to acquisition deals in 2018 and 2019.

Asia Pacific Investment into Canadian Natural Resources by Sector, 2003-2019

Investment Value (C\$ Millions)

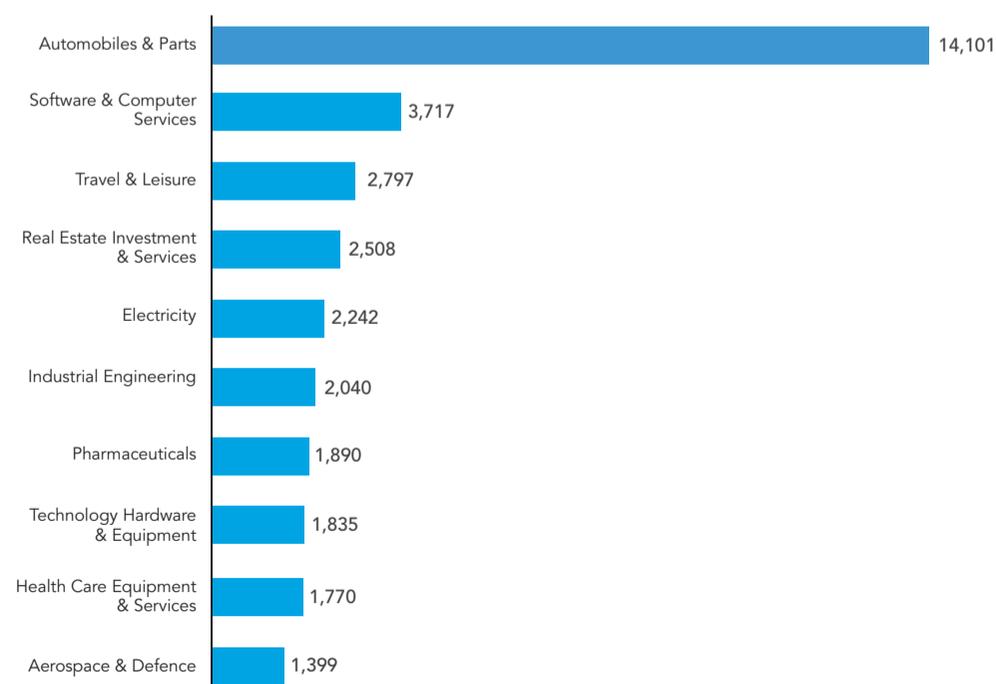


Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

While natural resources are by far the largest area of inbound investment from the Asia Pacific, there is also substantial investment being made in other sectors. Among these, automobiles and parts is the largest, with C\$14.1B invested since 2003. This is followed by the software and computer services sector at C\$3.7B and the travel and leisure sector at C\$2.8B. Investments in these sectors mainly come from Japan and China, with the exception of travel and leisure, which is dominated by Hong Kong-based investors.

Asia Pacific Investment into Canadian Non-Natural Resource Sectors, 2003-2019

Investment Value (C\$ Millions)

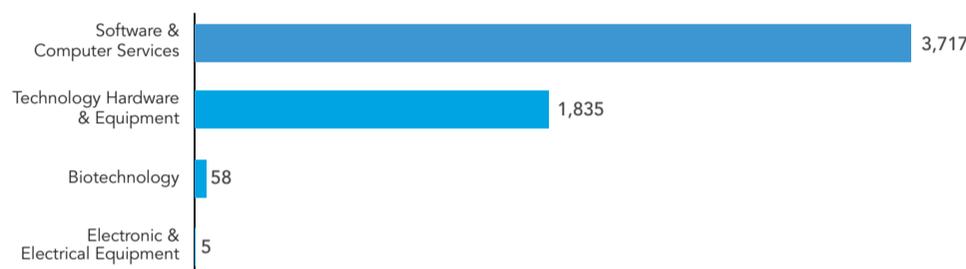


Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

One growing area of inbound investment is the technology industry. The number of deals in technology has steadily been rising, from 13 during the 2008 to 2011 period, to 67 during the 2016 to 2019 period. Investment amounts have also risen, from C\$396M in 2008 to 2011, to C\$1.7B in 2016 to 2019. From 2016 to 2019, 32 percent of investment in Canadian tech was located in Toronto, while Montreal and Vancouver received 13 percent and 7 percent shares, respectively. In 2019, the largest deal was China-based Huawei Technologies' C\$452M expansion of its operations in Canada. Another notable deal in 2019 was Indian multinational tech company HCL Technologies' C\$213M investment in a new office in Moncton, New Brunswick.

Asia Pacific Investment into Canadian Tech by Sector, 2003-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

BOX 4. ASIA PACIFIC INVESTMENT IN NATURAL RESOURCES

Canada's natural resource industries (energy, mining and chemicals, and agriculture and forestry) have been significant drivers of investment from the Asia Pacific and accounted for 74 percent (C\$120B) of the total value of investment from 2003 to 2019. Of total investments in the industry, the energy sector had a majority share at 75.6 percent (C\$91.4B), while the mining and chemical sector and the agriculture and forestry sector account for 23.3 percent (C\$28B) and 1.1 percent (C\$1B), respectively.

Investment inflows from the Asia Pacific experienced a peak of 40 percent (C\$48.2B) of total investment in the industry during the 2011 to 2014 period, when Canada had a large-scale C\$16.7B investment deal when Nexen was purchased by the China National Offshore Oil Corporation in 2013. However, the inward flows of investment in the industry have been decreasing since 2013 because of declining commodity prices and a lack of big deals. Investments from the Asia Pacific into Canada's natural resource industry continue to persist, however. For instance, in the energy sector, LNG Canada, a joint venture comprised of multiple companies from Canada and Asia, invested C\$24.5B into Canada's oil and gas producers in 2018.

Within Canada's natural resources industries, investment in the agriculture and forestry sector was not as big as it was in other sectors. One of the largest deals in the sector was a purchase of the assets of the Terrace Bay Pulp Mill in Ontario by India-based Aditya Birla Group for C\$279M in 2012. Moreover, no investments were recorded between 2016 and 2018 in the sector. However, in 2019, Thailand's Charoen Pokphand Foods acquiring Manitoba-based HyLife for C\$498M was one of the highlights in the sector.

BOX 5. ASIA PACIFIC STUDIOS IN CANADA'S C\$4.5B VIDEO GAME INDUSTRY

Canada is a global hub for video games. With appealing tax incentives and globally recognized creative talent, Canada has attracted renowned foreign studios, like the French company Ubisoft and American studios Epic Games and Electronic Arts, to settle in cities like Montreal and Vancouver. Beloved game franchises like Ubisoft's *Assassin's Creed* series and Epic Games' online game *Fortnite* are being developed in Canada with homegrown talent. Overall, according to the Entertainment Software Association of Canada, the Canadian video game industry contributed C\$4.5B to national GDP in 2019. (Moreover, an estimated two-thirds of Canadians are gamers.) It comes as no surprise that studios based in the Asia Pacific are also interested in benefitting from Canada's growing video game industry. According to the Investment Monitor, from 2005 to 2019, C\$1.3B in investment arrived from the region into Montreal, Vancouver, Burnaby, Toronto, and Saskatoon.

Montreal, in particular, has become one of the top cities in the world for video game development. Called by some the "Hollywood of video games," Montreal is the fifth most popular city for game development, after Tokyo, London, San Francisco, and Austin. This is largely thanks to Quebec's multimedia tax credit, which subsidizes up to 37.5 percent of labour costs for eligible companies that develop digital products. One notable studio that has chosen to put down roots in Montreal is Square Enix, a Japanese game developer globally renowned for its *Final Fantasy* and *Kingdom Hearts* game franchises. In 2007, Square Enix invested C\$226M to establish its first studio in Montreal, named Eidos-Montréal. It has since invested in expanding the studio in 2011 and 2019. Eidos-Montréal is best known for producing games in the *Tomb Raider* and *Deus Ex* franchises. Most recently, in 2019, one of China's top online game providers, NetEase, invested C\$130M into a new studio focused on research and design. NetEase is known for publishing games like *Crusaders of Light* and *UNO!* the mobile game.

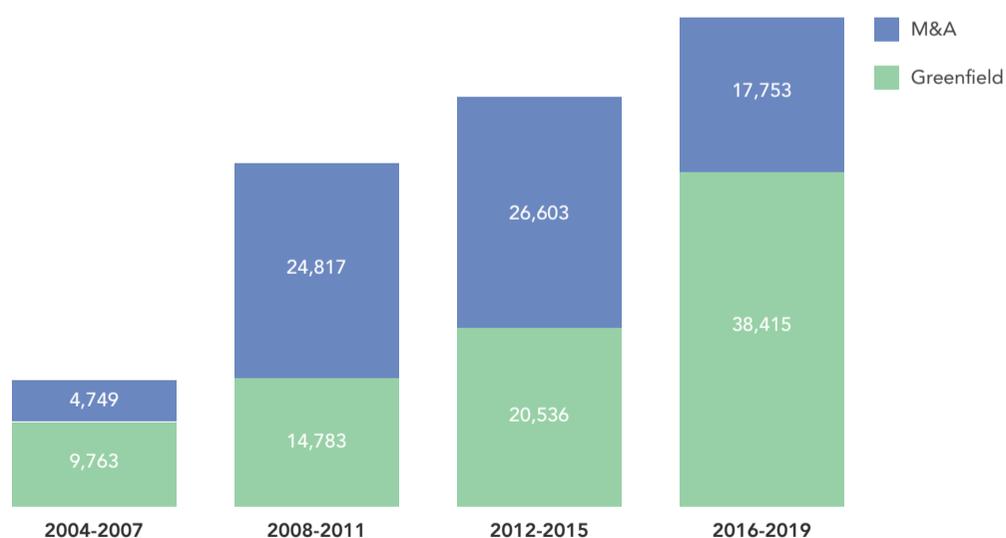
However, not all inbound investments have been successful. In 2005, Japanese developer Koei Tecmo invested C\$380M to establish a Canadian subsidiary and studio in Toronto. The studio, responsible for games like *Fatal Inertia* and *Samurai Cats*, eventually closed in 2013. In 2014, Japanese company Gumi invested C\$176M in its first Canadian studio in Burnaby. Gumi is well-known in Japan for the mobile role-playing game *Brave Frontier*. However, after 18 months and no titles released, Gumi closed its doors in 2016, along with its other studios in Sweden, Germany, the United States, and Hong Kong. There are several reasons for each closure. For Koei, observers attribute its closing to unpopular titles as well as competition from Ubisoft, once the French studio settled in Toronto in 2010. For Gumi, its closures are seen as a consequence of rapid hyper-expansion.

Overall, while some big players like Square Enix have found success in Canada, others like Gumi have not. Reasons for closures vary across studios, from releasing unpopular titles, losing provincial tax incentives, merging with a bigger studio, and competition. Considering these barriers, provincial governments must go beyond just attracting studios to settle in their cities, and work toward sustaining their long-term presence.¹³

INVESTMENT TYPES: GREENFIELD INVESTMENT VS. M&A

Asia Pacific Economies' Greenfield and Merger & Acquisition Investment in Canada, 2004-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

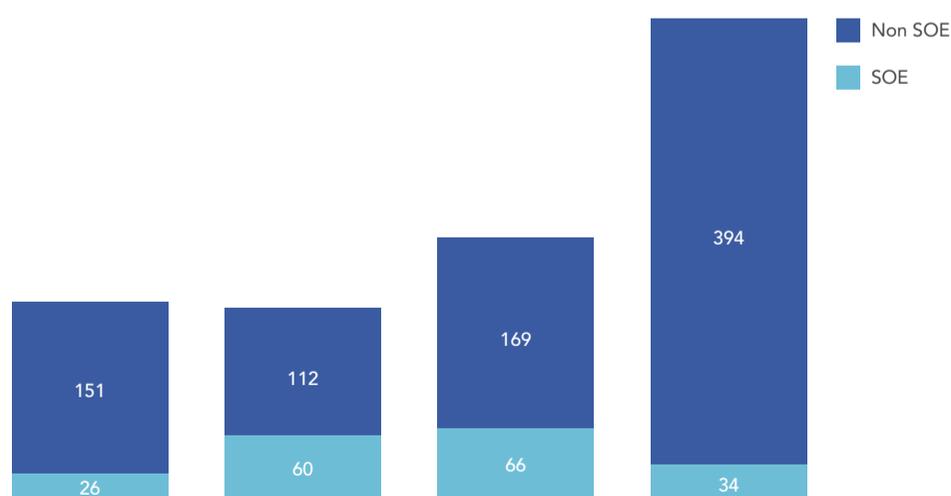
Overall, Asia Pacific investments into Canada are greenfield-oriented. In last 16 years, greenfield deals account for 62 percent of all inbound investment transactions from the Asia Pacific, while mergers and acquisitions (M&A) only make up 38 percent. However, given that M&A transactions on average carry a higher dollar value per transaction, they make up a larger proportion of the inbound investment value compared to deal numbers. Over the last 16 years, M&A makes up 47 percent of the value of inbound investments from the Asia Pacific, while greenfield investments account for 53 percent.

In the most recent four-year period, greenfield investments remained the dominant mode of entry for Asia Pacific companies. From 2016 to 2019, greenfield investments accounted for 247 of the 428 deals (58 percent) and C\$38B of the C\$56B inbound Asia Pacific FDI (68 percent). Compared to the period from 2012 to 2015, greenfield investments have increased by C\$18B in dollar value and 89 in deal count.

While inbound Asia Pacific M&A investments continued to grow in number of deals, the dollar value of this mode of entry slightly dropped over the last eight years. From 2016 to 2019, Asia Pacific companies invested C\$18B into Canada through 181 M&A deals. Compared to the previous four-year period (2012-2015), Asia Pacific M&A investments from 2016 to 2019 more than doubled in deal count, but dropped by C\$9B in dollar value.

STATE-OWNED ENTERPRISES IN CANADA: DESPITE THE PUBLIC ATTENTION, A DECLINING FACTOR

Number of Asia Pacific Economies' SOE Investment Deals in Canada, 2004-2019 (Number of deals)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

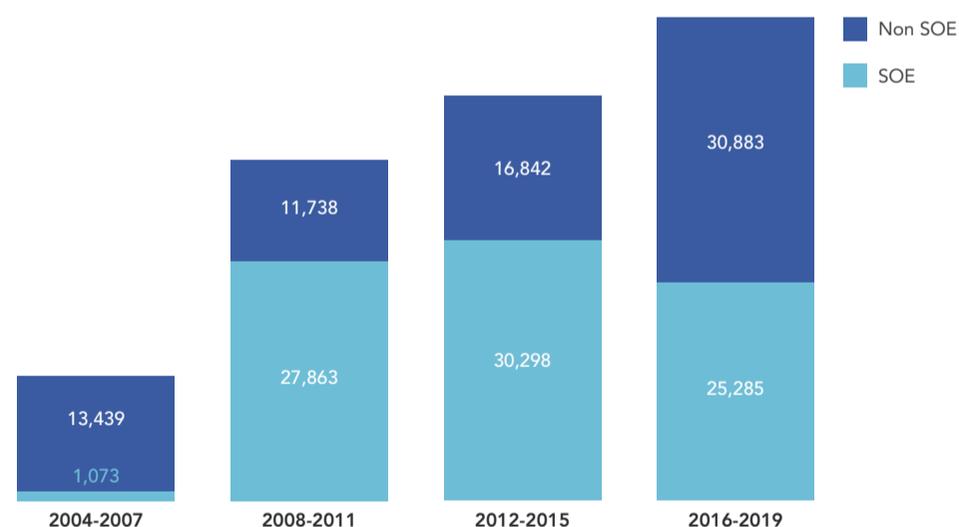
APF Canada's 2019 National Opinion Poll showed that Canadians are more skeptical of inbound Asia Pacific investments from SOEs in the high-tech sector. Compared to investments from a privately owned company, investments from SOEs are five percentage points more likely to be disapproved of by Canadians.¹⁴

While Asia Pacific investments by SOEs into Canada had steadily grown from 2004 to 2015, activities subsided in the most recent four-year period. From 2016 to 2019, there were 34 inbound investment deals by Asia Pacific SOEs, and this number was less than half that of the 2012 to 2015 period. In the same period, China remains the most active source of SOE investments, accounting for 18 of the total 34 SOE deals.

The most recent four years have also seen a substantial increase of non-SOE investment in comparison to the 2012 to 2015 period. Between 2016 and 2019, non-SOE investment was at a 16-year high with 394 transactions, more than doubling the deal count from the previous four-year period. China, Japan, and India are the top sources of Asia Pacific non-SOE investment, with 95, 87, and 62 inbound deals, respectively.

Asia Pacific Economies' SOE Investment into Canada, 2004-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

A similar picture can be painted when looking at Asia Pacific SOE investment in dollar value. As Figure 15 shows, investments into Canada from Asia Pacific SOEs peaked in the 2012 to 2015 period with C\$30B and declined to C\$25B in the 2016 to 2019 period. As Asia Pacific SOE investment into Canada has dropped, inbound non-SOE investment from the region has skyrocketed. Canada saw C\$31B of investment by Asia Pacific non-SOEs in the latest four-year period, an 83 percent increase from the 2012 to 2015 period.

BOX 6. TWO-WAY FDI DURING THE 2008-2009 ECONOMIC CRISIS

During the 2008 financial crisis, Canadian FDI inflows from Asia Pacific economies remained strong as a new wave of investments led by China's "Go Global" policy in Canada started. In 2008, Canada received C\$5.2B in investment from the region, an 85 percent increase from the previous year's total of C\$2.8B. Furthermore, in 2009, Canadian inbound investment from the Asia Pacific reached C\$7.3B, a 42 percent increase from 2008. During the economic crisis, three economies – China, Japan, and Australia – dominated Canadian inbound investment. The biggest source economy between 2008 and 2009 was China with C\$5.8B, accounting for 46 percent of the total C\$12B of investment from the Asia Pacific. Meanwhile Japan invested C\$4.6B, making up 37 percent of the total amount. Lastly, Australia invested C\$1.7B, accounting for 14 percent of the total investment inflow from the region during this period.

The biggest deal made in 2008 was a C\$1.2B investment by the Japanese automaker Toyota Group in the Canadian automobiles and parts sector, for a new auto assembly plant in Ontario. In 2009, the biggest deal was a C\$2.3B investment by Chinese SOE China National Petroleum Corp. in the Canadian mining and oil and gas sector, when it acquired 60 percent of the shares of Calgary-based Athabasca Oil Sands Corp.

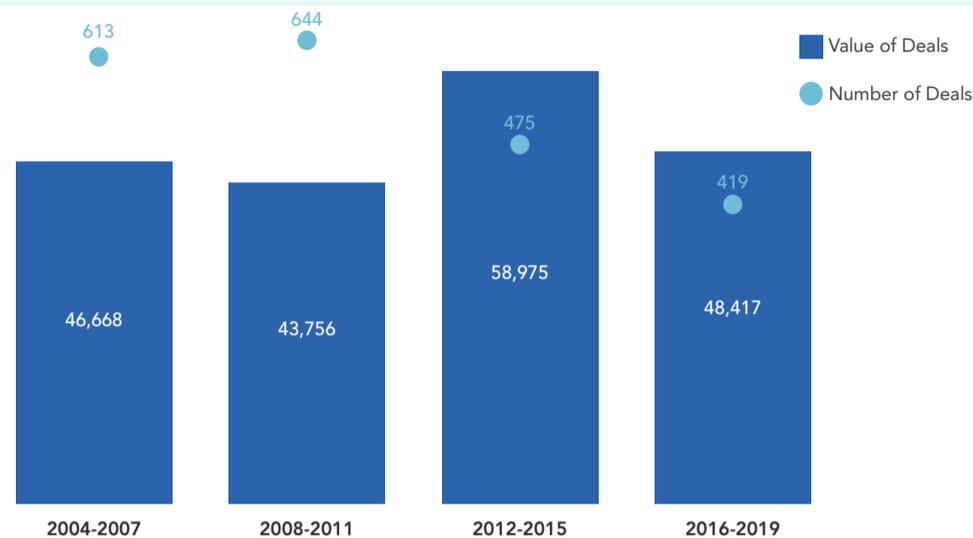
On the other hand, outbound Canadian investment into the Asia Pacific amounted to C\$17B in 2008, a 35 percent increase from the previous year's total of C\$12.6B. However, in 2009, Canadian outward investment dropped by 43 percent to C\$9.7B. Between 2008 and 2009, China saw the lion's share of Canadian investment, receiving C\$8.6B and accounting for 32 percent of the total C\$26.7B of outward investment flows to the region. In second place, Vietnam received C\$5.6B, accounting for 21 percent of the total outward investment, while in third place Australia received C\$4.2B, accounting for 16 percent. India also received C\$3B of investment from Canada (11 percent), making it the fourth-largest recipient among the Asia Pacific economies during the economic crisis.

In 2008, the biggest outbound Canadian investment to the Asia Pacific was made by Toronto-based Asian Coast Development Ltd. with a C\$5.1B investment in the Vietnamese travel and leisure sector to build a casino and beach resort. In 2009, the biggest deal was made by Toronto-based Brookfield Asset Management with a C\$1.4B investment in Sydney-based Babcock & Brown Infrastructure to acquire a 40 percent stake of the firm.

OUTBOUND TRENDS AND PARTNERS: CANADA CONDUCTING FEWER DEALS, WITH FEWER DOLLARS

Canadian Investment in the Asia Pacific, 2004-2019

Investment Value (C\$ Millions)



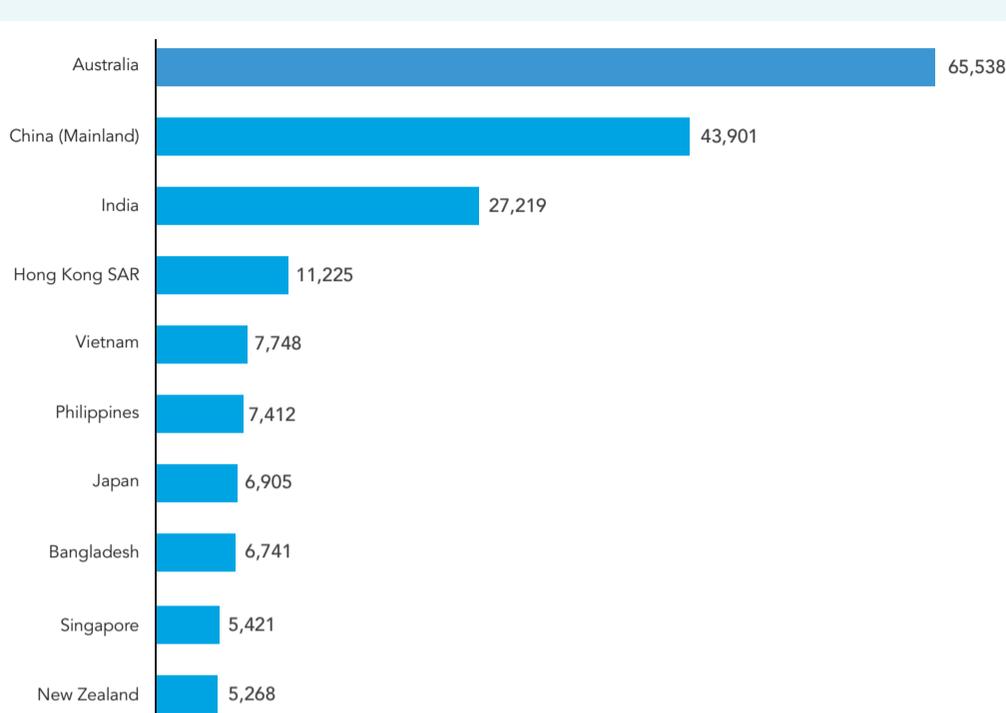
Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Canada has invested C\$198B in the Asia Pacific economies over the last 16 years through 2,151 transactions. It reached its peak in the 2012 to 2015 period with C\$59B. Outbound Canadian investment to the Asia Pacific has since seen a slight drop in the most recent four years. From 2016 to 2019, Canada invested C\$48B into the Asia Pacific region. While the investment value in this period was C\$10.6B lower than the previous four-year period (2012- 2015), it remains slightly above the two four-year periods before 2011.

In 2019 specifically, Canadian outbound FDI to the Asia Pacific was valued at C\$7.2B, a significant drop from the C\$18B in 2018. Deal counts also dropped and reached the lowest since 2003 with only 75 outbound FDI deals made that year. The trend in the deal counts in the last 16 years suggests that Canadian companies' investment interest in the Asia Pacific has declined since 2012.

In particular, in the latest four years there has only been 419 outbound investment deals from Canada to the Asia Pacific. This deal count is 12 percent less than the 2012 to 2015 period, which had 475 deals.

Canadian Investment in the Asia Pacific by Major Destination, 2003-2019



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

From 2003 to 2019, Australia, China, and India were the top destinations for outbound Canadian investment in the Asia Pacific. In this period, the Investment Monitor captured C\$66B, C\$44B, and C\$27B of outbound Canadian investments into Australia, China, and India, respectively. The three economies account for 73 percent of outbound investment into the Asia Pacific region in this period.

India, in particular, has seen a surge in Canadian investment interests. In 2019, the country saw close to C\$2B of Canadian investment over 16 deals, making India the second-largest recipient of Canadian outbound FDI that year. In the most recent four-year period, India received more than C\$9.4B of investment from Canada, C\$1.7B more than the amount of Canadian investment into China. Compared to the 2012 to 2015 period, Canadian outbound investment into India in the most recent four years has jumped by C\$5.7B, more than a 150 percent increase. The increased Canadian investment interest in India is also confirmed by deal counts, as the number of outbound investment deals to India increased from 51 transactions in the previous four-year period to 72 from 2016 to 2019.

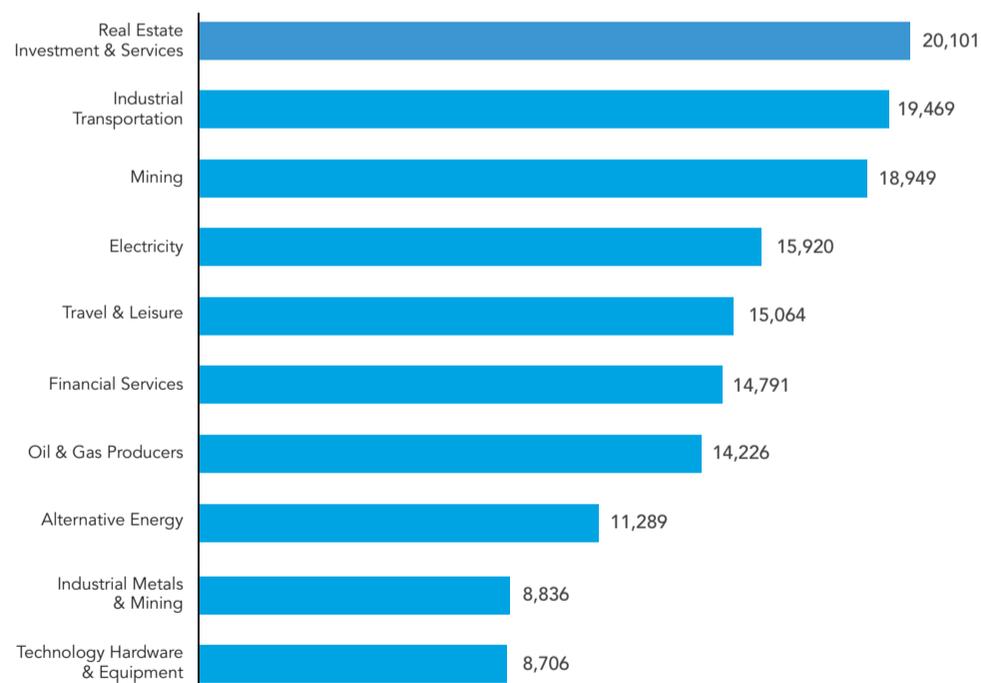
The Toronto-based Brookfield Asset Management Inc. has become one of the most active Canadian players in the Indian market. In the last four years,

the company has invested more than C\$2B in the country with a focus on the country's real estate investment and services and technology hardware and equipment sectors. One of its biggest investments came in 2016 when Brookfield acquired retail and offices spaces from Hiranandani Group for C\$1B. Brookfield made another significant investment in India 2019, as the company made a C\$493M acquisition in the Mumbai-based telecom tower company Reliance Industrial Investment and Holdings limited. In its press release, the CEO of Brookfield Infrastructure explained the move, saying that "this is a unique opportunity to invest in a large-scale, high-quality telecom business and participate in India's high-growth data industry."¹⁵

CANADA INVESTING IN A VARIETY OF SECTORS

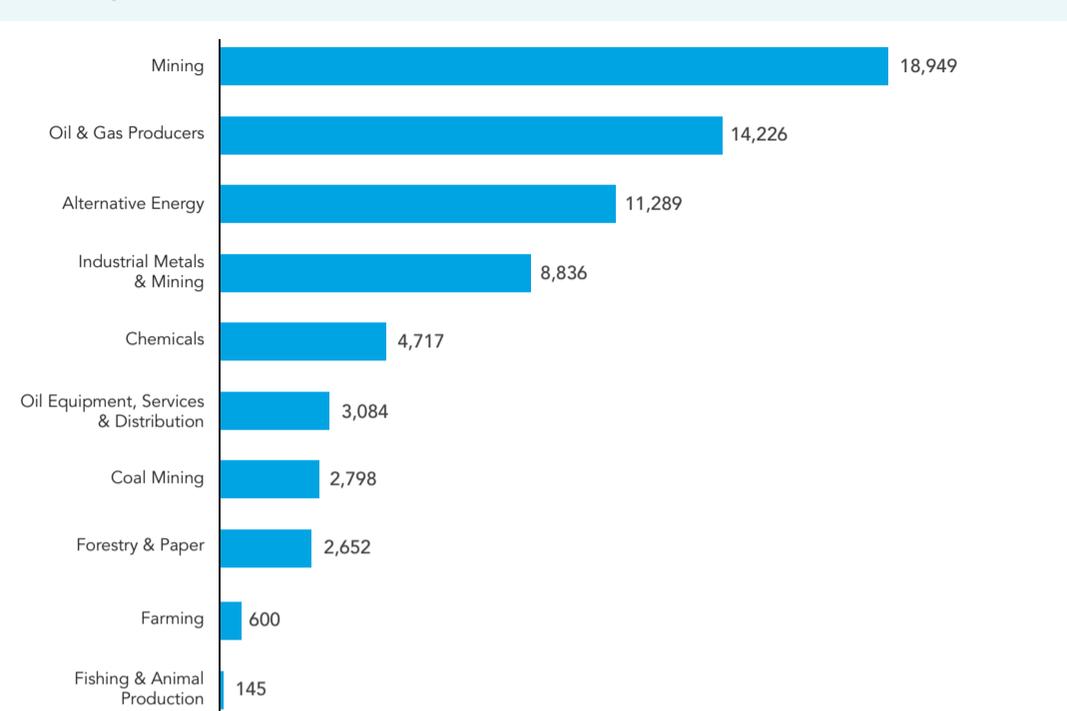
Canadian Investment into Asia Pacific by Sector, 2003-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Canadian Investment into Asia Pacific Natural Resources by Sector, 2003-2019



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

The top sectors for Canadian investment in the Asia Pacific continue to be industrial transportation, real estate investment and services, and mining. Real estate investment and services has been the top sector of outbound investment since 2003. The sector is worth C\$20.1B and makes up almost 10 percent of all Canadian outbound investments to the region. It is followed by industrial transportation at C\$19.5B and mining at C\$18.9B, making up 9 percent each of Canada's total outbound investment. The mining sector notably fell to third place from its previous ranking as the top sector in the last annual report.

For 2019, 17 percent of Canadian investment went toward the automobiles and parts sector, with a dollar value of C\$1.3B. The majority of these deals involved the establishment of new manufacturing plants for electric cars in China. The largest deal is from electric car manufacturer Electra Meccanica Vehicle Corp., which invested C\$798M into a new production facility in Chongqing, China. The second biggest deal is Magna International's joint venture with China-based BAIC Group to build an electric car factory for C\$398M in Zhenjiang, China.

Canadian investment in the Asia Pacific's energy industry peaked in the

2012 to 2015 period, at C\$12.4B, more than doubling its previous value of C\$5.3B during the 2008 to 2011 period. However, for 2016 to 2019, this value fell to just C\$673M. The reason for this decrease is several large deals from 2012 to 2015. The biggest of these took place in 2015, made by SkyPower, Baytex Energy Corp., and Fulcrum Environmental Solutions Inc. SkyPower is a Toronto-based solar power producing company that invested C\$6.1B in Bangladesh's solar power sector. Baytex Energy Corp. is a Calgary-based oil and gas company that acquired Australia-based Aurora Oil & Gas Limited for C\$2.9B. Fulcrum Environmental Solutions Inc. is an Edmonton-based clean technology company that invested C\$1.2B worth of proprietary technology into China-based DGF Shandong Industries Corporation's new clean-coal thermal steam power facility.

On the other hand, Canadian investment in the region's mining and chemicals industry has significantly decreased. The industry experienced a 73 percent drop in investment since the 2008 to 2011 period, from C\$6B during this time to just C\$1.6B during the current period (2016-2019). However, 2019 saw several notable deals for the industry. The largest deal is Toronto-based global agribusiness Nutrien's C\$623M acquisition of Australian agricultural merchandiser Ruralco. This is followed by two Toronto-based mining companies' expansions of operations in Australia, namely Kirkland Lake Gold's C\$361M expansion of its Fosterville mine, and RNC Mineral's C\$361M expansion of its Kambalda mine.

BOX 7. CANADIAN INVESTMENT IN CLEANTECH

Canada is one of the leading countries in clean technology in the world. The country supplies 17.3 percent of its energy from renewable sources, whereas other Organisation for Economic Co-operation and Development (OECD) countries only produce 10.2 percent, on average. Moreover, Canada was recorded as the second-largest producer of hydroelectricity, providing 60 percent of the country's electricity generation in 2016. The country has developed not only hydroelectricity intensively but also biomass, wind power, solar power, and liquid biofuels. With such high potential and capacity, Canadian businesses have invested in cleantech markets all over the world, and APF Canada monitors these outflows and investment trends in the Asia Pacific using the modified Industrial Classification Benchmark (Modified ICB) as well as the North American Industry Classification System (NAICS).

From 2003 to 2019, Canada invested over C\$22.6B in 72 cleantech deals in the Asia Pacific. Top destinations for the outbound investments were China, Bangladesh, Japan, Pakistan, India, and Australia. The Investment Monitor data captured C\$6.6B worth of Canadian cleantech investment into Bangladesh (3 deals), C\$5.1B worth of investment into China (22 deals), C\$3.5B worth of investment into Japan (18 deals), C\$2.8B worth of investment into Pakistan (2 deals), C\$1.9B worth of investment into India (9 deals), and C\$1.4B worth of investment into Australia (8 deals). In the past four years, there was a significant increase in the number of Canadian investment deals in the Asia Pacific cleantech sector. The number of deals made between 2015 and 2019 doubled from 16 deals to 35 deals compared to the preceding period (2011-2014), and the amount of Canadian investment in the Asia Pacific increased from C\$4.2B to C\$13.7B. In 2015, the biggest deal made in cleantech was from Toronto-based SkyPower Global to Bangladesh's solar power sector, worth C\$6.1B.

Considering outbound cleantech investments from Canada, between 2003 and 2019, 50.2 percent was in alternative electricity, 43.7 percent was in renewable energy equipment, and 6.1 percent was in alternative fuels. While almost 55 percent of the total cleantech investment went through greenfield deals, 44 percent went to M&A deals.

Between 2016 and 2019, the Asia Pacific cleantech industry received 22 investment deals (C\$3.7B) from Canada, 14 in alternative electricity (C\$3B), 6 in renewable energy equipment (C\$0.4B), and 2 in alternative fuels (C\$0.2B). Top destinations were Japan (40%), India (26%), Australia (17%), and China (6%).¹⁶

BOX 8. FDI FLOWS BETWEEN CANADA AND THE ASIA PACIFIC IN HEALTH CARE-RELATED SECTORS

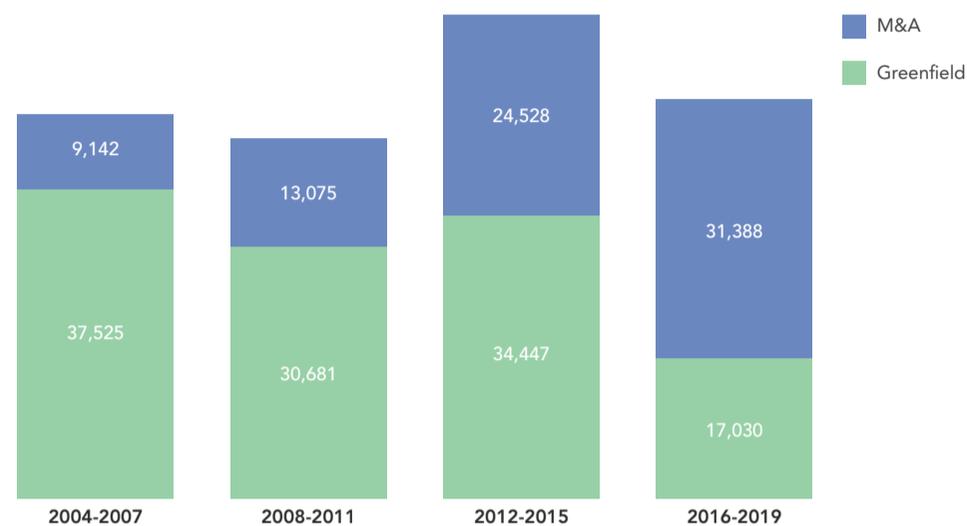
In the past 17 years, health care-related sectors in Canada have received C\$3.7B of Asia Pacific investment. The bulk of the Asia Pacific investment in Canada concentrates in the pharmaceutical and health care equipment and services sector, with C\$1.9B and C\$1.8B of capital injected, respectively. There has been a dramatic increase in inbound investment from the Asia Pacific in the last eight years. In the latest four-year period, Canada has received C\$2.1B of Asia Pacific investments, a C\$874M increase from the 2012 to 2015 period. Much of the increase has been driven by a 2017 transaction that saw Cedar Tree Investment, a subsidiary of Chinese SOE Anbang Insurance Group, acquire the Vancouver-based Retirement Concept, a retirement home chain, for C\$1B. One notable investment in 2019 was the Japan-based Terumo Medical Corporation, a medical device manufacturer, which expanded into the Canadian market with a C\$27M investment to open a new facility in Vaughan, Ontario.

From 2003 to 2019, Canadian outbound FDI to the Asia Pacific in health care-related sectors saw a similar level of investment in dollar terms to the inbound FDI from the region. In this period, Asia Pacific economies saw a total of C\$3.8B of Canadian investments in health care-related sectors. Of the C\$3.8B in outbound investment, C\$1.7B went to the pharmaceutical sector, C\$1.1B to biotechnology, and C\$945M to health care equipment and services. In the last eight years, Canadian investment in the region has drastically increased, from C\$273M in the 2012 to 2015 period to C\$1.1B in the most recent four-year period. One of the largest dollar-value transactions in the recent period came in 2018, when Toronto-based NorthWest Healthcare Properties acquired a 10 percent stake in Melbourne-based Healthscope, a private healthcare provider, through a C\$402 investment.

CANADIAN FIRMS STILL ENTERING WITH GREENFIELD DEALS

Canada's Greenfield and Merger & Acquisition Investment in the Asia Pacific, 2004-2019

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Overall, greenfield remains the preferred method of entry for most Canadian companies when investing in the Asia Pacific region. Over the last 16 years, greenfield investments account for 1,531 of the 2,151 deals (71 percent) in total outbound FDI to the Asia Pacific, while M&A only account for 620 deals in this period. In terms of dollar value, greenfield investments captured 61 percent of the dollar amount of Canadian investments in the region, while M&A deals captured the remaining 39 percent.

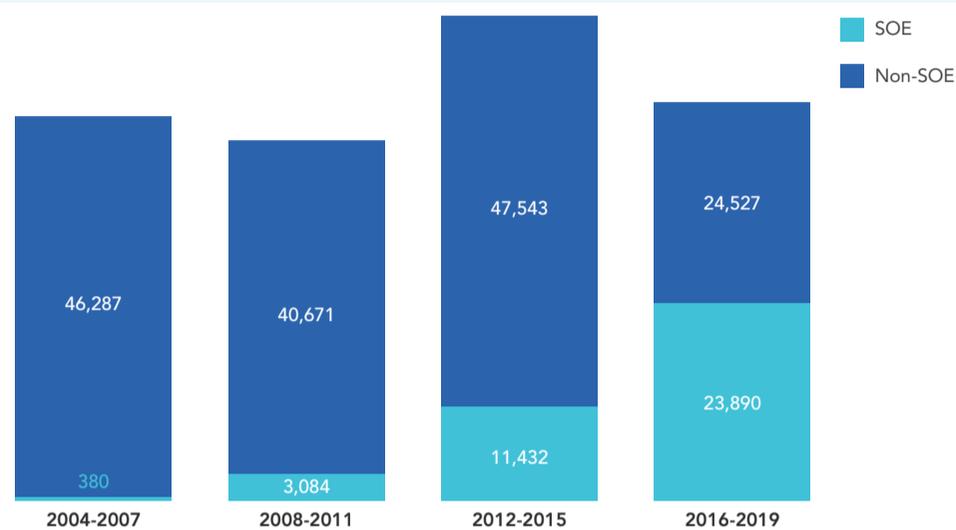
However, this pattern has changed in the most recent four years. While greenfield deals still made up majority of the Canadian outbound investment deals in the Asia Pacific, the proportion of greenfield investment deals to total outbound transactions has dropped from 77 percent in the 2012 to 2015 period to 66 percent in the most recent four-year period.

Outbound Canadian M&A investments in the region also overtook greenfield investments in terms of dollar amount in this period. Despite making up only 34 percent of outbound deals, M&A deals accounted for 66 percent of total outbound investment value, with C\$31B. The 2016 to 2019 period is the only four-year period in the last 16 years in which outbound M&A investments make up a larger proportion of the outbound FDI than do greenfield investments.

CANADA'S SOES NOW MAKE UP A SIGNIFICANT PORTION OF YEARLY FLOW

Value of Canadian SOE Investment in the Asia Pacific, 2004-2019

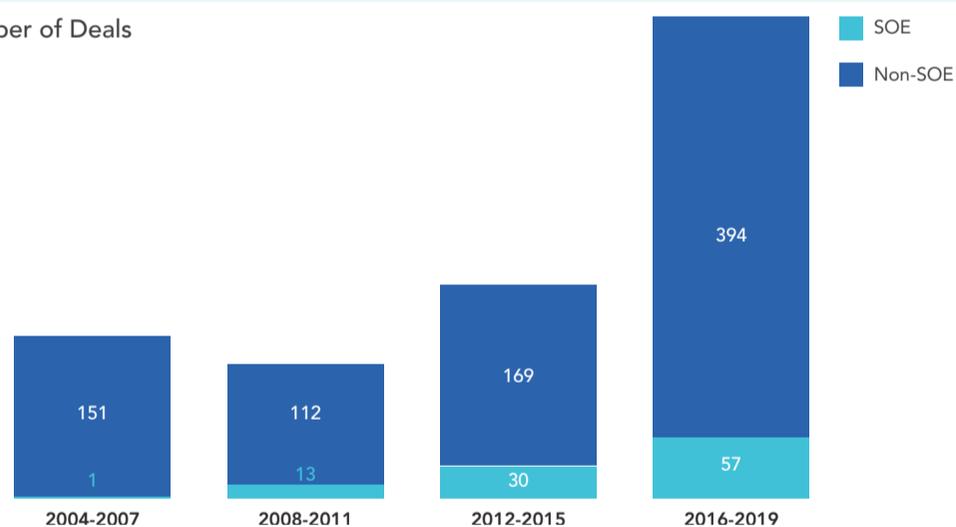
Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Number of Canadian SOE Investment Deals in the Asia Pacific, 2004-2019

Number of Deals



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

While Canadians have been particularly concerned about inbound Asia Pacific SOE investments in the high-tech sector, Canadian SOEs have been increasingly active investors in the Asia Pacific region both in terms of the dollar value of their investments and investment activities in the last 16 years. From the 2012 to 2015 period to the most recent four years, Canadian SOEs' investment in the region increased from C\$11B to C\$24B, a 109 percent increase. During the last eight years, the number of SOE outbound investments also increased, from 30 deals in the 2012 to 2015 period to 57 deals from 2016 to 2019.

The CPPIB is one of the most active Canadian SOEs in the region. Of the 57 SOE outbound investments recorded from 2016 to 2019, the CPPIB accounted for 25 deals, with a total investment value close to C\$14B. Some of its recent notable investments include a C\$1.7B investment in Sydney's WestConnex toll road project and C\$1.9B in a Chinese logistics company in 2018. In 2019, the CPPIB also committed C\$296M of investment in the Mumbai-based India Resurgence Fund, a distressed asset buyout platform, through its subsidiary CPPIB Credit Investment Inc.

Another notable SOE investment in 2019 was made by the Caisse de dépôt et placement du Québec (CDPQ), which acquired C\$346M of compulsory convertible debentures from the Mumbai-based Piramal Enterprises Ltd. In its company statement, the CDPQ said that the transaction will include a real estate co-investment platform between its subsidiary Ivanhoé Cambridge and the Mumbai-based company.¹⁷

BOX 9. THE RISE OF CANADA'S PENSIONS

More than ever, Canada's outbound investment relationship is being shaped by the presence of large, state-owned funds. The 2010s saw their activity increase dramatically, as these funds – primarily pensions – nearly tripled their flow of new investments, from C\$10.2B in the first half of the decade to C\$28.3B in the latter half. But while more than half of the investment value in the 2010 to 2014 period was in Australia's financial services and real estate sectors, more recent years have seen a diversification of investment targets. Investments in Australia's industrial transportation and real estate sectors still played a major role in the 2015 to 2019 period, but were supplemented by large flows into Mainland China's real estate investment and services sector and Hong Kong's general retail sector. Additional flows of investment, worth hundreds of millions of dollars apiece, went into India's industrial transportation, electricity, and real estate sectors and into South Korea's general retail and real estate sectors.

The Toronto-headquartered Canada Pension Plan Investment Board, a Canadian state-owned Crown corporation, leads the pack for all Canadian investors in the Asia Pacific. Last year's C\$296M invested into India's equity investment sector was a small fraction of the C\$26.6B in CPPIB investments recorded by the APF Canada Investment Monitor, C\$14.7B of which was invested in just the past four years. These high investments have been driven by the CPPIB's acquisitions in the Australian financial

services and industrial transportation sectors, Mainland China's real estate and industrial transportation sectors, and Hong Kong's general retail sector.

Another of Canada's largest, state-owned pension plans entered the Indian market last year, with the Ontario Municipal Employees Retirement System (OMERS) investing C\$160M into India's financial services sector. OMERS's C\$6.1B invested into the region has been mainly focused on Australia's real estate investment and services sector. Likewise, state-owned pension and institutional investor CDPQ invested C\$346M into Indian non-equity investment instruments last year, bringing the firm's total to C\$4.2B in the region. Aside from non-equity investments in India, the CDPQ's investments in the region have centred on India's electricity sector, Mainland China's real estate investment and services sector, and Australia's health care equipment and services sector.

Another state-owned Canadian investor to cross the billion-dollar mark is British Columbia Investment Management Corp., a pension and investment manager, with C\$1.3B invested in Australia's industrial transportation sector. Similarly, the Public Sector Pension Board crossed that threshold with its C\$1.1B invested in the region, almost entirely in New Zealand's travel and leisure sector.

Even with the emergence of Canadian state-owned pensions in the region, large private-sector funds continue to invest significant amounts in the Asia Pacific, typified by the C\$1.0B invested in 2019 by Brookfield Asset Management Inc. in New Zealand's software and computer services sector. The Toronto-based asset management company's C\$14.0B invested in the region, C\$9.5B of which was invested in just the five most recent years, has been heavily focused on Australia's industrial transportation and financial services sectors and in India's real estate investment and services sector.

Similarly, Toronto-based financial institution Manulife Financial has invested C\$6.1B in the Asia Pacific region, mainly in Mainland China's financial services sector, Singapore's real estate investment and services sector, and Hong Kong's life insurance sector.

THE PROVINCIAL PICTURE

KEY SECTION TAKEAWAYS

- For 2019, Ontario made up the majority of all inbound investment (40 percent), followed by Quebec (18) and BC (3).
- Similarly, for 2019, Ontario made up half of all outbound investment. It is followed by Quebec (23 percent) and BC (14), while Alberta only received one deal this year.
- Comparing the two halves of the decade (2010-2014 and 2015-2019), inbound investment into Alberta dropped dramatically, while inbound investment into BC rose. Meanwhile, Ontario and Quebec both saw slight increases in their inbound flows. The Prairies and Atlantic Canada also saw increased inbound investments in the second half of the decade.
- Considering outbound investment, both Alberta- and BC-sourced flows of investment declined across the decade. On the other hand, Ontario and Quebec both increased their flow of outbound investments throughout the decade.
- On the provincial level, FDI flows between Canada and the Asia Pacific are still concentrated in the same four provinces: Alberta, BC, Ontario, and Quebec. Since 2003, 92 percent of all inbound investments have gone to these four provinces, while almost all outbound investments have originated from them. However, while these four retain their status as centres of investment, their relative positions have changed.

FOUR PROVINCES MAKE UP 90 PERCENT OF INBOUND INVESTMENT

Since 2003, Alberta has been the centre of investment from the Asia Pacific, with a third of all inbound investment concentrated in the province. However, in 2019, it received few investments. One example is India-based digital products and services provider Grazitti Interactive's C\$12M investment in a

new office in Edmonton. Other investments include Australian engineering company Cardno's C\$7.9M expansion of its Edmonton-based subsidiary, T2 Utility Engineers, and the expansion of Japan-based 7-Eleven across the province, through its subsidiary in Surrey, BC. Overall, Alberta's inbound investments have dropped significantly, from C\$26.4B from 2012 to 2015, to just C\$2.8B from 2016 to 2019.

Ontario, in contrast, has seen consistent growth in its inbound investment transaction amounts from 2016 to 2019. In 2019, it received the highest amount of inbound investment and half of all Asia Pacific investments into Canada. This is largely due to several acquisitions by Chinese mining SOEs of Ontario-based mining companies. Jiangxi Copper bought the entire equity interest in PIM Cupric Holdings for C\$1.5B, which also gained it a 17.6 percent share in First Quantum Metals. Zijin Mining then acquired the gold mining company Continental Gold for C\$1.3B.

Quebec saw an uptick in investments for 2019 and 20 percent of all inbound investments for the year. This is largely due to a deal between Mitsubishi Heavy Industries and Bombardier. Bombardier agreed to sell its regional jet business to Mitsubishi for C\$730M, making this the province's largest inbound deal from 2016 to 2019. Overall, investments from Mitsubishi made up 56 percent of the province's total inbound investments for 2019. Mitsubishi's other 2019 deals include its acquisition of Bombardier's assets for C\$550M, and the opening of a new Montreal office for Mitsubishi Aircraft for C\$202M.

Lastly, BC saw its largest amount of inbound investment from 2016 to 2019, with a total of C\$32.3B for the period. This uptick is due to the C\$24.5B in investments for the LNG Canada project. However, for 2019, the province received only a few investments, making up just 3 percent of total inbound investment for the year. The major deal for 2019 is Australian company Jervois Mining Limited's mergers with eCobalt Solutions Inc. and M2 Cobalt Corp. for C\$57.6M. Another notable deal is Mitsubishi Corporation's C\$5.9M investment in Vancouver-based Spare, an artificial intelligence enabled platform for on-demand mobility.

FOUR PROVINCES MAKE UP ALMOST ALL OF OUTBOUND FDI

Ontario continues to lead Canada's outbound investment to the Asia Pacific region. Since 2003, the province has provided 61 percent of all Canadian investments in the Asia Pacific, and for 2019, 57 percent of all outbound investments came from the province. The biggest news of 2019 is the sale of Vodafone New Zealand to a consortium including Brookfield Asset Management for C\$917M, gaining it a 49 percent stake in the mobile company. Other large deals in 2019 include Brookfield Infrastructure Partners' C\$493M acquisition of a telecom company owned by India-based Reliance Industrial Limited, and the Ontario Teachers' Pension Plan's C\$330M investment in India's National Investment and Infrastructure Fund.

Quebec closely follows Ontario, having the second-highest amount of investments for 2019 and 19.5 percent of all outbound investments to the Asia Pacific for the year. The province's largest outbound deals in 2019 were all made by the pension SOE CDPQ. The biggest of these is the CDPQ's C\$346M investment in Indian conglomerate Piramal Enterprises Ltd. Another notable investment from the CDPQ is its acquisition of Australian hospital operator Healthscope Limited for C\$335M, together with a conglomerate including Brookfield Business Partners. Overall, from 2016 to 2019, the CDPQ has invested a total of C\$2.7B in the Asia Pacific, mostly in India and Australia.

BC has the third-largest share of outbound investments for 2019, with 14 percent originating from the province. However, its outbound flows have been steadily decreasing, from C\$11B from 2004 to 2007, to C\$3.7B from 2016 to 2019. That being said, the province saw one noteworthy deal in 2019. Electric microcar manufacturer Electra Meccanica Vehicles invested C\$783M in a new production facility in Chongqing, China. This deal made up the bulk of outbound investments in 2019.

Lastly, in 2019 Alberta saw its lowest amount of outbound investments since 2003, with only one deal made. The transaction came from Eguana Technologies, a supplier of energy storage systems for residential and commercial use, which invested C\$3.4M in a new office in Australia. Overall, the number of outbound investments from Alberta has dropped in recent years. For the 2016 to 2019 period, Alberta invested just C\$292M in the region, compared to C\$8.6B from 2012 to 2015.

As a whole, the provinces combined saw an increase in inbound investment and a decrease in outbound investment for the 2016 to 2019 period. However, not all provinces experienced these changes in the same way. While Ontario has the largest share of both inbound and outbound investment for 2019, Alberta experienced a significant drop in both, marking the province's lowest investment totals since 2003. Quebec's outbound investment decreased in 2019 from its total in 2018, while its inbound investment total for 2019 is its highest for the current period. Conversely for BC, its outbound investment increased in 2019 from its total in 2018, while its inbound investment total for 2019 is the lowest for the current period.

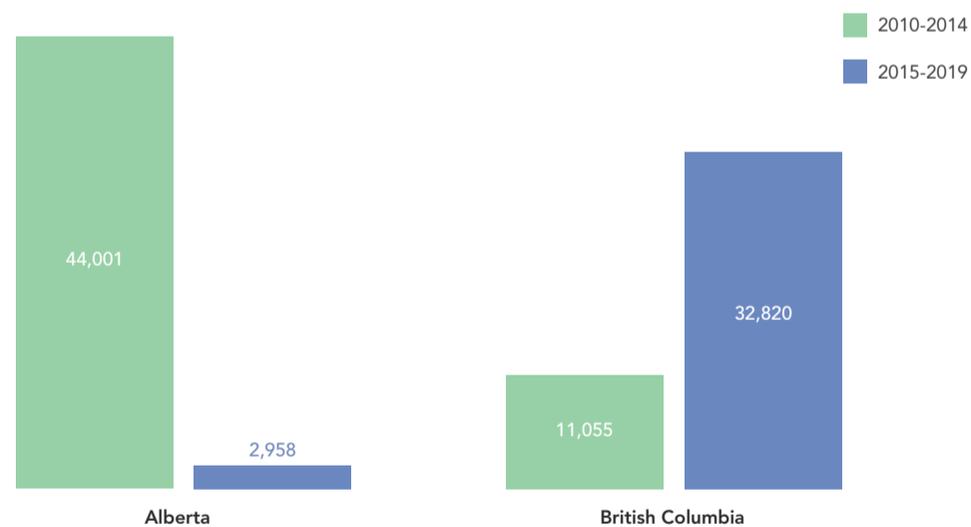
A DECADE OF CHANGES FOR CANADIAN PROVINCES AND TERRITORIES

INBOUND

Canada's two westernmost provinces saw the most dramatic changes in absolute terms across the decade, moving in opposite directions as Asia Pacific investment reflected broader economic trends.

Asia Pacific Investment into Alberta and British Columbia

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

New Asia Pacific investment into Alberta dropped from C\$44.0B in the first half of the 2010s to just C\$2.9B in the second half, by far the largest drop in dollar terms among all provinces. While the province made notable gains between periods in investment received in alternative energy (a net increase of C\$531M), farming (C\$58M), and pharmaceuticals (C\$38M), these were more

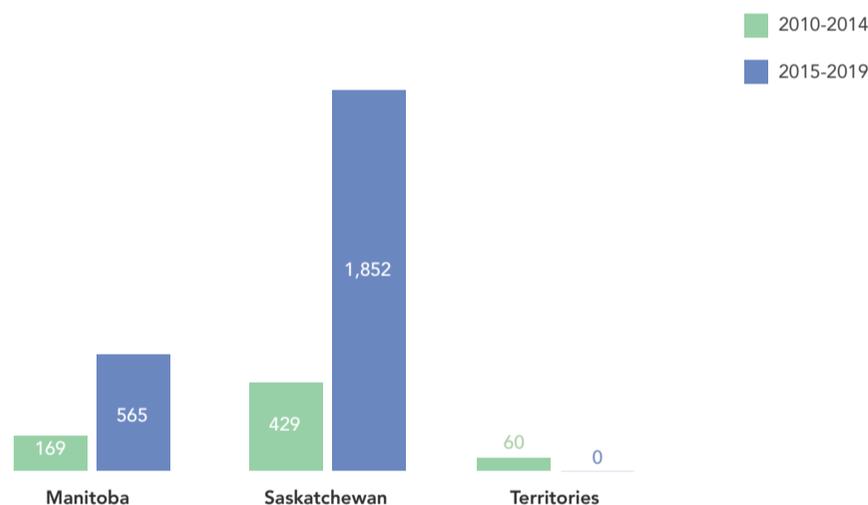
than offset by deep drops in oil and gas producers (a net decrease of C\$36.6B) and industrial metals and mining (C\$2.8B).

In comparison, new Asia Pacific investment received by BC nearly tripled, rising from C\$11.1B to C\$32.8B. This increase was driven in part by gains between periods in oil and gas producers (a net increase of C\$17.3B), real estate investment and services (C\$1.8B), mining (C\$1.7B), and health care equipment and services (C\$1.6B), all offsetting a net drop in coal mining investment of C\$1.1B.

Both Manitoba and Saskatchewan saw increases in the flow of new Asia Pacific-sourced investment received across the decade, and the territories saw a drop from an already marginal flow.

Asia Pacific Investment into the Prairies and Territories

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

In Manitoba, the flow of Asia Pacific investment increased from C\$169M in new investment in the first half of the decade to C\$520M in the second half. With gains in fishing and animal production (a net increase of C\$436M in new investment) and travel and leisure (C\$13M), the net decline in financial services of C\$107M was more than offset.

Saskatchewan saw its investment received increase from C\$429M in new investment during the 2010 to 2014 period to C\$1.9B in new investment during the latter half of the decade. The net increase in new investment received in oil and gas producers, at C\$1.8B, more than outweighed declines in mining (a net decrease of C\$298M in new investment between periods),

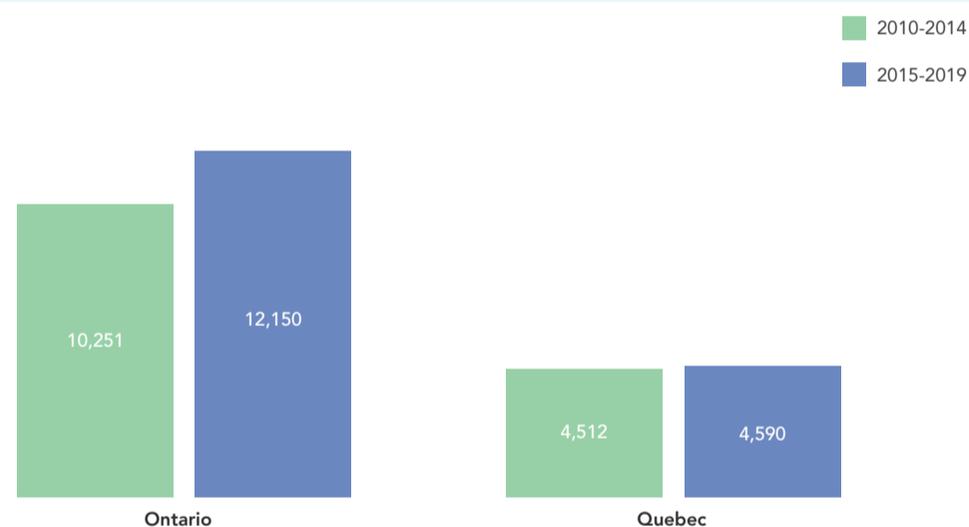
software and computer services (C\$88M), alternative energy (C\$34M), and technology hardware and equipment (C\$4M).

The Northwest Territories, Nunavut, and Yukon collectively attracted C\$60M in the first half of the decade, with no value recorded in the second. The change was exclusively driven by a net decline of C\$60M in new investment in industrial metals and mining between periods.

In central Canada, new Asia Pacific investment increased between the first and second halves of the 2010s, with both Ontario and Quebec seeing slight increases in flows.

Asia Pacific Investment into Ontario and Quebec

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

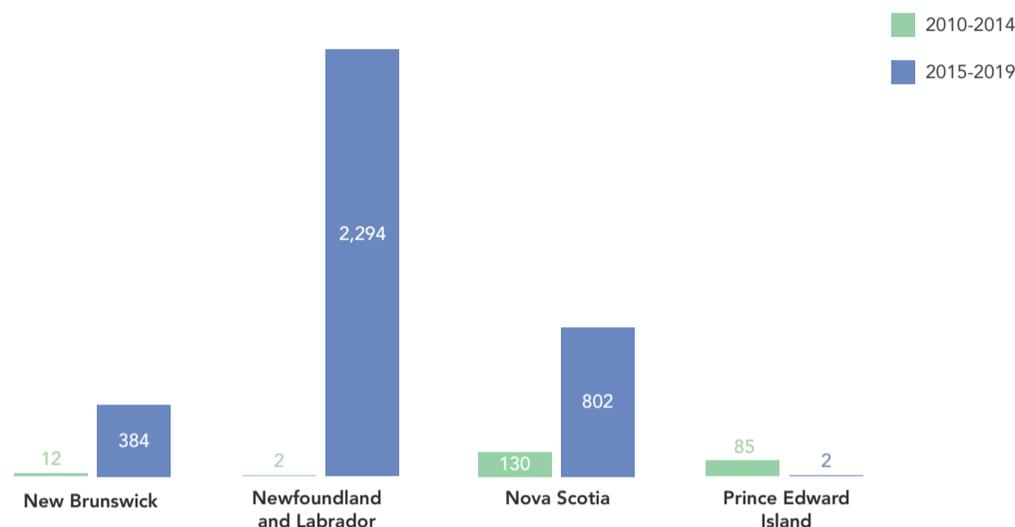
The value of Ontario's new investments received increased from C\$10.3B in the first half of the 2010s to C\$12.6B in the second half. Gains in mining (a net increase of C\$3.1B) and industrial engineering (C\$1.4B) led against drops in new investments in electricity (a net decrease of C\$1.8B), oil and gas producers (C\$1.1B), and automobiles and parts (C\$593M).

Quebec also saw an uptick in new inflows of investment across the decade, beginning with the first half of the decade's C\$4.5B, followed by the latter half's additional C\$5.1B in new investment. By far the largest sectoral increase was the net change of C\$1.2B in additional investment in aerospace and defence, with the province only seeing drops in industrial metals and mining (a net decrease of C\$3.5B), general retailers (C\$50M), chemicals (C\$7M), and support services (C\$1M).

Overall, Atlantic Canada saw increased flows of investment as the decade progressed, with every Atlantic province except PEI recording increases at the provincial level, too.

Asia Pacific Investment into Atlantic Canada

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

New Brunswick's investment flow increased from C\$12M in new investment between 2010 and 2014, to C\$384M in new investment between 2015 and 2019. The increase was spurred by gains in software and computer services (a net increase of C\$201M in new investment), technology hardware and equipment (C\$121M), construction and materials (C\$43M), and support services (C\$6M).

Newfoundland and Labrador saw a dramatic increase in new investment received, starting from just C\$2M in the first half of the decade to an additional C\$2.3B in new investment in the latter half. New investment in oil and gas producers had a net increase of C\$2.2B across periods, while support services had a net decrease of C\$2M.

New investment into Nova Scotia also increased sharply across the first and second halves of the decade, from C\$130M to C\$3.7B, respectively. The province saw increases in mining (a net gain of C\$3.6B in new investment), pharmaceuticals (C\$46M), and industrial transportation (C\$21M).

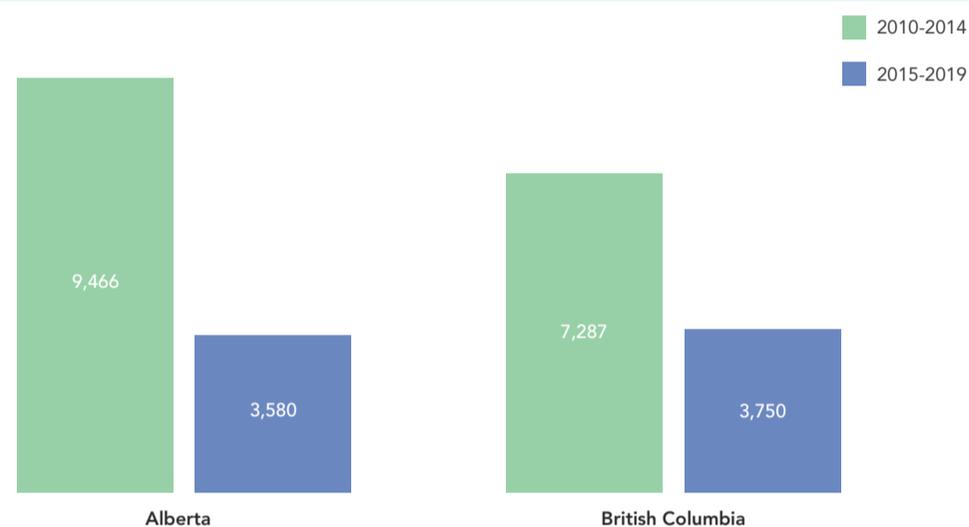
PEI saw marginal inflows in the first half of the decade, at C\$85M in new investment received, decline in the second half to an even lower C\$2M in new investment. The drop was driven by a net decline of C\$85M in new investments received in software and computer services.

OUTBOUND

Only eight provinces, and no territories, invested in the Asia Pacific in the 2010s. Both Alberta- and BC-sourced flows of investment declined across the decade, reaching similar levels of new investment between 2015 and 2019.

Alberta and British Columbia's Investment in the Asia Pacific

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

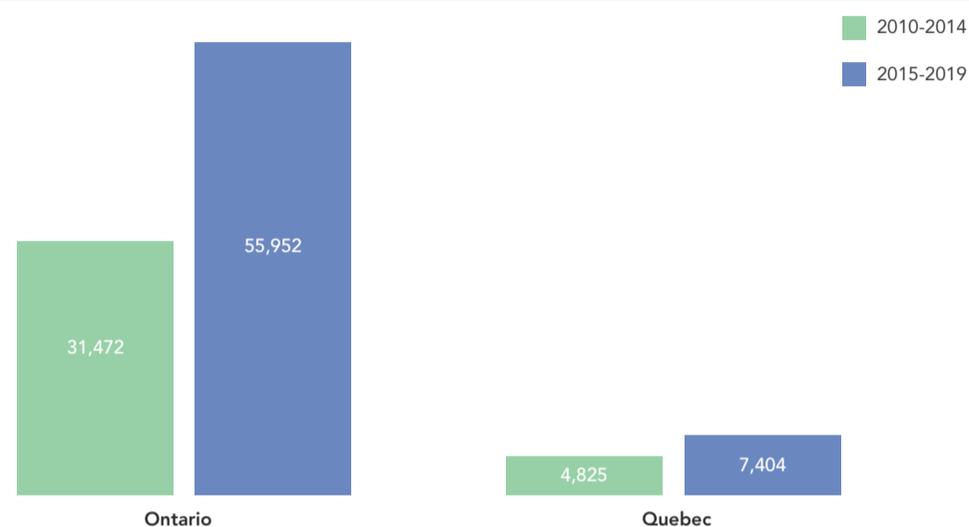
While Alberta invested C\$9.5B into the Asia Pacific between 2010 and 2014, that number dropped to C\$3.6B in new investment for the decade's second half. Increases in Albertan investment in Asia Pacific alternative energy (a net increase of C\$982M in new investment flows between periods), electricity (C\$651M), industrial transportation (C\$106M), and support services (C\$66M) were more than offset by the decline in Albertan investment in Asia Pacific oil and gas producers, which saw a net decrease of C\$3.0B in flows between periods.

BC's investors decreased the amount of new investment into the Asia Pacific across periods, from C\$7.3B invested in the 2010s' first half, to C\$3.8B in new investments across the second half. While the province invested more in the Asia Pacific's industrial transportation sector (for a net change in new investment flow across periods of C\$1.3B), automobiles and parts (C\$796M), and electronic and electrical equipment (C\$506M), it was accompanied by drops in investments in mining (down C\$2.9B) and coal mining (C\$1.7B) between periods.

Some of the largest flows came from Ontario and Quebec, which both increased their flow of new investments between the first and second halves of the decade.

Ontario and Quebec's Investment in the Asia Pacific

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

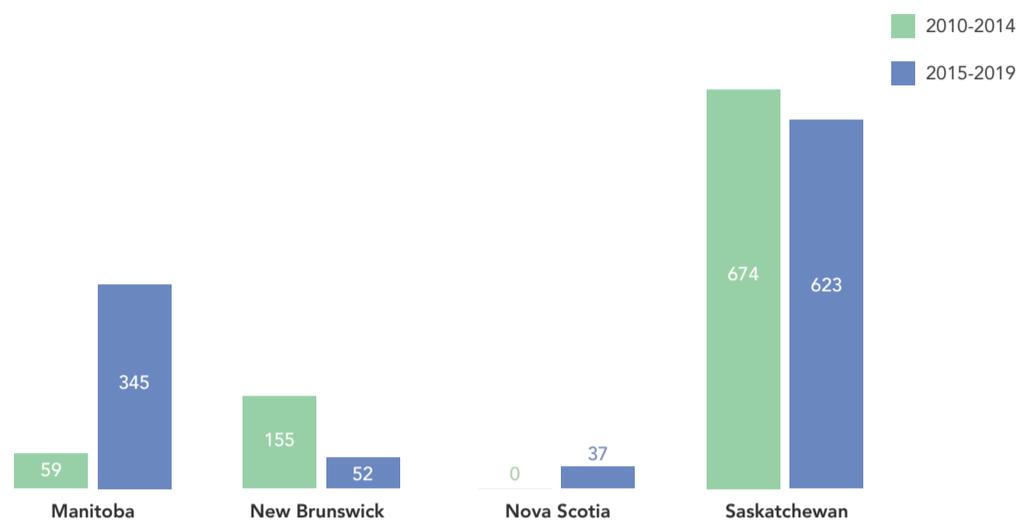
Ontario invested C\$31.5B into the Asia Pacific between 2010 and 2014, followed by an additional C\$56.0B in new investment over the next five years, from 2015 to 2019. Unsurprisingly, given Ontario's role as Canada's financial capital, the province ranked as the largest source of investment across periods, with the change across halves driven by new investments in industrial transportation (a net increase of C\$13.8B in new investment between periods), alternative energy (C\$7.0B), general retailers (C\$4.7B), and real estate investment and services (C\$2.7B) rising above the net decline in new investment in financial services by C\$2.9B.

Quebec's investment of C\$4.8B during the first half of the decade ticked up to add another C\$7.4B in new investment in the latter half. The increase in flows was driven by investments in food producers (with a net increase of C\$1.0B in new investment flows between periods), electricity (C\$733M), non-equity investment instruments (C\$674M), equity investment instruments (C\$342M), and health care equipment and services (C\$281M).

Four other provinces invested in the Asia Pacific during the 2010s: Manitoba and Saskatchewan in the Prairies, and New Brunswick and Nova Scotia in Atlantic Canada.

Atlantic and Prairie Provinces' Investment in the Asia Pacific

Investment Value (C\$ Millions)



Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Manitoba's increasing levels of investment, from C\$59M from 2010 to 2014 to C\$345M from 2015 to 2019, was spurred by a net increase in new investments of C\$319M in travel and leisure, pharmaceuticals (C\$9M), and health care equipment and services (C\$1M), offsetting net declines of C\$27M in industrial engineering and C\$16M in food producers. Conversely, Saskatchewan's modest drop in investment flows, from C\$674M to C\$623M, occurred in the context of a C\$623M net increase in chemicals investment, offsetting net decreases in industrial metals and mining (a net decrease of C\$483M in new investment), farming (C\$180M), food producers (C\$9M), and mining (C\$2M).

New Brunswick's drop in new investments into the Asia Pacific across the 2010s, from C\$155M in the first half to C\$52M in the second, came as minor upticks in new investments in support services (a net increase in flows of C\$2M) and general retailers (C\$1M) were drowned out by a C\$106M net decrease in new investments into food producers in the Asia Pacific. For Nova Scotia's part, the increase in new Nova Scotia-sourced investments between the 2010 to 2014 period and 2015 to 2019 was entirely driven by a C\$37M increase in the pharmaceuticals sector.

CITY-LEVEL HUBS OF INVESTMENT ACTIVITY

KEY SECTION TAKEAWAYS

- Over the past 17 years, 97 Canadian cities have invested into the Asia Pacific, representing a strong network of ties across the Pacific. During that same period, 21 Canadian cities invested half a billion or more into the region, some with hundreds of deals.
- Toronto, as the financial capital of Canada, stands apart as the largest source of outbound investment into the Asia Pacific in terms of both dollar value and deal numbers, with C\$110B invested across 800 deals. Meanwhile, Calgary ranks first in terms of dollars received from the Asia Pacific, given its capital-intensive oil and gas production sector.
- There is a diverse range of Canadian cities receiving inbound investment, notably where mining sites are located or where mining companies are headquartered.

CANADIAN CITIES OUTBOUND TO ASIA PACIFIC: FROM ANZAC TO WATERLOO

Top Source Cities of Outbound Investment to the Asia Pacific, 2003-2019

\$ Rank	City	Investment Value (C\$ Millions)	Deal Count
1	Toronto, Ontario	108,525	804
2	Vancouver, British Columbia	25,510	507
3	Calgary, Alberta	22,137	151
4	Montreal, Quebec	19,813	233
5	Mississauga, Ontario	4,136	51
6	Guelph, Ontario	4,122	29
7	Edmonton, Alberta	3,549	32
8	Kitchener, Ontario	3,328	17
9	Bolton, Ontario	2,303	12
10	Aurora, Ontario	2,269	45
11	Ottawa, Ontario	1,892	57
12	Saskatoon, Saskatchewan	1,757	11
13	Richmond, British Columbia	1,750	20
14	Anzac, Alberta	1,548	6
15	Victoria, British Columbia	1,317	2
16	Orangeville, Ontario	1,084	1
17	Surrey, British Columbia	872	6
18	Markham, Ontario	871	19
19	Quebec City, Quebec	734	9
20	Burnaby, British Columbia	636	18
21	Waterloo, Ontario	593	27

Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Over the past 17 years, 97 Canadian cities have invested into the Asia Pacific, representing a strong network of ties across the Pacific. During that same period, 21 Canadian cities invested half a billion or more into the region, some with hundreds of deals.

As the financial capital of Canada, Toronto stands apart as the largest source of investment into the Asia Pacific in terms of both dollar value and deal numbers, with C\$110B invested across 800 deals during the period. Many of Canada's largest funds are headquartered in the city, and with Toronto's

large flow driven in no small part by repeated, major deals by investors such as Brookfield, the Canada Pension Plan Investment Board, the Ontario Teachers' Pension Plan, and Scotiabank. While Toronto-sourced investments can be found across the Asia Pacific, the bulk of their value flowed to just three economies: Australia, Mainland China, and India. Likewise, the highly diversified set of sectors targeted by Toronto's investors were still largely dominated by investments in the core targets of real estate investment and services, industrial transportation, financial services, and travel and leisure.

The next three cities are also Canada's largest cities, and they each invested tens of billions into the region. With C\$27B invested across 506 deals, Vancouver sits comfortably in second place in both investment values and deal counts. As with Toronto, Vancouver's target economies were mainly Australia, Mainland China, and India, while the majority of its capital flowed into the mining and construction sectors. In contrast, Calgary's C\$22B invested into the region mainly flowed into Australia, and at the sector level, into oil and gas producers. Montreal, fourth in terms of dollars invested but third in terms of deal counts, had Australia and Mainland China as its main targets in dollar terms, with a sectoral focus on the Asia Pacific's industrial metals and mining, food producers, and industrial transportation sectors.

Rounding out the top sources for investment into the Asia Pacific are three cities in southern Ontario, and one from Alberta. Mississauga invested C\$4.1B across 51 deals, mostly into Mainland China and Australia, with forestry and pharmaceuticals the main targets over the 17-year period. Narrowly behind, Guelph also invested C\$4.1B through 29 deals, the majority of which flowed into Japan, mainly into electricity. Edmonton's 31 deals in the Asia Pacific came to a total of C\$3.5B, with the majority flowing to either Mainland China or Thailand, while its sectoral targets were alternative energy and industrial metals and mining. For Kitchener's C\$3.3B invested in 21 deals, the majority of dollars flowed into electricity in Pakistan.

Remaining cities on the list rank high for a variety of reasons. For Bolton, Ontario, the bulk of the value was driven by one deal into oil equipment, services, and distribution in Mainland China, while Orangeville, Ontario, ranks high due to just one deal, by Global 8 Environmental Technologies, into Mainland China's electricity sector. Conversely, the presence of Aurora,

Ontario, in the Asia Pacific has been entirely driven by its headquartering of Magna International, an auto component manufacturer; likewise, Saskatoon's headquartering of Cameco, a uranium producer, is behind the city's own relatively high ranking, while mining firm Turquoise Hill Resource's investments entirely drove Anzac, Alberta, to its current ranking.

CANADIAN CITIES INBOUND FROM THE ASIA PACIFIC: INVESTMENTS FROM COAST TO COAST TO COAST

Top Destination Cities for Inbound Investment from the Asia Pacific, 2003-2019

\$ Rank	City	Investment Value (C\$ Millions)	Deal Count
1	Calgary, Alberta	41,696	79
2	Kitimat, British Columbia	26,835	8
3	Vancouver, British Columbia	14,277	169
4	Toronto, Ontario	10,955	161
5	Fort McMurray, Alberta	7,667	4
6	Montreal, Quebec	5,921	60
7	Woodstock, Ontario	5,230	13
8	Dawson Creek, British Columbia	3,264	1
9	Cambridge, Ontario	3,062	8
10	Duvernay, Alberta	2,453	1
11	Edmonton, Alberta	2,307	18
12	St. John's, Newfoundland and Labrador	2,297	2
13	Alliston, Ontario	2,282	5
14	Aurora, Ontario	1,851	3

Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Between 2003 and 2019, 191 cities and city-level regions in Canada received investment from the Asia Pacific, highlighting how Canada's investment relationship with the region goes far beyond the largest communities. Even among the 15-largest recipients by value, communities range from Canada's most populous city, Toronto, to the hamlet of Duvernay, Alberta.

Given how capital intensive the oil and gas producers sector is, it is no surprise that Calgary ranks first in terms of dollars received from the Asia Pacific across

this 17-year period. While the deal count, at 78, ranks below other cities', the C\$41.7B received is larger than investment into Toronto, Vancouver, and Montreal combined. With the bulk of investment coming from Mainland China and flowing into oil and gas production, the city's ranking was also heavily determined by state-owned investment by China National Offshore Oil Corporation, China Petroleum & Chemical Corporation, and Thailand's PTT Exploration and Production. While Calgary is likely to retain this top position given the substantial gap between it and other Canadian cities, the city has lagged in recent years: the bulk of the C\$41.7B occurred before 2014, with only C\$4.2B received since, behind Kitimat, Vancouver, and Toronto for that same time period.

Ranked second in terms of received investment is Kitimat, BC, which saw eight deals lead to C\$26.8B in investment. Further illustrating how connected Asia Pacific-Canada investment is to energy, the entire amount flowed into oil and gas producers, stemming mainly from Malaysia, Mainland China, and Japan. In Kitimat's case, these investments were largely driven by a mix of state-owned investors – namely, Petronas of Malaysia and the China National Petroleum Corporation – and private investment from Japan-based Mitsubishi Corporation into the LNG Canada project.

Vancouver and Toronto's investments received and deal counts rank at similar levels. For Vancouver, 166 deals led to a third-placed C\$14.3B in investment, with the majority of investment stemming from Mainland China. Again, natural resources played a significant role in determining this ranking, with the bulk of dollars received going into the mining and industrial metals and mining sectors. As with Vancouver, Mainland China was the source for most of the C\$11.5B received by Toronto across 155 deals from 2003 to 2019. Presenting a slightly more diversified set of sectors, the mining sector still made up the top sectoral destination for investment into Toronto, with software and computer services and travel and leisure rounding out the majority of the investment value.

BOX 10. ASIA PACIFIC INVESTMENT INTO CANADA'S RURAL COMMUNITIES

While Canada's largest cities and towns have received the majority of the Asia Pacific's investment into Canada, a full quarter of investment value since 2003 has been into communities and areas classified as rural by Statistics Canada. In all, the APF Canada Investment Monitor records investment from the Asia Pacific into 61 different rural communities, for a total of C\$40B in received investment over the past 17 years.

A significant share of rural investment is associated with one location in BC, in the oil and gas production sector: specifically, the C\$26.8B invested into Kitimat, BC, for light natural gas export facility projects. Oil and gas production was also the target for second-ranked Duvernay, Alberta, with C\$2.5B going into the exploration and development of oil resources by China National Petroleum Corporation under a joint venture agreement with Encana.

Other locations have also passed, or are close to, the billion-dollar mark, spurred by investments into varying forms of energy and mining. Fort Nelson, BC, saw C\$1.3B flow into oil and gas producers, primarily driven by a consortium of five Japanese companies collaborating on a shale gas project. For Quebec's Labrador Trough, C\$1.2B was invested into industrial metals and mining under a joint venture agreement with a consortium led by South Korea's Pohang Iron and Steel Company and Taiwan's China Steel Corporation. Letellier, Manitoba, received C\$1.2B stemming from an investment in alternative energy as the Australia-based Babcock & Brown invested in the development of a 300-megawatt wind farm. Investments in coal mining brought the Peace River coalfields to C\$976M, as Australia's Xstrata Coal and Japan's JX Nippon Oil & Energy Corporation invested to develop metallurgical coal in the region.

Spruce Lake, Saskatchewan, saw C\$744M, also driven by oil and gas production, namely Hong Kong-owned Husky Energy's two steam-assisted heavy oil extraction plants near the hamlet. For Wheatland County, Alberta, C\$677M stemmed from Japan's Toyota Group reaching an agreement with Encana to acquire an interest in Encana's coalbed methane project. Red Lake received the largest investment into rural Ontario, with C\$499M invested in mining as Australia's Evolution Mining bought a Canadian gold mining complex at Red Lake from US-based Newmont Goldcorp.

Top Rural Municipalities for Inbound Investment from the Asia Pacific, 2003-2019

\$ Rank	Rural Location	Investment Value (C\$ Millions)
1	Kitimat, British Columbia	26,835
2	Duvernay, Alberta	2,453
3	Fort Nelson, British Columbia	1,266
4	Labrador Trough, Quebec	1,223
5	Letellier, Manitoba	1,175
6	Peace River Coalfields, British Columbia	976
7	Spruce Lake, Saskatchewan	744
8	Wheatland County, Alberta	677
9	Red Lake, Ontario	499
10	Shelburne, Ontario	453
11	Ekati, Northwest Territories	446
12	Maidstone, Saskatchewan	372
13	Edam, Saskatchewan	365
14	Mervin, Saskatchewan	365
15	Jansen, Saskatchewan	291
16	Terrace Bay, Ontario	285
17	Dufferin, Ontario	278
18	Minnedosa, Manitoba	244

Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

ASIA PACIFIC CITIES' INVESTMENT INTO CANADA: IN A YEAR OF TENSE TIES, CHINA'S CITIES STILL LED

Top Source Cities of Inbound Investment from the Asia Pacific, 2003-2019

\$ Rank	City	Investment Value (C\$ Millions)	Deal Count
1	Beijing, China	50,490	99
2	Tokyo, Japan	22,144	184
3	Hong Kong, China	15,950	74
4	Kuala Lumpur, Malaysia	12,636	17
5	Toyota, Japan	9,655	25
6	Seoul, South Korea	5,217	49
7	Sydney, Australia	3,901	36
8	Perth, Australia	3,888	32
9	Longyan, China	3,598	7
10	Melbourne, Australia	3,395	39

Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Considering inbound investment from the Asia Pacific, an analysis at the city level enables a greater understanding of where investments originate in the region. At a glance, the top-ranked source cities in the region reflect the top source economies of inbound investment, namely China, Japan, Hong Kong, and Australia. The ranking of these cities is largely due to their locations as headquarters for energy and mining companies.

Looking closer at 2019, the largest inbound deal this year came from Nanchang, China, with SOE Jiangxi Copper's acquisition of a 17.6 percent stake in copper mining company First Quantum Metals for C\$1.5B. The second-largest deal then came from Longyan, China, with SOE Zijin Mining's acquisition of gold mining company Continental Gold for C\$1.3B. This one deal makes up more than a third of the total amount of investments originating from Longyan. Other big deals for the year include Tokyo-based Mitsubishi's acquisition of Bombardier for C\$731M and Melbourne-based St. Barbara Limited's acquisition of a stake in Atlantic Gold Corporation for C\$723M.

One noteworthy deal is Kuala Lumpur-based leisure company Genting Group's C\$649M sale of a 35 percent stake in its subsidiary, Genting Hong Kong Ltd., to a consortium including the Ontario Teachers' Pension Plan. Kuala Lumpur, Malaysia, fourth on the list, is the only city located in Southeast Asia. Indeed, this deal is the Ontario Teachers' Pension Plan's first investment in the Southeast Asian region. Overall, the city is notable for having only a few deals, but the fourth-largest amount of investment into Canada. Similar to Beijing and Tokyo, the majority of investments from the city are in oil and gas as well as industrial metals and mining.

Overall, Beijing, China, maintains its place as the largest source city of inbound investment from the Asia Pacific. Since 2003, C\$50.5B in investments have arrived in Canada, in sectors ranging from oil and gas production to real estate investment. However, in 2019, investments from the city totalled just C\$138M, its lowest amount for the 2016 to 2019 period.

As for the second-highest ranking city, Tokyo, Japan, the majority of deals in Canada are in the software and computer services sector. This includes popular Japanese software companies like Sony as well as well-known video game studios like Square Enix. However, in contrast, the largest investments

by dollar value since 2003 are in oil and gas production, from the Mitsubishi Group and state-owned Japan Petroleum Exploration Co. Ltd., among others. These companies have invested a combined C\$11.8B in oil and gas production in BC and Alberta. For 2019, as previously mentioned, the city's most noteworthy deal is Mitsubishi's C\$731M acquisition of Bombardier.

Toyota, Japan, ranked fifth, is the exception to the trend of cities as hubs for energy and mining companies. Instead, inbound investments from Toyota are dominated by the car manufacturer Toyota through its various subsidiaries. Since 2003, the Toyota Group has invested C\$9B in car manufacturing and distribution in Canada, primarily in Ontario with some locations in Alberta, BC, and Quebec.

ASIA PACIFIC CITIES' INVESTMENTS FROM CANADA: MUMBAI LEADS THE YEAR

Top Destination Cities for Outbound Investment to the Asia Pacific, 2003-2019

\$ Rank	City	Investment Value (C\$ Millions)	Deal Count
1	Melbourne, Australia	17,570	71
2	Sydney, Australia	17,171	96
3	Hong Kong, China	11,225	111
4	Perth, Australia	9,988	57
5	Shanghai, China	7,747	113
6	Bengaluru, India	6,929	37
7	Mumbai, India	6,563	55
8	Gopalganj, Bangladesh	6,149	1
9	Beijing, China	5,675	113
10	Singapore	5,421	102

Source: APF Canada Investment Monitor and fDi Markets (accessed April 2020)

Analyzing the city level for destinations of Canadian investment into the Asia Pacific similarly allows for more understanding of the markets that Canadian companies are interested in. At first glance, most of the top destination cities in the region are familiar due to their role as source cities for inbound investments into Canada. However, while Beijing and Tokyo were the top source cities of inbound investment, as recipients of Canadian investment, these cities are further down the list. Instead, almost 20 percent of all Canadian investments in the region since 2003 have gone to Melbourne and Sydney, Australia.

For 2019, Mumbai, India, received the largest amount of Canadian investment. The city received C\$1.3B in investments, making up 17 percent of all outbound investments for 2019. The largest of these investments is Brookfield Infrastructure Partners L.P.'s investment in Reliance Industries Limited, wherein Brookfield acquired a 100 percent stake in a telecom tower company owned by Reliance for C\$493M. Another notable deal is the CDPQ's C\$346M investment in Mumbai-based conglomerate Piramal Enterprises Ltd. together with its partners. Overall, many of the large investments in Mumbai were made by Brookfield and various Canadian pension companies, specifically the CPPIB and the CDPQ.

Melbourne, Australia, has been a main hub for Canadian investment in the Asia Pacific since 2003, while in 2019 it received just C\$346M, its lowest amount for the 2016 to 2019 period. Moreover, its 2019 total is largely made up of one deal from the CDPQ and Brookfield Business Partners, which acquired Healthscope Ltd., a private health care company that operates private hospitals and medical centres. Other deals that Melbourne received in 2019 include Vancouver-based customer intelligence company Vision Critical's expansion into the city with a C\$30M investment for a new office, and Toronto-based software company Sourced Group's investment of C\$11M into a new office.

Across the board, Canadian investments in the region encompass a great diversity of sectors that differ by city. For Perth, as a hub for energy companies, half of Canadian investments since 2003 have gone to its oil and gas production and mining sectors. For Sydney and Beijing, 40 percent and 28 percent, respectively, of Canadian investment has gone to the cities' financial services sectors. Meanwhile, 43 percent of investments in Mumbai have gone to its real estate investment and services sector. For Singapore, its most highly invested sector is travel and leisure, making up 41 percent of investment there. In Melbourne and Shanghai, 60 percent and 36 percent, respectively, of Canadian investments have gone to the cities' industrial transportation sectors. For Hong Kong, 39 percent of investment has gone toward its general retailers sector. For Bengaluru, 75 percent of Canadian investment went to its construction and materials sector. Lastly, the ranking of Gopalganj as the seventh-largest destination city of outbound investments is due to a single investment in solar power, made in 2015 by Toronto-based SkyPower.

CONCLUSIONS

The first months of 2020 have demonstrated just how central the Asia Pacific is to the world economy, with Canada being no exception. The indiscriminate effects of COVID-19 have been felt in all parts of the economy, and there are strong reasons to believe that Canada's historic growth in investment relationships with the Asia Pacific will halt, reversing course as economies across the Pacific withdraw over at least the immediate term.

Even so, Canada's experiences in the Asia Pacific over the past 17 years are informative for what comes next and the large, whole-economy trends in the region that will be, at worst, temporarily halted. Asia Pacific economies have rapidly grown and adjusted since 2003, and that development will continue to be crucial to Canadian diversification strategies – perhaps now more than ever. Canadians have very limited resources available to help them understand the impact of Canada's two-way investment relationship with the Asia Pacific, especially at the city and sector level, while there is still more space to improve investment flows under free trade agreement frameworks.

By providing this discrete level of information, the APF Canada Investment Monitor sets the stage for more informed discussions for Canada's foreign relations, business, and research communities, all ultimately helping the public learn more about the Canada-Asia Pacific investment relationship. The goal of the APF Canada Investment Monitor is to provide the foundation for evidence-based decision-making, not only for policy-makers, but also for all interested stakeholders in the Canadian public, by providing a growing set of data and analysis on both Asia Pacific companies' investment into Canada and Canadian companies' investment into the Asia Pacific.

METHODOLOGY AND DATA SOURCES

The APF Canada Investment Monitor tracks foreign direct investment announcements at the firm level, taking a bottom-up approach rather than reviewing the balance of payments in Canada's national accounts.

To generate the APF Canada Investment Monitor data, APF Canada uses its own unique legacy data, third-party data sources, metasearch engines, and other search tools to aggregate data obtained from public sources including media reports, company documents, industry associations, and investment promotion agencies. Investment announcements that are entered in the database include greenfield investments, asset purchases, equity investment, mergers, acquisitions, joint ventures, and so on.

The APF Canada Investment Monitor sources its investment stories primarily from its decades-long archive of announcements on deals, trade missions, memorandums of understanding (MOUs), and other developments of note in the Canada-Asia relationship. Such a vast archive allows the APF Canada Investment Monitor to build a strong foundation on which to track deal flow both historically and going forward. Each deal announcement is recorded, catalogued, and added to our database. Deals are recorded using 30 different observations, ranging from parent company to destination city. Key to this cataloguing of investments for trend analysis is the use of a user-friendly sector classification system. Whereas deals catalogued with the widely used North American Industry Classification System (NAICS) often hide key trends in budding industries, the APF Canada Investment Monitor's use of the modified Industrial Classification Benchmark (Modified ICB) allows it to clearly see growth in areas such as cleantech and the video gaming industry.

Dollar values for the APF Canada Investment Monitor are obtained through a thorough investigation of the deal value and, barring an official value, the best publicly available estimate. This methodology allows for the avoidance of errors that occur in databases that estimate deal value using proprietary algorithms.

Glossary and Abbreviations

Abbreviation/ Term	Meaning	Definition
ABS	Australian Bureau of Statistics	The ABS is Australia's national statistical agency.
APF Canada	Asia Pacific Foundation of Canada	The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia.
ASEAN	Association of Southeast Asian Nations	ASEAN is a regional grouping that promotes economic, political, and security co-operation among its 10 members: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.
BIT	Bilateral investment treaties	Bilateral investment treaties are international agreements establishing the terms and conditions for private investment by nationals and companies of one state in another state.
CKFTA	Canada-Korea Free Trade Agreement	The CKFTA is a free trade agreement signed between Canada and South Korea in 2014.
Cleantech	Clean technology	Clean technology is defined as any process, product, or service that reduces environmental impacts.
CDPQ	Caisse de Dépôt et Placement du Québec	The CDPQ is an institutional investor that manages several public and partly public pension plans and insurance programs in Quebec.
CPPIB	Canada Pension Plan Investment Board	The CPPIB is a Canadian Crown corporation established to manage and invest funds held by the Canada Pension Plan.
CPTPP	Comprehensive and Progressive Trans-Pacific Partnership	The CPTPP is a free trade agreement between Canada and 10 other countries in the Asia Pacific region: Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.
FDI	Foreign direct investment	<p>Foreign direct investment is a long-term investment by a resident or enterprise from one economy into a tangible asset in another economy. This investment can involve either a greenfield investment or acquisition consisting of at least 10 percent of the equity or voting shares of a firm.</p> <p>FDI in this report is reported as inbound and outbound. Inbound FDI refers to investments made by companies from the Asia Pacific into Canada, and outbound FDI refers to investments made by Canadian firms into the Asia Pacific region.</p>
Flow		Flow refers to the movement of capital for the purpose of investment, adding to or removing from an economy's stock.
FIPA	Foreign investment promotion and protection agreement	A foreign investment promotion and protection agreement is a bilateral agreement designed to protect and promote foreign investment through legally binding rights and obligations.

FPI	Foreign portfolio investment	Foreign portfolio investment refers to investing in the financial assets of a foreign country, such as stocks or bonds available on an exchange.
FTA	Free trade agreement	A free trade agreement is a treaty between two or more countries to facilitate trade and eliminate trade barriers.
GDP	Gross domestic product	GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
Greenfield		Greenfield investments typically consist of firms' establishment or expansions of their subsidiaries in a different economy. For example, this can involve investments into new offices or company branches.
ICB	Industrial Classification Benchmark	The Industrial Classification Benchmark is a global standard for the categorization and comparison of companies by industry and sector. This report uses a modified ICB, where certain investment activities have been classified differently to fit the needs of the Investment Monitor.
Industry		An industry is a broad classification of companies that are related based on their primary business activities.
Joint venture		A joint venture is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.
LNG Canada	Liquefied Natural Gas, Canada	LNG Canada is a joint venture among Shell, PETRONAS, PetroChina, Mitsubishi, and KOGAS.
M&A	Mergers and acquisitions	Mergers and acquisitions are a type of investment wherein the partial or full ownership of companies is either consolidated with or transferred to other firms.
NAFTA	North American Free Trade Agreement	NAFTA is an agreement among the United States, Canada, and Mexico to eliminate trade barriers between the three economies, implemented in 1994. The new Canada-United States-Mexico Agreement (CUSMA), signed in 2018, has since replaced NAFTA.
NAICS	North American Industrial Classification System	NAICS was developed by the statistical agencies of Canada, Mexico, and the United States. This report uses the NAICS Canada 2017 Version 3.0.
NOP	National Opinion Poll	Since 2004, the Asia Pacific Foundation of Canada has been conducting regular nationwide surveys to assess Canadians' attitudes toward countries in the Asia Pacific, and their perceptions of Canada-Asia relations. Unique in its construction and its objectives, APF Canada's National Opinion Poll has been instrumental in drawing a portrait of Canadians' perspectives on Asia and the region's increasing relevance to Canada's prosperity.

OMERS	Ontario Municipal Employees Retirement System	OMERS is an Ontario government pension fund for local government employees in the province.
Pacific Alliance		The Pacific Alliance is a regional economic bloc composed of Chile, Colombia, Mexico, and Peru, established in 2011.
Privately owned enterprise		A privately owned enterprise is a commercial enterprise owned by private investors, shareholders, or owners. Also referred to as non-SOE.
Sector		A sector is a classification of businesses and economic activities that share the same or a related product or service. Under the ICB, these sectors are clustered together under industries.
SOE	State-owned enterprise	A state-owned enterprise is a commercial enterprise owned by a government.
Stock		A stock, in contrast to flow, is a quantity of capital and money that is measurable at a particular point of time.
StatCan	Statistics Canada	Statistics Canada is Canada's national statistical agency, providing economic, social, and census data.
UNCTAD	United Nations Conference on Trade and Development	UNCTAD is the main UN body dealing with trade, investment, and development issues.

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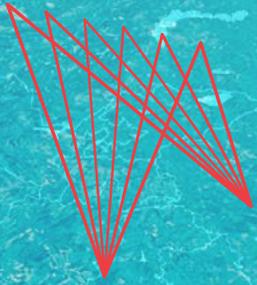
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CANADA AND THE INDO-PACIFIC:

'DIVERSE' AND 'INCLUSIVE',
NOT 'FREE' AND 'OPEN'

SEPTEMBER 2020

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INTRODUCTION

One of the most significant geopolitical developments of the past decade in Asia has been the purposeful and political attempt by the region's predominant democratic powers to redefine the 'Asia-Pacific' as the 'Indo-Pacific.' Far from a simple matter of semantics, this rectification of geographic 'names' represents a geospatial redesign – one led by Australia, India, Japan, and the United States to recognize and to deepen trans-regional ties between the Indian and Pacific Ocean areas and to deal more effectively with China's 'rise' in Asia, the Middle East, and Africa. Indeed, these Indo-Pacific 'proponent states' have internalized the Indo-Pacific super-region to such an extent that its geographic logic now informs their respective political, economic, and security engagements in Asia and beyond. The concept has become so integrated into Canberra's, New Delhi's, Tokyo's, and Washington's leadership statements on Asia that it has become the predominant lexicon for Western policy and strategy analysts when writing on Asian affairs.

The Indo-Pacific region's significance is not limited to its geographic widening of Asia's political, economic, and social demarcations. Indeed, it is the proponent states' strategic responses to the Indo-Pacific that have the most measurable impact on the region's developments. While Australia, India, Japan, and the U.S. have approached the Indo-Pacific through different strategic lenses, they have all introduced new whole-of-government strategies, or visions, to achieve their strategic aims within the region. As demonstrated below, there are marked divergences in how each proponent state has approached its Indo-Pacific strategy, with the notable

commonality that all are committed to a ‘free’ and ‘open’ Indo-Pacific, however defined.

As with all major strategic developments, neither the Indo-Pacific geographic region nor the proponent states’ ‘free’ and ‘open’ Indo-Pacific (FOIP) strategies are without controversy. Asian states, particularly Asian middle and small powers, are concerned about marginalization as a result of an Indo-Pacific geographic widening. Developing Asian states are also worried about the proponent states’ seeming desire to re-invest in Africa, believing, quite rightly, that their own development opportunities may suffer as a result. Most salient, however, is the widely shared regional view that the proponent states’ FOIP concepts collectively represent an emerging ‘anti-China’ collation of states. This concern is particularly pronounced with respect to the U.S. FOIP vision, which is predicated on a regional view of China as a ‘revisionist power’ that the U.S., its allies, and partners must contain.

Despite these controversies – outlined in greater detail below – the Indo-Pacific geographic ideal has gained ground in a number of strategically significant institutions and states in ways that bode well for the concept’s longevity and for regional inclusivity and stability. The Association of Southeast Asian Nations (ASEAN), for instance, has issued a joint declaration on the Indo-Pacific that highlights its positive aspects – such as trans-regional integration – while rejecting its strategic ‘baggage,’ such as its China containment logic. Within ASEAN, Indonesia has also articulated an Indo-Pacific approach predicated on inclusivity and equidistance from the U.S. and China. Similarly, France and Germany have outlined Indo-Pacific strategies that stress middle power co-operation on non-traditional security, such as climate change, regional governance, and foreign policy diversification. Whereas the proponent states

first articulated the Indo-Pacific in more confrontational tones, these Indo-Pacific ‘adapters’ have outlined a more benign vision, one just as accepting of Beijing as Washington.

There are good reasons to believe the adapter view will become more prominent across the Indo-Pacific. Germany, for instance, has suggested its Indo-Pacific strategy reflects European values and, as such, could provide the basis for a European Union (EU) Indo-Pacific vision in the future. ASEAN’s and Indonesia’s Indo-Pacific views, similarly, align with ASEAN’s values of non-interference, non-intervention, and consensus, all but assuring the Indo-Pacific ideal in Southeast Asia will remain a source of stability rather than conflict.

Perhaps most importantly, Japan – while arguably the original Indo-Pacific proponent state – has conceptually adjusted its FOIP vision to reflect these regional adaptations, jettisoning language around ‘managing’ China for language around regional inclusivity. While Japan remains operationally committed to the U.S. around the two states’ FOIP strategies and activities, Tokyo has also made concessions with respect to China, going so far as to suggest its FOIP vision and Beijing’s Belt and Road Initiative (BRI) may be compatible.

For Canada – a country that has yet to articulate its position on the Indo-Pacific and/or FOIP – the distinction between the Indo-Pacific proponents’ and adapters’ views of the super-region is critical. As Canberra and Washington move further down the road of a FOIP containment strategy, and as India remains strategically ambiguous about its FOIP intentions, Ottawa must look rather to the FOIP adapters, which could include Japan, to formulate its own regional approach. Rather than align its interests with what are fast

becoming anti-China strategies, justified in terms of a ‘free’ and ‘open’ region, Ottawa would do better to adopt the adapter states’ ‘diverse,’ ‘inclusive,’ and ‘stable’ Indo-Pacific framework, one that it could then work into a strategy of broader diversification in Asia.

This brief outlines what have essentially become two competing Indo-Pacific and FOIP visions, a proponent state vision based on a ‘free’ and ‘open’ Indo-Pacific and an alternative adapter state vision based on ‘diversification,’ ‘inclusion,’ and ‘stability’. After considering each Indo-Pacific vision in line with Canada’s national interests in Asia, the brief argues for closer Canadian alignment with the adapter states. The brief concludes with specific policy recommendations for Canada to achieve broad diversification in Asia through normative alignment with ASEAN, Indonesia, France, and Germany and through multilateral co-operation through Asia’s existing institutions, such as ASEAN.

OUTLINE

In Chapter 1, this policy brief employs textual analysis of the proponent states’ leadership and policy statements, media reporting, and academic works to detail the Indo-Pacific’s conceptual rise. Through this approach, the brief identifies the specific economic, security, and normative imperatives inherent in Australia’s, India’s, Japan’s, and the United States’ respective Indo-Pacific visions.

In Chapter 2, building on this Indo-Pacific ‘foundation,’ the brief undertakes a comparative study of the proponent states’ Indo-Pacific strategies and operations. Together with the states’ Indo-

Pacific rationales, this survey of their respective FOIP ends, ways, and means provides a comprehensive account of the proponent states' differing FOIP interpretations and approaches.

In Chapter 3, the brief considers the various proponent states' FOIP visions in line with Canada's national interests in the Indo-Pacific region. The brief demonstrates the costs and benefits of Canadian Indo-Pacific/FOIP engagement with each proponent state.

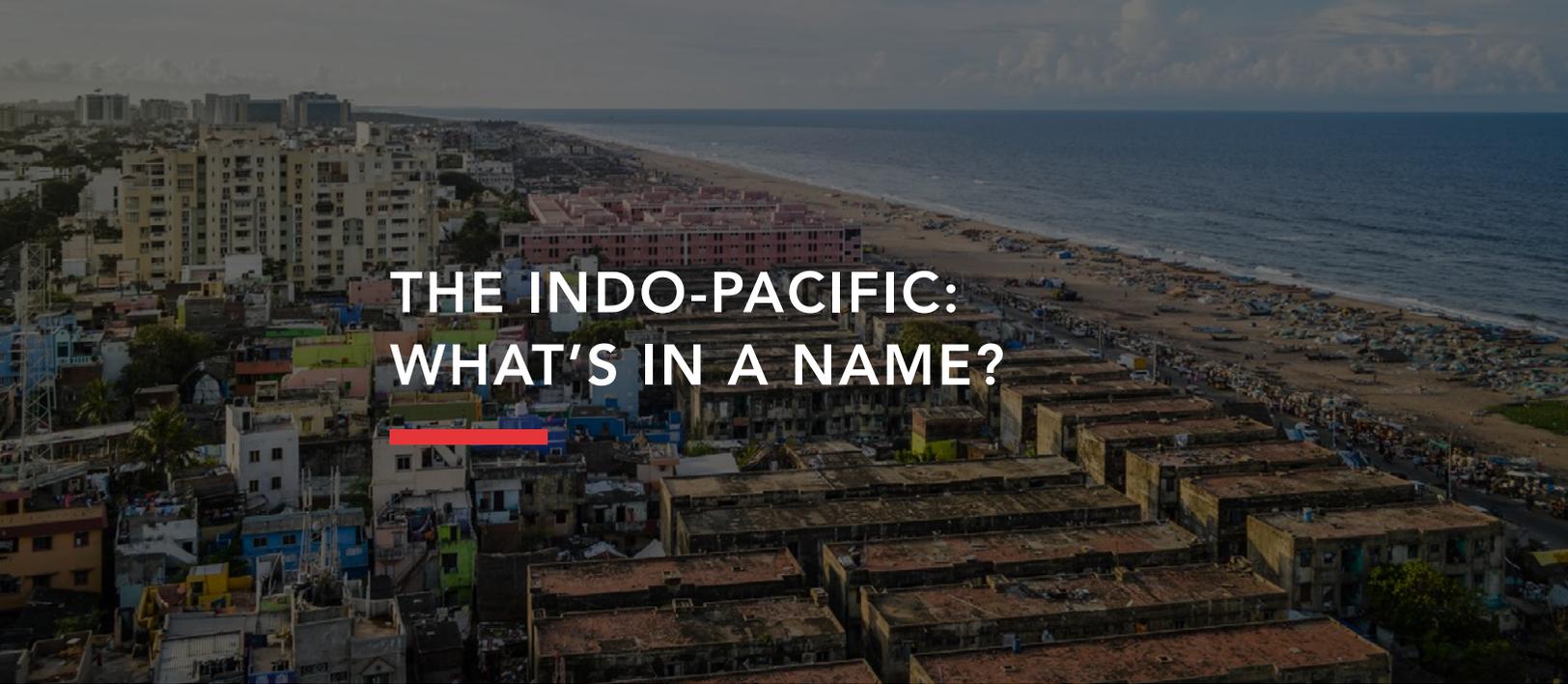
In Chapter 4, the brief shifts its focus to examine the adapter states' Indo-Pacific visions. The brief demonstrates how these 'adapters' are shifting the Indo-Pacific's geopolitical and normative framework away from the proponent states' original Indo-Pacific/FOIP strategies toward an Indo-Pacific ideal based on inclusivity and stability.

In Chapter 5, the brief concludes by arguing for Canada's normative alignment with the adapter's Indo-Pacific visions and rejection of the proponent states' FOIP concepts. The brief outlines a strategy for Canada in Asia based on diversity, inclusivity, and stability in the Indo-Pacific.

KEY FINDINGS

- The Indo-Pacific has become the predominant geopolitical paradigm for Asia's advanced democracies. Australia, India, Japan, and the United States, in particular, advanced the concept to better reflect their trans-regional economic, political, and security interests and as a conceptual bulwark against China's growing influence within the Indian and Pacific Ocean areas.
- These 'proponent states' have developed whole-of-government, comprehensive strategic approaches to the Indo-Pacific region predicated on its 'freedom' and 'openness.' Far from ensuring regional stability, however, the proponent states have developed their FOIP strategies to ensure their national interests across the Indian and Pacific Oceans, to promote democratic values, and to limit China's regional influence.
- ASEAN, Indonesia, France, and Germany have all developed alternative models of regional engagement predicated on the Indo-Pacific geographic model. As such, these 'adapters' offer an alternative model of Indo-Pacific engagement predicated on 'inclusion' and 'stability.' While one of the original proponent states, there are indications Japan is moving conceptually toward this adapter approach.
- While Canada lacks a commercial, economic, and strategic imperative necessitating adoption of an Indo-Pacific geographic redesign, it can benefit from closer normative alignment with the adapter institution/states and, possibly, Japan. Such alignment will necessarily be only one component of Canada's approach to the region, however, which must prioritize broad diversification over containment.

- Canada must tread carefully with respect to the U.S. ‘Free and Open Indo Pacific’ concept. As the U.S. remains Asia’s predominant power, there is a risk that its Indo-Pacific ideal will subsume other, subtler Indo-Pacific accounts, thereby creating the impression among regional states that Indo-Pacific engagement is tantamount to an anti-China coalition.



THE INDO-PACIFIC: WHAT'S IN A NAME?

Over the past decade, the Indo-Pacific has emerged as an alternative geographic referent area to the Asia Pacific. Senior leadership, policy analysts, and academics from Australia, India, Japan, and the United States, in particular, have propagated the Indo-Pacific ideal, arguing, among other points, that it is a more inclusive and representational concept than the Asia-Pacific.¹

Central to this belief is the idea that the Asia-Pacific is a flawed geographic concept, one that leads to the unnatural exclusion of states and peoples that would otherwise be a part of an endogenous geographic region.² In defining the Asia Pacific as a singular realm based only on its location, scale, and human/environment interaction (the common geographic standards), Indo-Pacific proponents argue that geographers and policy analysts marginalize those with clear historic and contemporary ties to the region. Whether knowingly or not, the proponent states and their representatives are appealing to a spatial realignment of an Asia

1 Timothy Doyle and Dennis Rumley, *The Rise & Return of the Indo-Pacific* (Oxford: Oxford University Press, 2019).

2 Rob Wilson, "Imagining 'Asia-Pacific': Forgetting Politics and Colonialism in the Magical Waters of the Pacific," *Cultural Studies* 14, no. 3-4 (November 2000): 562-592.

Pacific to an Indo-Pacific region along systemic lines; a geographic redesign that considers such non-material aspects as trade, security, and ideational ties in determining the region's boundaries.³

There is nothing inherently radical about redefining regional boundaries to reflect states' political and economic interests. Western imperialists defined 'Asia,' for instance, rather than Asian states themselves, and Asia's sub-regions (East, Southeast, Central, and South Asia) only became distinct geographic reference points during the Cold War.⁴ Indeed, some Asian scholars and analysts argue that in replacing the Asia Pacific with the Indo-Pacific, states are not only more accurately representing 'Asia,' but that, in doing so, they are undertaking a post-colonial rectification project that gives marginalized groups greater representation within the world's most dynamic region.

It is important to note, however, that the drive to institutionalize the Indo-Pacific over the Asia Pacific is not coming from the Asia Pacific's small and middle powers – those with colonial histories – but from the region's advanced economies, many of which were colonial powers in Asia. Indeed, one sees hesitation, skepticism, and cynicism around discussions of the Indo-Pacific in Southeast Asian states, for instance, far more than one sees support for an Indo-Pacific ideal.⁵ For some South Pacific states, in particular, there is active opposition to the Indo-Pacific idea as they fear a geographic expansion could lead (ironically) to their marginalization.

³ Joseph P. Stoltman, *21st Century Geography: A Reference Handbook* (New York: Sage, 2012), 586.

⁴ Robert D. Kaplan, *The Revenge of Geography: What the Map Tells Us About Coming Conflicts and the Battle Against Fate* (New York: Random House, 2013), 116.

⁵ Huong Le Thu, "The long and winding way to the Indo-Pacific," *The Strategist*, July 29, 2019, <https://www.aspistrategist.org.au/the-long-and-winding-way-to-the-indo-pacific/>.

What then is the Indo-Pacific? Stripped of its normative character (on which more is written below), the concept is a proactive attempt by the region's wealthiest states to provide a strategic overlay for their extra-regional economic and security activities.⁶ By recasting their relations with Africa and the Middle East as part of their 'Indo-Pacific affairs,' in particular, the proponent states are reshaping public and policy discourse and perceptions to consider their extra-regional operations as intra-regional activities.

The Indo-Pacific is, as such, a strategic frame of reference that allows defence and trade analysts from Berlin, Canberra, Jakarta, New Delhi, Paris, Tokyo, and Washington, D.C., to develop operational plans that start in Saudi Arabia's oil fields and end in Asia's ports. The concept is, fundamentally, a political construct that provides a geographic rationale to extra-regional states' activities in the Indian Ocean and/ or that allows states such as Japan and India to point to Chinese activity in the Middle East and North Africa (MENA) to justify more assertive foreign and security policies in the Asia Pacific and beyond.⁷

Identifying the Indo-Pacific as a strategic concept rather than one designed to affect geographic reconciliation is not, however, to critique it. Australia, India, Japan, and the United States were all initially forthright about the strategic factors motivating their respective Indo-Pacific strategies (or 'visions'), although some – Japan in particular – have worked to recast their Indo-Pacific visions in more altruistic, more inclusive terms in recent months.⁸

6 Timothy Doyle and Dennis Rumley, *The Rise and Return of the Indo-Pacific* (Cambridge: Cambridge University Press, 2020), 2.

7 Purnendra Jain and Takenori Horimoto, "Japan and the Indo-Pacific," in *New Regional Geopolitics in the Indo-Pacific: Drivers, Dynamics and Consequences*, ed. Priya Chacko (London: Routledge, 2019), 28.

8 Yuchi Hosoya, "FOIP 2.0: The Evolution of Japan's Free and Open Indo-Pacific Strategy," *Asia-Pacific Review* 26, no. 1 (September 2019): 18-28.

Indeed, all the proponent states' earliest references to an Indo-Pacific region clearly identified economics, security, and normative institutions as the primary factors necessitating the geographic redesign. Through examination of leadership statements and policy documents detailing their Indo-Pacific rationale, one can see that, from even the concept's earliest days, the proponent states saw the Indo-Pacific as a strategic necessary – one through which they could counter unwanted trends and advance their national interests across the Indian and Pacific Oceans.

CONTINUITY IN JAPAN'S FOIP STRATEGY

Japanese Prime Minister Shinzo Abe stepped down from his position as Prime Minister on 28 August 2020, just as APF Canada was preparing this policy brief for publication. On 14 September, the Liberal Democratic Party (LDP) – Japan's predominant political party – elected Yoshihide Suga, Abe's chief cabinet secretary, to serve as Japan's next prime minister.

Continuity in Japan's foreign policy approach is nearly certain in the near term as Suga was involved in helping shape and operationalize Abe's approach to foreign affairs. Japan's FOIP concept, in this respect, will remain the country's overall grand strategy framework through September 2021, when the LDP will elect a new prime minister.

Beyond 2021, it is highly likely that Japan will continue to use the FOIP concept to promote its foreign engagement in Asia. As a new Japanese leadership emerges, however, one can expect variations to the country's FOIP strategy that will impact its conceptual unity with the other FOIP proponent states, either positively or negatively.

The most important variation is whether Japan will continue to develop what Japanese scholar Yuichi Hosoya calls Japan's 'FOIP 2.0' – a concept predicated on inclusion, non-aggression, ASEAN centrality, and multilateralism – or whether its leadership will opt for greater alignment with the U.S. FOIP vision.

While it is impossible to say for certain how Japan's next-generation leadership will approach FOIP, it is possible to get a sense of how its potential leadership views the country's current FOIP vision.

One possible contender for Japanese prime minister in 2021, for instance, is former defence minister Shigeru Ishiba. Mr. Ishida enjoys widespread public support and is an open critic of the Abe administration's FOIP policy, which he has argued is overly dependent on the United States. If Mr. Ishiba becomes Japan's prime minister in 2021, he will likely advocate for a more inclusive FOIP vision, one that downplays great power competition for the sake of regional multilateralism and integration.

Should Japan continue to refine its FOIP strategy to highlight its regional focus, its inclusive nature, and its commitment to multilateralism – including engagement with China – it will become a much needed source of Asian stability. Japan will also emerge as FOIP's unofficial 'leader' to the extent that its FOIP vision provides the conceptual basis for co-operation between Indo-Pacific actors such as ASEAN, France, Germany, India, and Indonesia, all of which eschew FOIP alignment with the U.S. for a more equidistant approach to the U.S. and China.

ECONOMIC UNDERPINNINGS

The proponent states' policy and leadership statements are replete with economic rationales for their Indo-Pacific worldviews, from the general to the specific. From a general perspective, one sees reference to 'economic opportunity' as an Indo-Pacific justification in official statements going back more than 10 years. In 2007, for instance, Prime Minister Shinzō Abe identified Japan's economic interests across the India and Pacific Oceans as a primary driver behind his 'confluence of the two seas' approach and Indo-Pacific conceptualization.⁹ In 2012, Australian analysts first used the term 'Indo-Pacific' to account for the "increased economic interaction between South, Northeast, and Southeast Asia and the importance of the lines of energy supply to Asia from the Middle East."¹⁰

Similarly, in the first official reference to the region by a senior U.S. government official, US Secretary of State Rex Tillerson used the Indo-Pacific in 2017 to describe an economic area covering "the entire Indian Ocean, the Western Pacific, and the nations that surround them."¹¹ Indian Prime Minister Narendra Modi also relied on an economic rationale to contextualize his Indo-Pacific vision in a 2018 speech to the Shangri-La Dialogue security forum, arguing, among other salient points, that the Indo-Pacific's "sea lanes will be pathways to prosperity."¹²

9 Shinzo Abe, "Confluence of the Two Seas," (speech at the Parliament of the Republic of India), August 22, 2007, <https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>.

10 The Australian Government, *White Paper: Australia in the Asian Century*, October 2012, https://www.defence.gov.au/whitepaper/2013/docs/australia_in_the_asian_century_white_paper.pdf, 74.

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Aside from these generalities, Indo-Pacific advocates routinely identify China's and India's economic 'rise' in the Indian Ocean region, sub-Saharan Africa's emerging markets, and MENA-originating energy trade as the three predominant economic trends necessitating an Indo-Pacific 'response.'¹³ While closely related to the Indo-Pacific's strategic logic (on which more is written below), these three thematic issues also serve as the basis for the proponent states' economic rationale.

CHINA'S AND INDIA'S RISE IN THE INDIAN OCEAN

CHINA

Beijing has been developing trade, investment, and finance relations across the Indian Ocean region for decades, to good effect. As of 2019, China was Africa's largest trade partner and the Middle East's second largest trade partner, just narrowly behind the United States.¹⁴ China similarly leads in foreign direct investment to both regions, when measured in terms of total capital, and is Africa's largest donor country.¹⁵ As of 2020, China received almost half of its oil imports from MENA-area states and has further

13 Brookings, "Foreign Policy & Security Tiffin Talk I: The Strategic and Economic Dimensions of the Indo-Pacific," April 5, 2019, <https://www.brookings.edu/events/the-strategic-and-economic-dimensions-of-the-indo-pacific/>.

14 World Bank, "Trade Summary for Middle East & North Africa 2018," accessed February 15, 2020, <https://wits.worldbank.org/countrysnapshot/en/MEA>; World Bank, "Trade Summary for Sub-Saharan Africa 2018," accessed February 15, 2020, <https://wits.worldbank.org/countrysnapshot/en/SSF>.

15 Payce Madden, "Figure of the Week: Foreign Direct Investment in Africa," Brookings' *Africa in Focus*, October 9, 2019, <https://www.brookings.edu/blog/africa-in-focus/2019/10/09/figure-of-the-week-foreign-direct-investment-in-africa/>; "China is Largest Foreign Investor in Middle East," *Middle East Monitor*, July 24, 2017, <https://www.middleeastmonitor.com/20170724-china-is-largest-foreign-investor-in-middle-east/>.

prioritized its energy relations with the Middle East in ways that are fundamentally reshaping global energy markets.¹⁶ Far from a natural occurrence, China's economic predominance in both regions is by design. From 2013, in particular, the Xi Jinping administration has prioritized China's economic relations with Africa and the Middle East through its Belt and Road Initiative (BRI) with the stated intent of establishing a 'zone of prosperity' across the Indian Ocean.¹⁷

For the proponent states, China's 'scramble' for Africa and the Middle East and its 'revisionist' effect on the Indian Ocean's economic order were (and remain) primary developments necessitating an Indo-Pacific geographic redesign.¹⁸ The Abe administration's 2006 *Arc of Freedom and Prosperity* concept, for instance, while ostensibly a policy to advance Japan's extra-regional economic ties, was, in fact, a strategy to establish an Indo-Pacific 'type' region to balance China's economic influence in Africa and the Middle East.¹⁹ Further predicated on 'value-oriented diplomacy,' the *Arc of Freedom and Prosperity* concept sought to limit China's economic gains through a loose coalition of 'likeminded' democracies centred around the Indian and Pacific Oceans, a strategy Abe would revisit in his second term as a FOIP concept.²⁰

Australia's 2012 *Australia in the Asian Century* White Paper similarly identified China's prioritization of infrastructure development

16 "Is China about to Change the Global Oil Trade?" *Financial Times*, June 2, 2019, <https://www.ft.com/content/fd01b21a-81f9-11e9-b592-5fe435b57a3b>.

17 Congressional Research Service, "China's Economic Rise: History, Trends, Challenges, and Implications for the United States," last updated June 25, 2019, <https://fas.org/sgp/crs/row/RL33534.pdf>.

18 Mingjiang Li, "The Belt and Road Initiative: Geo-Economics and Indo-Pacific Security Competition," *International Affairs* 96, no. 1 (January 2020): 169-187.

19 Tsuneo "Nabe" Watanabe, "Japan's Rationale for the Free and Open Indo-Pacific Strategy," The Sasakawa Peace Foundation (website), accessed January 25, 2020, https://www.spf.org/jia/en/articles/watanabe_01.html.

20 Mingjiang Li and Kalyan M. Kemburi, eds., *China's Power and Asian Security* (London: Routledge, 2015), 256.

toward Central Asia and the Middle East, its increased economic activity across the Indian Ocean, and its growing trade with India as variables in its adoption of an Indo-Pacific geographic referent point.²¹ Australia's 2013 *Defence White Paper* also identified China's 'economic and strategic weight' in the Indian Ocean as a 'key trend' in "shaping the emergence of the Indo-Pacific as a single strategic arc" and in necessitating an Australian strategic response.²² Australian analysts have further identified Canberra's concern over China's economic activities in Africa, particularly its BRI-related developments, as a primary factor influencing the country's Indo-Pacific vision and its corresponding FOIP strategy.²³

U.S. officials similarly pointed to China's economic rise as a determining factor in their strategic decision to replace the Asia Pacific with an Indo-Pacific geographic reference area. In 2017, Secretary of State Rex Tillerson identified China's BRI, its 'financing mechanisms,' and its approach to debt financing (what U.S. officials later termed 'debt trap diplomacy') as primary conditions necessitating an Indo-Pacific redesign.²⁴ In 2017, President Donald Trump's administration's *National Security Strategy (NSS)* also charged China with trying to economically 'displace' the U.S. from the Indo-Pacific and argued, as a result, for a more robust U.S. approach to the Indo-Pacific 'region'.²⁵ The Trump administration's *2018 National Defense Strategy*, its *2019 Indo-Pacific Strategy Report*, and its *2019 Free and Open Indo-Pacific* report all similarly identify China's economic influence as a strategic challenge, one best addressed through an Indo-Pacific strategic approach.

21 Australian Government, *White Paper*, 74.

22 Australian Government, *White Paper*, 2.

23 David Brewster, "A "Free and Open Indo-Pacific" and What It Means for Australia," *The Interpreter*, March 7, 2018, <https://www.lowyinstitute.org/the-interpreter/free-and-open-indo-pacific-and-what-it-means-australia>.

24 CSIS, "Defining."

25 White House, *National Security Strategy of the United States of America*, December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>, 25.

New Delhi, too, has linked China's economic rise in 'West Asia' with its own Indo-Pacific outlook. It has, however, thus far avoided official alarmism over China's economic activities, instead focusing on an inclusive account of the Indo-Pacific economic area that includes China and Russia. Indian official statements, in particular, treat China's economic rise as evidence that the 'economic fulcrum' has swung toward the Indian and Pacific Oceans in such a way as to justify a unified Indo-Pacific viewpoint – one that gives shape to New Delhi's own economic priorities and goals.²⁶ While this is an area where India differs from the other proponent states' views of China, New Delhi realigns with Tokyo and Washington, in particular, in its view of Beijing as a strategic challenger, as detailed in the subsequent section on *Security Underpinnings*.

INDIA

While still a much smaller economy than China, India has been one of the world's fastest growing major economies over the past 20 years, with average annual growth rates around 6.9 per cent between 2000 and 2018.²⁷ Similar to China, however, India's continued growth has led to its greater integration in Asian, African, and Middle Eastern markets, and New Delhi has made clear its intention to build on these economic foundations to support the country's future growth.²⁸ Since 2014, in particular, India has significantly expanded its trade, investment, and energy relations

26 Indian Ministry of External Affairs, "Address by Foreign Secretary at the Regional Connectivity Conference: South Asia in the Indo-Pacific Context," November 01, 2018, <https://www.mea.gov.in/Speeches-Statements.htm?dtl/30556/Address+by+Foreign+Secretary+at+the+Regional+Connectivity+Conference++South+Asia+in+the+IndoPacific+Context>.

27 The World Bank, GDP Growth (annual %)- India, accessed May 20, 2020, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2018&locations=IN&start=2000>.

28 Miria Pigato, *Strengthening China's and India's Trade and Investment Ties to the Middle East and North Africa* (Washington, D.C.: The World Bank, 2009).

with sub-Saharan Africa, North Africa, and the Middle East under the Modi administration's 'Act West' program.²⁹ As with China, India's integration into these markets is fundamentally restructuring the Indian Ocean region's economic architecture.³⁰

In contrast to their views of China, the other Indo-Pacific proponent states perceive India's economic 'rise' in Asia, Africa, and the Middle East as a welcome development (in part as it 'balances' China) and believe the country's economic growth and potential further justify the development of an Indo-Pacific 'economic corridor.'³¹ Japan, for instance, has made economic engagement with India a central rationale for its Indo-Pacific vision, up to establishing a 2017 India-Japan Asia-Africa Growth Corridor (AAGC) agreement predicated on the two states' co-operation in establishing an economic foundation to the Indo-Pacific ideal.³² Australia, too, identified India's economic development as a critical input to its emerging view of the Indo-Pacific as a 'single strategic arch' in 2013, specifically referencing its growing energy, trade, and investment ties across the Indian Ocean region and Southeast Asia as determining factors in Australia's own evolving strategic view.³³

India's economic rise, its democratic status and identity, and its perceived ability to balance China in the Indian Ocean region were all critical inputs into the U.S.'s early Indo-Pacific visions.³⁴ Indeed,

29 Guy Burton, "India's 'Look West' Policy in the Middle East under Modi," the Middle East Institute, August 6, 2019, <https://www.mei.edu/publications/indias-look-west-policy-middle-east-under-modi>.

30 Vivek Mishra, "Consolidating India's Indian Ocean Strategy," *The Diplomat*, June 7, 2019, <https://thediplomat.com/2019/06/consolidating-indias-indian-ocean-strategy/>

31 Pankaj K. Jha and Vo Xuan Vinh, *India, Vietnam and the Indo-Pacific: Expanding Horizons* (London: Routledge, 2020).

32 African Development Bank, *Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development (A Vision Document)*, May 2017, <https://www.eria.org/Asia-Africa-Growth-Corridor-Documents.pdf>, 1.

33 Australian Government, *White Paper*, 7.

34 Walter C. Ladwig III and Anit Mukherjee, "The United States, India and the Future of the Indo-Pacific Strategy," *NBR Commentary*, June 20, 2019, <https://www.nbr.org/publication/the-united-states-india-and-the-future-of-the-indo-pacific-strategy/>.

Tillerson first referenced the Indo-Pacific as a unified region in a 2017 speech on U.S.-India relations, where he identified the two countries' bilateral economic relations as a stabilizing force in the Indo-Pacific and as a source of balance against China's predatory economic activities in Africa.³⁵ For the U.S., economic ties with India provided both a commercial and strategic logic for an Indo-Pacific consolidation; one the Trump administration further expanded on in its 2017 NSS, its 2018 *National Defense Strategy*, and its 2019 *Indo-Pacific Strategy*.³⁶

SUB-SAHARAN AFRICA'S EMERGING MARKETS

Sub-Saharan Africa's (SSA) emerging markets were also an important driving factor behind the Indo-Pacific's conceptual formation. For Canberra, Tokyo, Washington, and New Delhi, the SSA's allure as an overseas investment destination and as a source of consumer demand further justified an inter-regional economic consolidation, particularly when considered together with concerns over China's economic influence in Africa.

Based on demographic trends and economic growth projections, SSA's consumer market will reach US\$2.5 trillion in 2030 with a potential market of 1.7 billion people. Since 2010, consumer expenditure across SSA has grown an average of 3.5 per cent per annum with states including South Africa, Egypt, and Nigeria leading such growth. Algeria, Angola, Ethiopia, Ghana, Kenya,

³⁵ CSIS, "Defining."

³⁶ Ladwig III and Mukherjee, "The United States."

Morocco, Sudan, Tunisia, and Tanzania are also positioned to contribute to consumer growth, with Ethiopia, in particular, emerging as one of the world's fastest growing economies at more than 10.5 per cent annual GDP growth since 2005.³⁷ Moreover, 55 African nations signed the African Continental Free Trade Agreement (AfCFTA) in 2019 that, in addition to being the most inclusive FTA in the world, is projected to increase intra-Africa trade by more than 50 per cent by 2022.³⁸ Coupled with already high growth among some African states, the FTA will ultimately result in around 43 per cent of Africans entering the middle or upper classes in the near to medium terms.³⁹

Since 2006, African nations have significantly redirected their economic relations away from their more traditional Western partners toward Asia. Trade with the U.S., for instance, has declined 66 per cent since 2006 while trade with Asian states has increased exponentially.⁴⁰ Among Asian states, China has been the most proactive investor in Africa, pledging more than US\$120 billion in investment in Africa's infrastructure, manufacturing, telecommunications, and agricultural sectors between 2015 and 2018 alone.⁴¹ Through its BRI strategy, in particular, China has solidified its position as Africa's largest trade partner.⁴²

37 Landry Signé, *Africa's Consumer Market Potential: Trends, Drivers, Opportunities, and Strategies* (Washington, D.C.: Brookings, 2018), <https://www.brookings.edu/wp-content/uploads/2018/12/Africas-consumer-market-potential.pdf>.

38 Kanzañira Thornton, "African Continental Free Trade Area: A New Horizon For Trade in Africa," *The Council on Foreign Relations* (blog), June 10, 2019, <https://www.cfr.org/blog/african-continental-free-trade-area-new-horizon-trade-africa>.

39 Landry Signé, "Africa's Emerging Economies to Take the Lead in Consumer Market Growth," *Brookings' Africa in Focus*, April 3, 2019, <https://www.brookings.edu/blog/africa-in-focus/2019/04/03/africas-emerging-economies-to-take-the-lead-in-consumer-market-growth/>.

40 Isaac Kwaku Fokuo and Akinyi Ochieng, "Up and Coming: Here's Why Africa Has the Potential to Boost Global Growth," *World Economic Forum* (blog), February 18, 2020, <https://www.weforum.org/agenda/2020/02/how-emerging-markets-will-shape-africa-in-2020/>.

41 Kevin Tan, "Africa-Asia Economic Relations: Let the Private Sector Shine," *The Africa Report*, September 21, 2018, <https://www.theafricareport.com/521/africa-asia-economic-relations-let-the-private-sector-shine/>.

42 Eleanor Albert, "China in Africa," *Council on Foreign Relations* (blog), July 12, 2017, <https://www.cfr.org/background/china-africa>.

The Abe administration identified Japan's economic ties with Africa as a key input into its Indo-Pacific geographic construct. In 2016, for instance, then Prime Minister Abe issued a joint statement with Prime Minister Modi where he argued that Japan-African economic ties justified Japan's Indo-Pacific vision and, conversely, that the Indo-Pacific vision was necessary to develop Japan-African economic ties further.⁴³ Central to Japan's Africa 'logic' is market access, infrastructure development, and overseas development aid (ODA), all of which the Abe administration committed to increasing through its Indo-Pacific-dependent Asia Africa Growth Corridor (AAGC) Programme.⁴⁴ Equally, the Abe administration viewed Japan's competition with China for economic access and political influence in Africa as a key driver of its Indo-Pacific vision.⁴⁵

Australia's view of the Indo-Pacific, conversely, does not always include Africa. Its 2017 *Foreign Policy White Paper*, for instance, excludes Africa in its official Indo-Pacific demarcation. In 2016, however, Australian Minister for Foreign Affairs Julie Bishop established the Advisory Group on Australian African Relations (AGAAR) in an effort to increase Australia's role in Africa, both economically and strategically.⁴⁶ Australian analysts have since pointed to the AGAAR to advocate for a further geographic and strategic widening of the country's Indo-Pacific geographic area to include Africa, arguing that the continent's exclusion puts Australia

43 "India-Japan Joint Statement During the Visit of Prime Minister to Japan," Asia Africa Growth Corridor (website), November 11, 2016, <http://aagc.ris.org.in/joint-statement>.

44 African Development Bank, "Asia," 14.

45 Jonathan Berkshire Miller, "Japan Is Taking on China in Africa," *Foreign Policy*, August 22, 2019, <https://foreignpolicy.com/2019/08/22/japan-is-taking-on-china-in-africa/>.

46 Australian Department of Foreign Affairs and Trade, "A Strategy for Australia's Engagement with Africa," December 2016, <https://www.dfat.gov.au/sites/default/files/a-strategy-for-australia-engagement-with-africa.pdf>.

out of step with other Indo-Pacific proponent states, particularly Japan and India.⁴⁷

Similarly, the official U.S. view of the Indo-Pacific does not include Africa, although Secretary of State Tillerson did identify Africa's emerging economies as a driver behind his Indo-Pacific formulation in 2017.⁴⁸ As with Australian analysts, U.S. policy experts have identified this exclusion as a fundamental flaw in U.S. strategic thinking and have advocated for an expansion of the U.S. Indo-Pacific geographic viewpoint to accord with Japan's and include Africa.⁴⁹ Mostly argued from a strategic perspective with respect to China's activities in Africa, U.S. analysts have also identified Africa's 'market logic' in promoting its inclusion in the U.S. concept of the Indo-Pacific.⁵⁰

One notable aspect of both the Australian and U.S. Indo-Pacific geographic concepts is their shared understanding that closer partnership with India – an expected outcome of Indo-Pacific consolidation – will enable both Canberra and Washington to develop closer economic and security ties with Africa.⁵¹ Indeed, it is arguably Australia's and the United States' understanding of India as a 'gateway' to the Indo-Pacific that has led them to undertheorize Africa's place in the region. Rather than develop an Indo-Pacific vision that includes Africa and the Middle East within its area

47 David Brewster, "Australia Can't Continue to Divide the Indian Ocean in Two," *The Interpreter*, February 19, 2020, <https://www.lowyinstitute.org/the-interpreter/australia-can-t-continue-divide-indian-ocean-two>.

48 CSIS, "Defining."

49 Jean-Loup Samaan, "Confronting the Flaws in America's Indo-Pacific Strategy," *War on the Rocks Commentary*, February 11, 2019, <https://warontherocks.com/2019/02/confronting-the-flaws-in-americas-indo-pacific-strategy/>.

50 Alyssa Ayres, "The U.S. Indo-Pacific Strategy Needs More Indian Ocean," *Council on Foreign Relations' Expert Brief*, January 22, 2019, <https://www.cfr.org/expert-brief/us-indo-pacific-strategy-needs-more-indian-ocean>.

51 Ramesh Thakur and Ashok Sharma, "India in Australia's Strategic Framing in the Indo-Pacific," *Strategic Analysis* 42, no. 2 (April 2018): 69-83; Ladwig III and Mukherjee, "The United States."

of responsibility (AOR), Canberra and Washington have instead prioritized deeper relations with New Delhi with the belief India can serve as an entrepôt for Australia and US trade and investment into the Indian Ocean area.

India, conversely, sees Africa as a critical component of its Indo-Pacific vision, a point the country's minister of external affairs made clear in an official statement on the Indo-Pacific.⁵² While India is clearly interested in Africa's emerging markets and opportunities for investment, it is also aware of the continent's importance as an export market for oil (from Nigeria), uranium (from South Africa), and mineral resources.⁵³ Together with Japan, India is a part of the AAGC, through which it has pledged deeper co-operation around trade, investment, and development aid and through which it has provided an additional, commercial logic to its Indo-Pacific geographic construct. As with Japan, India also views its relations in Africa as a counterbalance to China's influence and pursues closer economic relations to deepen political and defence ties.⁵⁴

52 Huma Siddiqui, "India's Concept of Indo-Pacific is Inclusive and Across Oceans," Indian Ministry of External Affairs (website), November 08, 2019, https://mea.gov.in/articles-in-indian-media.htm?dtl/32015/Indias_concept_of_IndoPacific_is_inclusive_and_across_oceans.

53 M. Ganapathi, "The Significance of the Indo-Pacific Region in India's Foreign Policy," Indian Ministry of External Affairs' Distinguished Lectures, September 18, 2019, <https://mea.gov.in/distinguished-lectures-detail.htm?854>.

54 Elizabeth Sidiropoulos, "India-Africa Relations Under Modi: More Geo-Economics?" *Brookings' Commentary*, January 30, 2016, <https://www.brookings.edu/opinions/india-africa-relations-under-modi-more-geo-economic/>.

THE MIDDLE EAST AND NORTH AFRICA (MENA): ENERGY TRADE AND SEA LANES OF COMMUNICATION

Lastly, and perhaps most significant with respect to an Indo-Pacific conception, is energy trade between MENA and Asia and its resulting networks and state-to-state ties. A move away from coal, fast economic growth among its emerging economies, and energy dependency among its developed economies all contribute to high demand in Asia for energy imports, many of which originate in the Middle East and North Africa.

In 2018, for instance, at least 78 per cent of all energy exports from the MENA region that passed through the Strait of Hormuz and entered the Indian Ocean ended up in Asia.⁵⁵ China, India, and Japan are all heavily dependent on crude oil exports from the region, with Japan relying on supplies from MENA for 88.5 per cent of its total oil exports.⁵⁶ With an estimated 85 per cent increase in demand from China and a staggering 300 per cent increase for India projected for 2040, analysts forecast even greater inter-regional energy ties in the coming decades.⁵⁷

These energy supply/demand trends have led to the development of a complex interdependency between Asian and MENA energy producing states. Not only has energy trade led to robust state-to-state ties, but Asian and MENA-based businesses, bureaucracies, and even non-governmental agencies (NGOs) have also become

55 EIA, "The Strait of Hormuz is the World's Most Important Oil Transit Chokepoint," June 20, 2019, <https://www.eia.gov/todayinenergy/detail.php?id=39932>.

56 U.S. Energy Information Administration, Japan is the second largest net importer of fossil fuels in the world (Washington, DC: 2013), <https://www.eia.gov/todayinenergy/detail.php?id=13711>.

57 Kishan Khoday, "Emerging Asia and the Middle East: The New Energy Silk Road," Middle East Institute Blog, October 3, 2017, <https://www.mei.edu/publications/emerging-asia-and-middle-east-new-energy-silk-road>.

intricately integrated.⁵⁸ Further, to facilitate trade, dense sea lanes of communication (SLOCs) have developed between the Indian and Pacific Oceans, over which hundreds of commercial container ships travel daily between MENA and Asian ports. These SLOCs, while inherently commercial, have become a strategic basis for the U.S. Indo-Pacific vision with particular reference to China's growing naval power in the Indian Ocean and the South China Sea. From Australia's, India's, Japan's, and the United States' perspectives, the complex interdependency between MENA and Asia resulting from such trade requires a unified geographic lens to understand and manage it fully.

The Abe administration first proposed a unified geographic area including Japan and MENA through its *Arc of Freedom and Prosperity* concept and subsequently included the region as a key geographic area in its Indo-Pacific construction. In a 2020 speech to the Japanese Diet, Foreign Minister Tarō Kōno justified this inclusion in economic and strategic terms, stating that Japan depended on the region for more than 90 per cent of its gas imports and that secure SLOCs between MENA and Japan were critical to its economic development and the Indo-Pacific's property.⁵⁹ Japan has further rationalized MENA's inclusion in an Indo-Pacific region with respect to SLOC security, arguing that the Indo-Pacific framework enables Japan to undertake unilateral security activities across the Pacific and Indian Ocean theaters and to establish security alliances and partnerships with Australia, India, and the United States.⁶⁰

58 Anoushiravan Ehteshami and Yukiko Miyagi, *The Emerging Middle East-East Asia Nexus* (London: Routledge, 2015), 2.

59 Ministry of Foreign Affairs of Japan, "Foreign Policy Speech by Foreign Minister Motegi to the 201st Session of the Diet," January 20, 2020, https://www.mofa.go.jp/fp/pp/page3e_001153.html.

60 Office of Prime Minister of Japan, "National Security Strategy," December 17, 2013, http://japan.kantei.go.jp/96_abe/documents/2013/_icsFiles/afieldfile/2013/12/18/NSS.pdf.

As with Africa, Australia does not formally include MENA in its Indo-Pacific geographic treatment, although it does, somewhat ironically, identify MENA-originating SLOCs and the need to secure these SLOCs as key strategic considerations underpinning its Indo-Pacific geographic area. Unilaterally, Australia has identified SLOC security in the Indo-Pacific – including across the Indian Ocean – as necessary for its trade relations (ostensibly with the Middle East), the Indo-Pacific’s stability, and its strategic outlook.⁶¹ Through its involvement in the Quadrilateral Security Dialogue among the United States, Japan, India, and Australia (the ‘Quad’) – an inherently Indo-Pacific security construct – it has also prioritized multilateral SLOC security operations, up to and including those designed to ensure energy trade from MENA to Asia.⁶²

The US State Department has also identified transnational energy supply and shipment in the Indian Ocean as a driver behind its Indo-Pacific vision, although stopping short of including MENA in its Indo-Pacific geographic design.⁶³ The US Department of Defense’s 2019 *Indo-Pacific Strategy Report* does, however, indirectly include the MENA region in its Indo-Pacific paradigm by identifying Russian and Chinese operations in the area as distinct Indo-Pacific strategic challenges.⁶⁴ While both departments have political reasons to exclude MENA from their formal Indo-Pacific frameworks (much as the U.S. ‘rebalance’ to Asia sought to downplay U.S. involvement in the Middle East), the U.S. Director of

61 Australian Government, *Defence White Paper*, (Canberra: Department of Defence, 2016), <https://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>, 70.

62 David Brewster, “It’s Time for a “Quad” of Coast Guards,” *The Interpreter*, August 12, 2019, <https://www.lowyinstitute.org/the-interpreter/time-quad-coast-guards>.

63 U.S. Department of State, *A Free and Open Indo-Pacific: Advancing a Shared Vision*, November 4, 2019, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>, 17.

64 U.S. Department of Defence, *Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region*, (Washington, D.C.: Department of Defence, 2019), <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>.

National Intelligence (DNI) is more candid in its inclusion of MENA in its view of the Indo-Pacific, with particular reference to inter-regional energy relations, supply and demand, and dependency. Indeed, the DNI clearly identifies MENA as a core sub-region in its view of the Indo-Pacific – a view based on existing trade relations and energy trade projections.⁶⁵

For India, conversely, there is no ambiguity around its conceptual inclusion of MENA in its Indo-Pacific vision. The Modi government's 'Act West' foreign and economic policy – a keystone component of its broader Indo-Pacific vision – is predicated on the expansion of India's economic and energy relations with states including Iran, Saudi Arabia, the United Arab Emirates, and Libya, among others.⁶⁶ In 2019, Indian Minister of External Affairs Subrahmanyam Jaishankar made this point clearly in his remarks to the Delhi Dialogue, where he specifically noted that MENA states were a part of India's Indo-Pacific region.⁶⁷ The minister identified India's shared economic, political, social, and historical ties to the MENA region as justification for their inclusion in an Indo-Pacific formulation. To operationalize MENA's inclusion in its Indo-Pacific region, the Indian Ministry of External Affairs established an Indo-Pacific division in 2019 that included its Indian Ocean Rim Association (IORA) to better help co-ordinate India's relations with African and Middle Eastern states.⁶⁸

65 Christopher Barber et al., "Indo-Pacific Energy Markets: Opportunities and Risks for the United States," U.S. Department of Homeland Security, 2018, https://www.dhs.gov/sites/default/files/publications/2018_AEP_Developments_in_Global_Energy_Markets.pdf.

66 Rohan Mukherjee, "Looking West, Acting East: India's Indo-Pacific Strategy," *Southeast Asian Affairs*, (2019): 43-51.

67 Indrani Bagchi, "India Expands Indo-Pacific Policy," *The Times of India*, December 15, 2019, <https://timesofindia.indiatimes.com/India/india-expands-indo-pacific-policy/article-show/72644806.cms>.

68 Indian Ministry of External Affairs, *Indo-Pacific Division Briefs*, (New Delhi: Ministry of External Affairs, 2019), https://mea.gov.in/Portal/ForeignRelation/Indo_Feb_07_2020.pdf

SECURITY UNDERPINNINGS

As with economics, early accounts of the Indo-Pacific identified security as a justification for inter-regional consolidation. Two shared security concerns, in particular, provided the basis for the proponent states' development of an Indo-Pacific security region.

First, the states all identified China's 'rise' in the Indian Ocean as a pressing security challenge that required a widening of the Asia Pacific aperture to an Indo-Pacific lens to address. States disagreed on the precise nature of the China 'challenge' in Asia – whether it was an indirect challenge to Asia's 'order' or whether it was a direct 'hard' security or military challenge – but one sees clear agreement around China's role as a regional security 'disrupter' within all the states' earliest Indo-Pacific strategic statements (examined below).

Second, the states referenced the need to provide security for their inter-regional economic and commercial activity, identifying such tactical challenges as piracy and such strategic challenges as economic prosperity and access as justification for a 'two oceans' approach. Inherent in this view was the operational reality that the states would need to project force across both the Indian and Pacific Oceans to ensure economic security, a reality the states used to justify the further strategic consolidation of the Indo-Pacific.

CHINA AS A REGIONAL STRATEGIC CHALLENGER

From the earliest days of his second tenure as Japanese Prime Minister, Shinzō Abe identified China's activities across the Indian and Pacific Oceans as his primary strategic concern for establishing

an Indo-Pacific geographic construct. In a 2012 opinion piece in *Project Syndicate*, for example, Abe outlined his vision of a ‘democratic security diamond’ between Australia, India, Japan, and the United States to counterbalance China’s naval expansion in the Indian and Pacific Oceans and Chinese ‘aggression’ in the South China Sea, which he pejoratively labelled ‘Lake Beijing.’⁶⁹ Abe formalized this view of China as a strategic threat in his administration’s 2013 *National Security Strategy*, in which Japanese policy analysts identified China as the primary driver behind the Asian region’s changing ‘balance of power.’⁷⁰ Later in 2013, Abe first referenced the Indo-Pacific at the Center for Strategic and International Studies (CSIS), a prominent U.S. think-tank, in a speech titled, “Japan is Back,” his main analytical point being the need for concerted security co-operation between Japan and its democratic partners across the ‘Indo-Pacific.’⁷¹ China remains the central strategic issue informing Japan’s view of the Indo-Pacific, despite Tokyo’s recent claims that its Indo-Pacific ‘vision’ is an inclusive rather than exclusive concept.⁷²

Australia similarly identified China’s military modernization (particularly its naval advancements), its growing regional influence, and its economic growth as important components of its strategic environment in its seminal 2016 *Defence White Paper*. In contrast to Japan, Australia’s earliest references to China were relatively benign, with the focus of its analysis on areas of potential co-operation rather than competition.⁷³ Canberra’s views

69 Shinzo Abe, “Asia’s Democratic Security Diamond,” *Project Syndicate*, December 27, 2012, <https://www.project-syndicate.org/onpoint/a-strategic-alliance-for-japan-and-india-by-shinzo-abe?barrier=accesspaylog>.

70 Government of Japan, “National Security Strategy,” December 17, 2013, <https://www.cas.go.jp/jp/siryou/131217anzenhoshou/nss-e.pdf>.

71 Ministry of Foreign Affairs of Japan, “Japan is Back” (address of Shinzo Abe), February 22, 2013, https://www.mofa.go.jp/announce/pm/abe/us_20130222en.html.

72 Kei Koga, “Japan’s ‘Indo-Pacific’ Question: Countering China or Shaping a New Regional Order?” *International Affairs* 96, no. 1 (January 2020): 49-73.

73 Australian Government, “*Defence*,” 44.

of China changed somewhat under Prime Minister Scott Morrison's administration, however, moving closer to Japan's and the United States' perceptions of China as a strategic challenger to the existing Asian regional order, one best met through democratic engagement across an 'Indo-Pacific' region.⁷⁴

Whereas New Delhi is somewhat reticent on China's economic activities across the Indian Ocean, India's long-standing concern over China as a strategic rival in the country's near-abroad is, arguably, the primary driver behind its Indo-Pacific worldview.⁷⁵ Indeed, India has long conflated the necessity to counter China's influence with its need to adapt to a 'changing geopolitical environment,' up to and including a strategic redesign of the Indian Ocean area into an Indo-Pacific geographic region including Southeast Asia.⁷⁶ Operationally, India has restructured its armed forces to address its China 'challenge' in 'West Asia' and the 'East Sea,' deprioritizing its land forces (army) in favour of its air and sea forces.⁷⁷ The country's 2015 Maritime Naval Strategy, *Ensuring Secure Seas: Indian Maritime Security Strategy*, for instance, commits New Delhi to the development of a significant blue water naval capacity to better secure its maritime geography from Chinese activity in the Indo-Pacific region.⁷⁸

The same is true for the United States' adoption of an Indo-Pacific geographic framework, which is predicated on a belief that China's

74 Scott Morrison, "The 2019 Lowy Lecture: Prime Minister Scott Morrison," *Lowy Institute's Speeches*, October 3, 2019, <https://www.lowyinstitute.org/publications/2019-lowy-lecture-prime-minister-scott-morrison>.

75 Rajesh Rajagopalan, "Evasive Balancing: India's Unviable Indo-Pacific Strategy," *International Affairs* 96, no. 1 (January 2020): 75-93.

76 Vinay Kaura, "Incorporating Indo-Pacific and the Quadrilateral into India's Strategic Outlook," *Maritime Affairs - Journal of the National Maritime Foundation of India* 15, no. 2 (January 2020): 78-102.

77 Rahul Roy-Chaudhury & Kate Sullivan de Estrada, "India, the Indo-Pacific and the Quad," *Survival* 60, no. 3 (June 2018): 181-194.

78 Gurpreet S. Khurana, "Maritime Strategy: Context and Subtext," *Maritime Affairs: Journal of the National Maritime Foundation* 13, no. 1 (2017): 14-26.

economic and military ‘rise’ in the Indian Ocean is an inherent threat to U.S. global interests. The Trump administration’s earliest strategic defence and foreign policy documents, specifically the 2017 *National Security Strategy* and the 2018 *National Defense Strategy*, clearly state this logic in their respective references to the U.S. need to address Chinese ‘revisionism’ in the Indo-Pacific. To further clarify its focus on balancing China in the Indian and Pacific theaters, the Trump administration’s 2019 *Indo-Pacific Strategy* identifies China as the U.S.’s principal security threat in the Indo-Pacific ‘region.’⁷⁹ As if to remove any further doubt, former US Secretary of Defense James Mattis justified the renaming of US Pacific Command to US *Indo-Pacific* Command in his need to counter China’s activities beyond the Asia Pacific.⁸⁰

Further pursuant to Indo-Pacific consolidation as a security region is alignment between Australia, India, Japan, and the United States through the Quad. Put forward by all participating states as a mechanism for security dialogue and co-ordination between democratic powers, the Quad is, at its most fundamental, a vehicle to co-ordinate strategic visions and operations in the Indo-Pacific, particularly with respect to China as a strategic competitor.⁸¹ Viewed from Beijing as an inherently anti-Chinese institution, the Quad’s relevance depends on shared visions of security challenges in the Indo-Pacific and, as such, provides the concept with a further, China-centric security rationale.

79 U.S. Department Defence, *Indo-Pacific*, 7.

80 “INDOPACOM, it is: US Pacific Command Gets Renamed,” *Defence News*, May 30, 2018, <https://www.defensenews.com/news/your-military/2018/05/30/indo-pacom-it-is-pacific-command-gets-renamed/>.

81 Kai He and Mingjiang Li, “Understanding the Dynamics of the Indo-Pacific: US-China Strategic Competition, Regional Actors, and Beyond,” *International Affairs* 96, no. 1 (January 2020): 1-7.

COVID-19 AND THE QUAD 'PLUS' FORMULATION

In March 2020, the four Indo-Pacific proponent states held the first meeting of the Quad 'Plus,' an expanded form of the existing Quad mechanism including representatives from New Zealand, South Korea, and Vietnam. Instigated by the United States Deputy Secretary of State, the Quad 'Plus' mechanism brought together key 'Indo-Pacific' states to discuss their respective approaches to pandemic response and mitigation.⁸² For India, in particular, the Quad 'Plus' was evidence of an Indo-Pacific alignment between regional likeminded states.

For FOIP advocates, the Quad 'Plus' is evidence that the concept has become operational and more appealing to states previously opposed to an Indo-Pacific geographic realignment, like New Zealand. Vietnam's inclusion, in particular, is seen as a sign that non-democratic states are willing to align under the FOIP concept on issues of non-traditional security. For those hoping the FOIP concept can become an inclusive, comprehensive mechanism for co-operation between states, the Quad 'Plus' is arguably the first tangible proof that such engagement is possible beyond the original FOIP states.

There are many reasons, however, to question whether the Quad 'Plus' mechanism is, in fact, evidence of a broader regional buy-in to the FOIP concept.

First, there is no indication, even among the FOIP states, that the Quad 'Plus' mechanism is actually a FOIP-related institution. Indeed, while India was one of the loudest proponents of Quad 'Plus' dialogue, its own Ministry of External Affairs (MEA) studiously avoided linking the new institution with the existing Quad and/or any reference to a FOIP concept. Rather, the MEA has classified the meeting as a 'telephonic conference call' to enable better co-ordination between Asian states' pandemic responses.⁸³

Second, the Quad 'Plus' remains a distinctly Asia Pacific construct in that it only includes states from East and Southeast Asia and Oceania. As with many of FOIP's underlying structural ideas, the MENA and SSA regions are not represented. Moreover, none of the additional state participants have publicly embraced an Indo-Pacific geographic realignment and/or aligned with an existing FOIP model. Indeed, New Zealand, South Korea, and Vietnam remain steadfastly 'Asian Pacific' nations, with the notable exception of Vietnam's participation in the 2019 *ASEAN Outlook on the Indo-Pacific*, which prioritized Southeast Asian centrality.

Third, and perhaps most importantly, rather than becoming a mechanism where states can share their success stories around pandemic mitigation, two of the FOIP proponent states – India and the United States – are now two of the most affected countries in the world, having failed to control COVID-19's spread among their domestic populations. Far from demonstrating leadership through the Quad 'Plus,' these original FOIP proponents have instead become models of inefficiency. This lack of suitable leadership around pandemic response and mitigation will likely render the new Quad 'Plus' grouping irrelevant.

⁸² Rajeswari Pillai Rajagopalan, 'Towards a Quad-Plus Arrangement,' *Observer Research Foundation*, 7 May 2020, <https://www.orfonline.org/research/towards-a-quad-plus-arrangement-65674/>

⁸³ Government of India, 'Foreign Secretary's Conference Call with counterparts from Indo-Pacific Countries,' Ministry of External Affairs, 20 March 2020, <https://mea.gov.in/press-releases.htm?dtl/32592/Foreign+Secretarys+Conference+Call+with+counterparts+from+IndoPacific+Countries>

ECONOMIC SECURITY AS AN INTER-REGIONAL CHALLENGE

If the framing of China as a trans-regional challenger provided a strategic rationale for an Indo-Pacific ideal, states' concerns over direct threats to their economic interests in the Indian and Pacific Oceans provided a tactical-level push for inter-regional consolidation.

As early as 2007, the Abe administration identified Japan's need to secure its trade routes in the Indian and Pacific Oceans as a primary rationale for its 'confluence of two seas' into an Indo-Pacific geographic area.⁸⁴ Indeed, Japan's concern over its energy dependency on the Middle East and its subsequent need to secure Indian and Pacific SLOCs was, and remains, a principal driver of its Indo-Pacific conceptualization.⁸⁵ So, too, has Tokyo identified its desire to establish economic linkages between Japan, Africa, and the Middle East for trade and investment and its need to secure such linkages as a critical component of its Indo-Pacific formulation. In linking its foreign economic security priorities with a unified Indo-Pacific vision, Tokyo has been able to pursue maritime security relations with states as far afield as Djibouti (where it has established a base for anti-piracy) without having to address its constitutional restraints against overseas military deployments.⁸⁶

Economic security was also front and centre in Australia's earliest conceptions of the Indo-Pacific. The Australian Department of Defence's 2016 *White Paper*, for instance, identified economic

84 Ministry of Foreign Affairs of Japan, "Confluence of the Two Seas," speech by Prime Minister Shinzo Abe, August 22, 2007, <https://www.mofa.go.jp/region/asia-paci/pm0708/speech-2.html>.

85 Kei Koga, "Japan's 'Indo-Pacific' Question: Countering China or Shaping a New Regional Order?" *International Affairs* 96, no. 1 (January 2020): 49-73.

86 Ra Mason, "Djibouti and Beyond: Japan's First Post-War Overseas Base and Recalibration of Risk in Security Enhanced Military Capabilities," *Asian Security*, (September 2017): 339-357.

stability and prosperity in the Indo-Pacific as its primary strategic consideration in the country's strategic outlook, particularly with respect to the Indo-Pacific's 'changing nature' and the need for Australia to realize its full economic potential through engagement.⁸⁷ Indeed, central to Australia's Indo-Pacific 'vision' is its full economic integration in the super-region and the concurrent development of a military means, with a particular focus on naval power, to ensure its northern sea lanes of communication through the Indian and Pacific Oceans. Australia has operationalized its Indo-Pacific construct through close co-ordination with the Indian, Japanese, and U.S. defence forces in and around the Indian Ocean, South China Sea, and Pacific Oceans, focusing on anti-piracy, humanitarian assistance and disaster response (HADR), and combined training and exercises.⁸⁸

Prime Minister Modi also identified India's economic security as central to his vision of an Indo-Pacific, albeit one with a clear centre of gravity in Southeast Asia.⁸⁹ To ensure the security of its economic interests in the Indo-Pacific, whether in the form of energy access or international shipping, India has reached out primarily to France to conduct joint naval patrols and to secure access to bases in Djibouti, the UAE, and French Réunion.⁹⁰ More than any other Asian state, India has also prioritized the development of economic and energy security relations with states in the Middle East and Africa, including the UAE and Saudi Arabia, under the umbrella of its Indo-Pacific strategy.

87 Australian Government, "Defence," 14.

88 Tom Abke, "Australia Increases Military Activity in Indo-Pacific," *Indo-Pacific Defence Forum*, June 17, 2019, <https://ipdefenseforum.com/australia-increases-military-activity-in-indo-pacific/>.

89 Vinay Kaura, "Securing India's Economic and Security Interests in the Indo-Pacific," *Indian Journal of Asian Affairs* 31, no.1/2 (June-December 2018): 37-52.

90 Rajeswari Pillai Rajagopalan, "A New India-France Alliance?" *The Diplomat*, September 3, 2019, <https://thediplomat.com/2019/09/a-new-india-france-alliance/>.

Economic security, shared prosperity, and economic freedom also feature prominently in U.S. statements on the Indo-Pacific, albeit often as an afterthought or retroactive justification to its strategic intentions in the region. As with Japan, Australia, and India, the United States sees a clear economic necessity in keeping the SLOCs between the Middle East and Asia secure and has dedicated military assets, platforms, and bases in the Middle East, Africa, South Asia, Southeast Asia, and East Asia to the purpose. Indeed, as noted above, the US Pacific Command specifically changed its name, and its geographic combatant command, to counter China and to ensure U.S. and U.S. allies' and partners' economic interests throughout the region.

NORMATIVE UNDERPINNINGS

The need to protect democratic values and a rules based order (RBO) featured prominently in the proponent states' earliest arguments for an Indo-Pacific geographic region. At first inextricably woven into the states' broader economic and security rationales, particularly with respect to China's inherent threat to regional and international order and institutions, these normative concepts increased in prominence as proponent states' leadership sought to expand the Indo-Pacific appeal to Asian sub-regions like Southeast Asia and to integrate the Indo-Pacific ideal into existing regional governance and financial institutions like ASEAN and the World Bank. The democratic rationale, in particular, has become both a mantra for preserving the Indo-Pacific's 'order,' for co-operation between proponent states, and for democratic promotion across Asia, Africa, and the Middle East.

DEMOCRATIC ORDER, CO-OPERATION, AND EXPANSION

Among the ideological rationales the proponent states have used to justify an Indo-Pacific geographic construct, democracy has pride of place. With the notable exception of India, the states' earliest Indo-Pacific frameworks included the contention that democracy in Asia, Africa, and the Middle East was in 'retreat' and that concerted efforts from the region's largest (wealthiest) democracies were essential to bolster democracy across the super-region. For the proponent states, democracy in the Indo-Pacific was both a rallying cry and a means to advance multilateralism, whether in the form of Prime Minister Abe's 'democratic security diamond,' a 'concert of democracies,' or a democratically-oriented 'Quad.'

There are, however, important distinctions within the proponent states' treatment of democracy as a unifying value for the Indo-Pacific. Japan, for example, primarily references democracy in relation to Indo-Pacific governance, or the RBO (on which more is written below), Indo-Pacific security co-operation, and China's illiberalism. Abe's earliest references to democracy and Indo-Pacific unity, for instance, were made with respect to international institutions, particularly liberal economic institutions, and the need to preserve democracy for the sake of inter-regional stability.⁹¹ The Abe administration also referenced democracy to champion security multilateralism, specifically appealing to democratic values as the basis for enhanced defence co-operation between Japan, Australia, India, and the United States in the Indo-Pacific. The Abe administration also formulated and championed the democratic security diamond and advanced the democratic Quad as early as 2007 as components in a values-based foreign policy to balance

⁹¹ Jeff M. Smith eds., *Asia's Quest For Balance: China's Rise and Balancing in the Indo-Pacific* (New York: Rowman & Littlefield, 2018), 237.

China in the Indo-Pacific.⁹² Democracy, therefore, was an important strategic tool for the Abe administration to establish Japan as a regional leader across the Indo-Pacific.⁹³

Australia also identified democracy as a unifying force for its view of the Indo-Pacific, matching Japan in its stated preference for formal and informal democratic alliances to ensure the Indo-Pacific order. Australia's 2017 *Foreign Policy White Paper*, for instance, outlines a values-based approach to the country's view of the Indo-Pacific, highlighting the importance of shared democratic norms in its bilateral and 'plurilateral' relations with India, Japan, and the United States.⁹⁴ In contrast to Tokyo, however, Canberra does not limit itself with democratic alignment at the systems level, but also advocates democratic promotion across the Indo-Pacific as a means to consolidate the region around its shared values and to undo China's 'autocracy' gains in Southeast and South Asia, in particular.⁹⁵

The United States, too, has used democratic preservation, democratic promotion, and democratic values as cornerstones of its Indo-Pacific ideal. More than Japan and Australia, however, the U.S. has linked democracy in the region with 'Western' values and, at least in some instances, with Christianity.⁹⁶ In 2019, the US Department of State's influential Director of Planning defined the U.S. commitment to democracy in terms of a regional 'clash

92 Christopher W. Hughes, *Japan's Foreign and Security Policy Under the 'Abe Doctrine': New Dynamism or New Dead End?* (London: Springer, 2015).

93 Giulio Pugliese, "Kantei Diplomacy? Japan's Hybrid Leadership in Foreign and Security Policy," *The Pacific Review* (July 2016): 152-168.

94 Australian Government, *Foreign Policy White Paper* (Canberra: DFAT, 2017), <https://www.dfat.gov.au/sites/default/files/2017-foreign-policy-white-paper.pdf>.

95 Lavina Lee, "Democracy Promotion: ANZUS and the Free and Open Indo-Pacific Strategy," The United States Studies Centre (website), July 2019, <https://apo.org.au/node/246826>.

96 U.S. Department of State, "A Foreign Policy from the Founding," A speech of Secretary of State Michael R. Pompeo, May 11, 2019, <https://www.state.gov/remarks-at-the-claremont-institute-40th-anniversary-gala-a-foreign-policy-from-the-founding/>.

of civilizations’ with China, which he identified as outside the ‘Western (democratic) family.’⁹⁷ More than the other proponent states, therefore, the U.S. employs democratic values as a strategic tool in the Indo-Pacific, creating a clear dichotomy between those in the U.S.-led ‘democratic’ camp, such as Australia, Japan, South Korea, and India, and those outside it, primarily China. This strategic use of democracy to facilitate regional alliance networks in Asia, while pronounced under the Trump administration, is in line with past U.S. approaches to the region, which sought to use ‘American’ values to challenge China’s regional influence and to pressure Asian states to undertake domestic governance reforms.⁹⁸

India, conversely, has assiduously avoided referencing democracy in any way other than in passing with respect to the Indo-Pacific, despite the other proponent states’ nearly limitless analytical pieces identifying India as a democratic champion. Prime Minister Modi mentioned democracy just twice in his 2018 inaugural Indo-Pacific address and has avoided raising democracy in subsequent discussions of the Indo-Pacific.⁹⁹ Neither has India expressed interest in being a part of a Japanese-led democratic security diamond, or a concert of democracies, with a purposeful aim of countering China.¹⁰⁰ Rather, India has eschewed democratic promotion and a values-based foreign policy for a more inclusive Indo-Pacific account that seeks to accommodate China where necessary and where so doing advances India’s own strategic

97 Steven Ward, “Because China isn’t ‘Caucasian,’ the U.S. is Planning for a ‘Clash of Civilizations.’ That could be Dangerous,” *The Washington Post’s Monkey Cage*, May 4, 2019, <https://www.washingtonpost.com/politics/2019/05/04/because-china-isnt-caucasian-us-is-planning-clash-civilizations-that-could-be-dangerous/>.

98 Michael Green and Daniel Twining, “Democracy and American Grand Strategy in Asia: The Realist Principles Behind an Enduring Idealism,” *Contemporary Southeast Asia* 30, no. 1 (April 2008): 1-28.

99 Alyssa Ayres, *Our Time Has Come: How India is Making Its Place in the World* (New York: Oxford University Press, 2018), 152, 228.

100 Rohan Mukherjee, “Looking West, Acting East: India’s Indo-Pacific Strategy,” *Southeast Asian Affairs* (April 2019): 43-51.

objectives.¹⁰¹ Where India has employed ideation in its Indo-Pacific view, it has prioritized its non-aligned and developing country identity, on which more is written below.

RULES BASED ORDER

The proponent states' shared belief that China's activities and growing influence in the Indian and Pacific Oceans challenge the RBO – used here as shorthand for normative institutions including the rule of law, transparency, openness, high-quality rules for trade, investment, and infrastructure development, and non-coercion between states – is one of the most fundamental, yet one of the most nebulous, conditions for an Indo-Pacific ideal. The RBO's essentialness comes from its centrality in all the proponent states' earliest Indo-Pacific constructs, both as a corollary to democratic promotion and as a stand-alone ideal. The RBO's ubiquity within the states' respective Indo-Pacific rationales, however, has the secondary effect of rendering it a somewhat vague ideal, as leadership statements almost always reference the RBO as a singular entity without clarifying what they see as its constituent parts.

The Abe administration's commitment to the RBO, for instance, was both with respect to the postwar U.S.-led institutional architecture in Asia – through which, it argued, all Asian states have benefited – and with respect to a new Japan-led order based on inter-regional economic, political, and security coalitions.¹⁰² While seemingly

101 Sujan R. Chinoy, "India Must Negotiate Growing Chinese Presence in Indo-Pacific Region," *The Indian Express*, December 17, 2019, <https://indianexpress.com/article/opinion/columns/navigating-the-indo-pacific-6170525/>.

102 Kei Koga, "Japan's 'Indo-Pacific' Question: Countering China or Shaping a New Regional Order?" *International Affairs* 96, no. 1 (January 2020): 49-73.

two different systems, Japan's Indo-Pacific vision is predicated on their ultimate unification, both conceptually and operationally. Central to this belief is that the RBO is a pliable enough concept that Japan can both support it and change it without undermining its usefulness as a unifying ideal and its effectiveness in providing a shared foundation for state relations. The Abe administration sought to achieve this balance through close co-ordination with the U.S. and through 'mini-lateralism' agreements with states including India and Australia and regional institutions including ASEAN.¹⁰³

The RBO is also central to Australia's Indo-Pacific construct, particularly with respect to the country's strategic regional view. Australia's 2016 *Defence White Paper*, for instance, references the RBO 56 times in relation to the Indo-Pacific region, going so far as to identify the defence of the RBO as one of three core strategic interests within Australian defense strategy.¹⁰⁴ As with Japan, Australian defence and foreign policy analysts isolate China's increasing economic and political clout as the principal threat to an Indo-Pacific RBO, but, in contrast to Tokyo, see the challenge in primarily security terms. For Canberra, China's greatest threat to the Indo-Pacific's RBO is around maritime security, freedom of navigation and overflight, and to the existing regional security order.¹⁰⁵ In its 2017 *Foreign Policy White Paper*, Australian policy analysts further identified defence of the RBO in national security terms, arguing the need for closer co-operation with the U.S. and other 'likeminded partners' to achieve its security ends.¹⁰⁶

103 Bhubhindar Singh and Sarah Teo, "Minilateralism in the Indo-Pacific: The Quadrilateral Security Dialogue, Lancang-Mekong Cooperation Mechanism, and ASEAN" (London: Routledge, 2020).

104 Australian Government, "Defence," 70.

105 Nick Bisley and Benjamin Schreer, "Australia and the Rules-Based Order in Asia: Of Principles and Pragmatism," *Asian Survey* 58, no. 2 (April 2018): 307.

106 Australian Government, "Defence," 83.

For the Trump administration, the need to ‘protect’ the RBO from Chinese ‘revisionism’ is at the heart of its Indo-Pacific vision.¹⁰⁷ Yet Washington’s treatment of the RBO is significantly different from the other proponent states in that it is closely related to the U.S.’s national identity as the predominant power in the Asia Pacific, Africa, and the Middle East and as the sole provider of regional public goods. One sees this most clearly in the Trump administration’s equation of the international ‘liberal’ RBO with U.S. leadership in the Indo-Pacific, two seemingly distinct concepts that its senior diplomatic and military leaders use interchangeably. Inextricably linked to the RBO in the Indo-Pacific is the Trump administration’s belief that the U.S. military must maintain a forward presence in the Indian and Pacific Oceans through basing, must develop multilateral security alliances throughout the region, such as the Quad, and must expand its bilateral security relations with states throughout the Asia Pacific, in particular.¹⁰⁸ The U.S. vision of an RBO in the Indo-Pacific is, therefore, heavily dependent on U.S. military force, with the clear understanding that U.S. military ‘leadership’ is a stabilizing force whereas China’s ‘influence’ is inherently detrimental to regional institutions and values.¹⁰⁹

Prime Minister Modi has also referenced India’s commitment to an RBO as a key rationale for his adoption of an Indo-Pacific geographic region, albeit with a decidedly different view of what constitutes the RBO. Rather than accept an existing RBO and a consequential need to ‘defend’ the RBO status quo, Modi has argued for the need to develop, through dialogue, an inclusive RBO in the Indo-Pacific, one based on values including non-interference,

107 Michael Auslin, “Security in the Indo-Pacific Commons: Toward a Regional Strategy,” *American Enterprise Institute’s Research Report*, December 1, 2020, https://www.jstor.org/stable/resrep03103?turn_away=true.

108 U.S. Department of Defence, *Indo-Pacific*, 15.

109 William Tow, “Minilateral Security’s Relevance to US Strategy in the Indo-Pacific: Challenges and Prospects,” *The Pacific Review* 32, no. 2 (May 2018): 232-244.

respect for sovereignty, consensus, and state equality.¹¹⁰ More in line with regional norms including the ASEAN Way, the Five Principles of Peaceful Coexistence, or *Panchsheel*, Modi's reference to the RBO in the Indo-Pacific differs from the Australian, Japanese, and American interpretations as it includes China (and Russia) as part of the RBO and focuses on its evolutionary quality, rather than its established institutions, as its inherent value.¹¹¹

FROM THE INDO-PACIFIC TO THE FREE AND OPEN INDO-PACIFIC

Whereas Australia, India, Japan, and the United States constructed the Indo-Pacific region to reflect their individual economic, strategic, and normative interests across the Indian and Pacific Ocean regions, they developed their respective Free and Open Indo-Pacific concepts to provide their 'regional' activities with a singular strategic rationale and a unifying strategic narrative. Drafted in line with their distinct Indo-Pacific geographic ideals and national interests, these FOIP strategies are essentially domestic policy statements, outlining, among other issues, national-level ends, ways, and means.

Over the past several years, however, the proponent states have sought to leverage their respective strategies to effect foreign economic and security policy alignment, mostly with reference to Indo-Pacific's normative foundations. Proponent state leaders

110 Ministry of External Affairs of India, "Prime Minister's Keynote Address at Shangri La Dialogue," June 1, 2018, <https://mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>.

111 Lynn Kuok, "Order from Chaos: Negotiating the Indo-Pacific Security Landscape," *Brookings Commentary*, June 8, 2018, <https://www.brookings.edu/blog/order-from-chaos/2018/06/08/negotiating-the-indo-pacific-security-landscape-what-the-shangri-la-dialogue-tells-us/>.

now regularly reference the ‘free’ and ‘open’ Indo-Pacific in joint statements urging co-operation, co-ordination, and communication under the FOIP framework with proponent and non-proponent states alike. In addition to its strategic vision, therefore, FOIP has become a state-sponsored mantra of sorts, gaining in value as it ostensibly represents a more ‘liberal’ approach to international relations that China’s ‘illiberal’ BRI.¹¹²

112 James D. J. Brown, “Promoting Japan’s Answer to China’s Belt and Road,” *Nikkei Asian Review*, April 25, 2019, <https://asia.nikkei.com/Opinion/Promoting-Japan-s-answer-to-China-s-Belt-and-Road>.



WHAT'S IN A FOIP?

In its simplest form, the various FOIP concepts within the Asia Pacific serve common purposes: to formulate a strategic vision of Asia order; to articulate the importance of a ‘rules based order’ (or a strategic status quo); to advocate democratic values across the Indo-Pacific region; and, to facilitate co-operation between FOIP advocate states and other ‘likeminded’ states. The various FOIP interpretations also share the qualities of being operational statements about how states will achieve their strategic goals within the Indo-Pacific, being vision statements about states’ respective hierarchies of priorities, and a call to arms for regional states’ conceptual buy-in and support. In this sense, FOIP concepts are Asian states’ manifestos as to how they view the region, how they view their place in the region, how they want the region to develop, and which states they seek to partner with to achieve their goals.

As strategic statements, each states’ FOIP concept articulates its purposed ends, ways, and means.¹¹³ Analysis of each FOIP concept’s ends, ways, and means – at least those publicly available

¹¹³ Used in line with standard definitions, ends, ways, and means describe a strategy’s objectives, courses of actions, and supporting resources, respectively.

– is possible through textual analysis of leadership statements, policy documents, and, in some cases, informed commentary. The following section employs this methodological approach to ‘map’ each states’ FOIP strategy, thereby providing an analysis of the state’s objectives, courses of action, and supporting resources. Through this approach, it then becomes possible to determine whether the state’s FOIP strategy is strategically balanced (between ends, ways, and means) and to compare the states’ respective FOIP interpretations.

In addition to examining the proponent states’ FOIP strategies, the following section also considers the Indo-Pacific ‘concepts’ from ASEAN and Indonesia, two regional actors that have articulated their own understanding of and approach to the Indo-Pacific. While less committed to the Indo-Pacific geographic area than the proponent states, and less formal in their FOIP strategic approach, understanding alternative views around the Indo-Pacific and FOIP is critical for Canada as its leadership determines the applicability of the Indo-Pacific geographic area and the FOIP strategy for its own Asia Pacific approach.

JAPAN

Of the proponent states, Japan is the most active, both with respect to its FOIP strategy (which Tokyo now calls a ‘vision’) and its FOIP propagation. Indeed, since Prime Minister Abe first announced Japan’s FOIP vision in Kenya in 2016, the strategy has been central to Japan’s foreign policy approach to the Asia Pacific and Indian

Ocean area, providing a central narrative for the country's unilateral and multilateral economic and security activities.¹¹⁴

Furthermore, the Government of Japan (GoJ) has been actively promoting Japan's FOIP as an alternative to China's BRI; one based on rule of law, openness, transparency, and (a recent addition) inclusiveness. For Tokyo, FOIP therefore serves the dual purpose of a strategic plan and a marketing-type ideal to demonstrate Japan's liberalism, altruism, and progressivism to the rest of Asia.¹¹⁵

Further relevant to discussion of its objectives (ends) was the Abe administration's use of FOIP to demonstrate Japan's commitment to Asia's liberal order. In his 2013 "Japan is Back" speech, for instance, Abe noted that Japan's foreign policy priorities were establishing Japan as a 'rule promoter' in the Indo-Pacific and a 'guardian of the global commons.'¹¹⁶ Foreign Minister Tarō Kōno reiterated these objectives in a 2018 speech to Japan's Diet, adding that Japan sought to use FOIP to 'increase Japan's influence' and to enhance Japan's 'comprehensive diplomatic capabilities.'¹¹⁷

More specifically, the Abe administration identified the promotion and establishment of rule of law, freedom of navigation, and free trade, the pursuit of economic prosperity, and the commitment of peace and stability as FOIP's primary objectives.¹¹⁸ The GoJ has also identified FOIP as a mechanism to consolidate the Indo-

114 Ministry of Foreign Affairs of Japan, *Diplomatic Bluebook 2019*, Tokyo: Ministry of Foreign Affairs, 2019), <https://www.mofa.go.jp/policy/other/bluebook/2019/html/chapter1/c0102.html#sf01>.

115 Brown, "Promoting,"

116 Ministry of Foreign Affairs of Japan, "Japan is Back," a speech by Prime Minister Shinzo Abe, February 22, 2013, https://www.mofa.go.jp/announce/pm/abe/us_20130222en.html.

117 Japanese Ministry of Foreign Affairs, "Foreign Policy Speech by Foreign Minister Kono to the 196th Session of the Diet," January 22, 2018, https://www.mofa.go.jp/fp/unp_a/page3e_000816.html.

118 Ministry of Foreign Affairs of Japan, "Towards Free and Open Indo-Pacific," November 2016, <https://www.mofa.go.jp/files/000407643.pdf>.

Pacific geographic area's 'two oceans' and 'two continents' so as to formalize the region as an 'international public good.'¹¹⁹

Lastly, the Abe administration identified the strengthening of its alliance relations with the U.S., the expansion of its partnerships with 'likeminded' states like Australia and India, and the deepening of its economic ties with states in Africa and the Middle East as specific FOIP objectives.¹²⁰ To accomplish its objectives, the Abe administration established relations with states throughout the Indo-Pacific region and as far afield as the United Kingdom and the European Union. All managed in accordance with the FOIP's three thematic areas – governance, economics, and security – these relationships are both informal (such as the Canada-Japan relationship) and formal (such as the Japan-U.S. alliance).¹²¹

With respect to governance, the GoJ has argued that FOIP can serve as a unifying body to support the international rule of law, to ensure freedom of navigation within the Indo-Pacific region, and to advance free trade: what Prime Minister Abe called 'fundamental principles' of Asian order.¹²² To support these goals, the GoJ has called for greater Japanese involvement in high-level diplomacy, maritime safety and security, and legal system development. The GoJ has identified activities including its support for maritime security training and awareness development in Palau, the Philippines, and Vietnam, maritime resource protection in the Marshall Islands, Micronesia, and Palau, forest conservation in the

119 Ministry of Foreign Affairs of Japan, "Towards," <https://www.mofa.go.jp/files/000407643.pdf>.

120 Ministry of Foreign Affairs of Japan, *Diplomatic Bluebook 2017* (Tokyo, 2017), <https://www.mofa.go.jp/policy/other/bluebook/2017/html/chapter1/c0102.html#sf03>.

121 Ministry of Foreign Affairs of Japan, "Foreign Policy Speech by Foreign Minister Motegi to the 201st Session of the Diet," January 20, 2020, https://www.mofa.go.jp/fp/pp/page3e_001153.html.

122 Ministry of Foreign Affairs of Japan, "Free and Open Indo-Pacific," May 20, 2019, https://www.mofa.go.jp/policy/page25e_000278.html.

Mekong region, and human resource development in Sri Lanka, Myanmar, Vietnam, and Timor-Leste as specific FOIP-related operations.

With regard to economics, the GoJ has classified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as a FOIP institution that provides ‘high-level’ trade rules for the Indo-Pacific, although there is no indication that CPTPP member states share this classification. As with China’s BRI, Japan has also prioritized the development of infrastructure and trade corridors in the Mekong region and Africa as central to its FOIP vision, particularly with respect to roads, ports, and rail. The Japanese Ministry of Foreign Affairs has also identified the development of Kenya’s Mombasa port, the establishment of a Delhi-Mumbai Corridor and a Mumbai-Ahmedabad high-speed railway, and the formation of a Bay of Bengal Industrial Growth Belt (BIG-B) as key FOIP projects.¹²³

With respect to security, the GoJ has identified FOIP as its primary vehicle – both conceptually and operationally – for ensuring ‘peace and prosperity’ throughout the Indo-Pacific region. Central to this vision is Japan’s ‘two-ocean’ approach to maritime security through which it seeks to secure the SLOCs between Africa, the Middle East, and Asia. Within the Asia Pacific region, Japan has sought to operationalize this approach to FOIP maritime security by providing patrol vessels, high-speed boats, and radar monitoring equipment to states like the Philippines. The GoJ has also worked with Asian states such as Bangladesh, the Maldives, and Pakistan on law enforcement and counterterrorism training and with states including Nepal and institutions such as ASEAN on disaster risk reduction.

¹²³ Ministry of Foreign Affairs of Japan, “Free,” <https://www.mofa.go.jp/files/000430632.pdf>.

Japan has also used FOIP to deepen its defence relations with other FOIP proponent states. Japan has used FOIP to expand joint training and joint operations with Australia, for instance, in the South Pacific and South China Sea, mostly with respect to maritime awareness, maritime security, and humanitarian assistance and disaster response (HADR).¹²⁴ With India, Japan has used the FOIP concept to established ministerial-level ‘2+2’ security dialogues, where Tokyo and New Delhi discuss regional security issues including China’s rise, North Korea’s nuclear program, and cybersecurity, among other issues.¹²⁵ Japan has also used its FOIP concept to press for security co-operation under the Quad, which includes all the FOIP proponent states in a ‘concert of democracies.’

Most importantly, however, is Japan’s use of FOIP to deepen its security and alliance relations with the United States, even at a time when the GoJ is concerned that the Trump administration’s ‘America First’ doctrine is undermining the two states’ traditional defence relations.¹²⁶ Under the FOIP banner, Tokyo and Washington have committed, for instance, to enhance their defence relations on maritime security, cybersecurity, energy security and access (SLOC security), HADR, and disaster risk reduction.¹²⁷

124 Thomas Wilkins, “Defending a Rules-Based Regional Order: Australia and Japan’s “Free and Open Indo-Pacific,” *ISPI Commentary*, April 15, 2019, <https://www.ispionline.it/en/pubbliazione/defending-rules-based-regional-order-australia-and-japans-free-and-open-indo-pacific-22861>.

125 Kazuto Suzuki, “Japan-India Security Cooperation: Asian Giants to Expand Their Relations to Space,” *Financial Express*, July 8, 2019, <https://www.financialexpress.com/defence/japan-india-security-cooperation-asian-giants-expand-relations-space/1636322/>.

126 Tomohiko Taniguchi, “Japan: A Stabilizer for the U.S.-Led System in a New Era,” *Asia Policy* 14, no. 1 (January 2019): 172-176.

127 White House, “President Donald J. Trump and Prime Minister Shinzo Abe Are Working Together to Maintain a Free and Open Indo-Pacific,” September 28, 2018, <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-and-prime-minister-shinzo-abe-are-working-together-to-maintain-a-free-and-open-indo-pacific/>.

AUSTRALIA

While Australian analysts have integrated the Indo-Pacific geographic concept into the country's foreign and security policy planning, Canberra has stopped short of publishing a FOIP strategy, unlike Tokyo and Washington. The closest its strategic planners have come to a formal statement on FOIP is, arguably, its 2017 *Foreign Policy White Paper*, which identified Australia's objectives in the Indo-Pacific as the pursuance of 'opportunity, security, and strength' through an 'outward looking' foreign policy, and its 2020 *Defense Strategic Update*, which articulated an Australian view of the Indo-Pacific predicated on great power competition and countering Chinese 'assertiveness'.¹²⁸ Australia is unique among the proponent states in this respect. The country's leadership has clearly adopted an Indo-Pacific geographic referent point.¹²⁹ Prime Minister Morrison also regularly endorses the other proponent states' FOIP concepts and pledges Australian co-operation and co-ordination under the FOIP framework.¹³⁰ At the time of writing, however, the Government of Australia (GoA) has not articulated a strategic FOIP concept to support its official strategic vision.

Australian policy analysts have identified Canberra's lack of an official FOIP strategy as short sighted and have argued the need for an updated defence white paper to address this strategic 'deficiency'.¹³¹ Some Australian academics have further questioned

128 Australian Government, "2017 Foreign," 1; Australian Department of Defense, *2020 Defense Strategic Update* (Canberra: Department of Defense, 2020), https://www.defence.gov.au/StrategicUpdate-2020/docs/2020_Defence_Strategic_Update.pdf

129 Australian Ministry of Foreign Affairs, "Launch of Rory Medcalf Book: Contest for the Indo-Pacific-Why China Won't Map the Future," March 3, 2020, <https://www.foreignminister.gov.au/minister/marise-payne/speech/launch-rory-medcalf-book-contest-indo-pacific-why-china-wont-map-future>.

130 "Japan and Australia Vow to Cooperate on Indo-Pacific Vision," *The Japan Times*, August 26, 2019, <https://www.japantimes.co.jp/news/2019/08/26/national/politics-diplomacy/japan-australia-vow-cooperate-indo-pacific-vision/#.Xt-0xUVKjD4>.

131 Peter Jennings, "Do We Need Another Defence White Paper, And What Should It Say?" *The Strategist*, February 26, 2019, <https://www.aspistrategist.org.au/do-we-need-another-defence-white-paper-and-what-should-it-say/>.

the relevance of the country's Indo-Pacific vision if the vision does not lead to a corresponding strategic realignment.¹³² While Canberra could certainly provide more clarity around its view of FOIP, to say the GoA has not developed a FOIP-related strategy is to ignore its most recent strategic statements. Australia's 2016 *Defence White Paper*, its 2017 *Foreign Policy White Paper*, and its 2020 *Defense Strategic Update* outline strategic views that are 'FOIP' concepts in all but name, particularly when viewed together with GoA leadership statements on Australia's adherence to FOIP as a unifying concept.

In its 2016 *Defence White Paper*, for instance, Australian defence analysts identify the country's strategic objectives in the Indo-Pacific in similar terms to those Tokyo and Washington use in their FOIP concepts, mainly the maintenance of a regional RBO, the deepening of alliance relationships (particularly with the United States), and the response to traditional and non-traditional security threats throughout the region.¹³³ Similarly, its 2017 *Foreign Policy White Paper* describes Australia's Indo-Pacific objectives as being the promotion of an open, inclusive, and prosperous Indo-Pacific region, the pursuance of a regional RBO, and the expansion of its regional partnerships, especially with the U.S.¹³⁴ More specifically, the *Foreign Policy White Paper* called for Australia to develop a 'strength through openness' approach to prioritized free trade in Asia, a 'building influence' approach to managing its diplomatic engagement throughout the region, and a 'flexible and competitive economy' approach to economic development and engagement.¹³⁵

132 Brendan Taylor, "Is Australia's Indo-Pacific Strategy an Illusion?" *International Affairs* 96, no. 1 (January 2020): 95-109.

133 Australian Government, *Defence*, 16.

134 Australian Government, "Foreign," 3.

135 Australian Government, *Foreign Policy White Paper* (Canberra: Department of Foreign Affairs and Trade, 2017), <https://www.fpwhitepaper.gov.au/foreign-policy-white-paper/chapter-one-foundations-success>.

Importantly, Australia took pains to stress its approach to the Indo-Pacific included deepening and maintaining ties with China, understanding that Australia directly benefited from its bilateral relations with Beijing and from regional stability that was predicated on China's regional inclusion and, ultimately, its successful regional integration.

Adding further clarification to its strategic objectives, Prime Minister Morrison directly linked Australia's strategic Indo-Pacific vision to the idea of a 'free' and 'open' Indo-Pacific in a 2019 speech titled "Where We Live."¹³⁶ In the speech, Morrison defined Australia's objectives in the Indo-Pacific as being the pursuance of open markets, the support of the regional rules based order and rule of law, the commitment to burden-sharing, and the propagation of Indo-Pacific's existing architecture. In the same year, Morrison further linked Australia's Indo-Pacific vision with the U.S. FOIP approach. In doing so, Morrison broke with the 2017 *Foreign Policy White Paper's* inclusive approach to China in the Indo-Pacific in favour of a far more confrontational, inherently anti-Chinese version of the FOIP concept.¹³⁷

Australia's strategic alignment with the U.S. FOIP vision was even more pronounced in Canberra's 2020 *Defense Strategic Update*, which identified China's determination to develop Indo-Pacific influence, its 'gray zone' activities, and great power competition as the driving factors behind the super-region's strategic

136 Scott Morrison, "Address to Asialink "Where We Live," *Asialink*, June 26, 2019, <https://asialink.unimelb.edu.au/stories/australia-and-the-indo-pacific-an-address-by-prime-minister-scott-morrison>.

137 Graeme Dobell, "Australia- US/East Asia Relations: Scott Morrison, Donald Trump, and the Indo-Pacific," *Comparative Connections* 21, no. 2 (2019): 123-134.

environment.¹³⁸ In the accompanying *2020 Force Structure Plan*, Canberra identified an approach to ensuring Australia's national defence in line with this strategic environment predicated on greater interoperability, engagement, and training with the United States.¹³⁹ As if to erase any question around Australia's alignment with the U.S. FOIP vision, PM Morrison gave an interview to Australia's *Financial Review*, where he outlined the 'Morrison Doctrine' of regional military co-operation to 'manage' China.¹⁴⁰

Whereas Canberra's official FOIP strategic position remains somewhat ambiguous, its FOIP-supporting activities, or courses of action, are less so. Since publication of its 2017 *White Paper*, for instance, Australian officials have been proactively working with other proponent states to establish economic, defence, and democratic institutions to advance its national security and national interests in the Indo-Pacific. Indeed, Australia's Department of Foreign Affairs and Trade (DFAT) has identified the promotion of a stable and prosperous Indo-Pacific as its first foreign policy priority and has outlined an approach to achieve this end predicated on expanded Australian-U.S. ties, managed Australian-Chinese relations, developed Australia-Southeast and South Asia relations, effective maritime security, and deepened regional interconnectedness.¹⁴¹ Taken together, DFAT's approach to Australian-Indo-Pacific foreign relations is conceptually in line with

138 Australian Department of Defense, *2020 Defense Strategic Update* (Canberra: Department of Defense 2020), https://www.defence.gov.au/StrategicUpdate-2020/docs/2020_Defence_Strategic_Update.pdf

139 Australian Department of Defense, *2020 Force Structure Plan* (Canberra: Department of Defense 2020), https://www.defence.gov.au/StrategicUpdate-2020/docs/2020_Force_Structure_Plan.pdf

140 Financial Review, 'Managing China now requires regional alignment,' *Financial Review*, 31 August 2020, <https://www.afr.com/policy/foreign-affairs/managing-china-now-requires-regional-alignment-20200827-p55q15>

141 Australian Government, *DFAT Annual Report 2018-19* (Canberra: Department of Foreign Affairs and Trade, 2019), <https://www.dfat.gov.au/about-us/publications/corporate/annual-reports/Pages/department-of-foreign-affairs-and-trade-annual-report-2018-19.aspx/annual-report-2018-19/home/section-2/promote-a-stable-and-prosperous-indo-pacific/index.html>.

other proponent states' FOIP strategies. Viewed separately, one sees Australia's Indo-Pacific operations as dependent on and in accordance with existing FOIP strategies.

For Canberra, Australian-U.S. relations are at the heart of its Indo-Pacific approach and often justified in terms of FOIP alignment. In 2019, for example, Prime Minister Morrison called on the United States to remain engaged in the Indo-Pacific to ensure the region's openness and freedom whilst also pledging Australia's support for U.S. activities in the region for '100 years.'¹⁴² Operationally, Morrison's call for engagement has resulted in closer defence relations and finance co-operation between Australia and the United States as well as more robust multilateral engagement between Australia, the United States, and the other proponent states, outlined in more detail below.

On defence relations, Australia worked with the US Marines in the Indian Ocean region through its Indo-Pacific Endeavour program – Canberra's 'defence diplomacy' approach to the Indo-Pacific – and through the Talisman Sabre military exercise, which since 2019 has been focused on operations and challenges in the Indo-Pacific theater.¹⁴³ The Australian Navy has also been proactive in co-ordinating with the United States Navy in the South China Sea, most notably dispatching an Australian frigate to conduct joint patrols with three U.S. warships in 2020.¹⁴⁴ In 2018, Canberra and Washington agreed to establish a joint naval base in Papua New

142 White House, "Remarks by President Trump and Prime Minister Morrison of Australia in Joint Press Conference," September 20, 2019, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-prime-minister-morrison-australia-joint-press-conference/>.

143 U.S. Department of State, "U.S. Security Cooperation with Australia," December 2, 2019, <https://www.state.gov/u-s-security-cooperation-with-australia/#:~:text=Australia%20is%20also%20one%20of,projects%20for%20government%20end%2Duse>.

144 "Australia Joins U.S. Ships in South China Sea Amid Rising Tension," *Reuters*, April 21, 2020, <https://www.reuters.com/article/us-china-security-malaysia/australia-joins-u-s-ships-in-south-china-sea-amid-rising-tension-idUSKCN2240FS>.

Guinea, with the stated purpose of ensuring security in the Indo-Pacific, in line with the Trump administration's FOIP priorities.¹⁴⁵ The two states have further agreed to work on regional information sharing and maritime security, counterterrorism and transnational crime, and HADR in the Indo-Pacific, with the Morrison administration pledging more Australian burden-sharing in support of the U.S.-led FOIP strategy.¹⁴⁶

On economics, Australia is also part of the tri-lateral Partnership for Infrastructure Investment in the Indo-Pacific, a financial and development institution Tokyo and Washington both clearly identify as a FOIP institution intended to counterbalance China's BRI investment across the Indo-Pacific region.¹⁴⁷ In 2018, the Morrison and Trump administrations also agreed to establish the Australia-U.S. Strategic Partnership on Energy in the Indo-Pacific, through which the two countries could co-ordinate on energy policies, energy security, and research and development.¹⁴⁸

In addition to its alliance relations with the U.S., Australia has also been actively deepening its relations with Japan under that country's FOIP strategy. In 2018, for instance, the two states signed a general sharing of military information agreement that allowed them to work more closely together in the Indo-Pacific on intelligence collection and analysis. Through a ministerial-level '2+2' dialogue mechanism, Canberra and Tokyo are also negotiating a Reciprocal Access Agreement (RAA), which analysts argue will be

145 "Joint US-Australian Naval Base on Manus Island a 'Significant Pushback' Against China's Pacific Ambitions," *ABC News*, November 17, 2018, <https://www.abc.net.au/news/2018-11-18/us-pushes-further-into-pacific-with-png-manus-naval-base-deal/10508354>.

146 Office of Prime Minister of Australia, "A Speech by Prime Minister Robert McCormick," September 23, 2019, <https://www.pm.gov.au/media/chicago-council-global-affairs>.

147 Roland Rajah, "Mobilizing the Indo-Pacific Infrastructure Response to China's Belt and Road Initiative in Southeast Asia," *Brookings' Foreign Policy*, April 2020, https://www.brookings.edu/wp-content/uploads/2020/04/FP_20200429_mobilize_compete_rajah.pdf.

148 Clara Gillispie, "U.S.- Australia Energy Cooperation in the Indo-Pacific," NBR's Commentary, January 10, 2020, <https://www.nbr.org/publication/u-s-australia-energy-cooperation-in-the-indo-pacific/>.

similar to a status of forces agreement. The RAA's intent is to allow greater security co-ordination between Australia and Japan across the Indo-Pacific theater.¹⁴⁹ With respect to economic ties, Canberra and Tokyo have deepened their economic co-operation in the Pacific region, allocating nearly US\$3 billion in extra official development assistance (ODA) funding to the 2016 Australia-Japan Strategy for Cooperation in the Pacific initiative in what analysts have labelled an Australian-Japanese 'Pacific Pivot' within the Indo-Pacific.¹⁵⁰

Canberra has pursued similar defence and economics relations with India, a country Australian analysts identified as of 'first order' importance to its strategic interests in the Indo-Pacific in its 2017 *Foreign Policy White Paper*. On defence, the two states have established the annual naval joint exercise, AUSINDEX, in response to their shared strategic assessment that the Indian Ocean has become a 'contested region,' due primarily to China's capacities and activities in the region.¹⁵¹ As with Japan, Canberra has also established a ministerial-level '2+2' mechanism to discuss and co-ordinate security and foreign policy issues in the Indo-Pacific. On economics, the GoA published an *India Economic Strategy Through 2035* document in 2018 predicated on the belief that the two countries share a common view of the Indo-Pacific's strategic environment, including the understanding that the United States' predominance in the Indo-Pacific is waning while China's influences is growing.¹⁵²

149 Michael Macarthur Bosak, "Blazing the Way Forward in Japan-Australia Security Ties," *The Japan Times*, April 15, 2019, <https://www.japantimes.co.jp/opinion/2019/04/15/commentary/japan-commentary/blazing-way-forward-japan-australia-security-ties/#.XuFMFOVKjD4>.

150 Thomas Wilkins, "Defending a Rules-Based Regional Order: Australia and Japan's Free and Open Indo-Pacific," *ISPI Commentary*, April 15, 2019, <https://www.ispionline.it/it/pubbliazione/defending-rules-based-regional-order-australia-and-japans-free-and-open-indo-pacific-22861>.

151 Grant Wyeth, "With AUSINDEX, Australia and India Team Up," *The Diplomat*, March 30, 2019, <https://thediplomat.com/2019/03/with-ausindex-australia-and-india-team-up/>.

152 Australian Department of Foreign Affairs and Trade, *An India Economic Strategy to 2035: Navigating From Potential to Delivery* (Barton ACT, 2018), <https://www.dfat.gov.au/geo/india/ies/introduction.html>.

In addition to its bilateral relations with the other proponent states, Australia has embraced the Quad not only as an Indo-Pacific security dialogue mechanism but as an ‘important part of [Australia’s] regional diplomacy,’ according to DFAT Secretary Frances Adamson.¹⁵³ In 2019, the Morrison administration upgraded Australia’s involvement in the Quad to the ministerial level in a move Morrison hopes will further ‘cement’ the dialogue mechanism.¹⁵⁴ While the GoA insists its involvement in the Quad is not aimed at any single country, other FOIP proponent states’ openly identify the Quad as a FOIP-supporting institution with the primary purpose of balancing China’s influence in the Indo-Pacific. Australian scholars and analysts have pointed to this inherent contradiction between intent and purpose as evidence of Canberra’s FOIP alignment, even in the absence of a formal FOIP strategy.¹⁵⁵

INDIA

Indian strategic thinkers have long viewed the Indian and Pacific Oceans as intrinsically linked through trade, migration, and security issues. Indian strategic scholarship, for instance, regularly references the Middle East and East Africa as ‘west’ Asia, implying a natural geographic affinity between states such as Oman and Madagascar and ‘east’ Asian states such as Malaysia and Indonesia.¹⁵⁶ From this perspective, the idea of an Indo-Pacific

153 Australian Government, “Shaping Australia’s Role in Indo-Pacific Security in the Next Decade,” October 2, 2018, <https://www.dfat.gov.au/news/speeches/Pages/shaping-australias-role-in-indo-pacific-security-in-the-next-decade>.

154 Lowy Institute, “The 2019 Lowy Lecture: Prime Minister Scott Morrison,” October 4, 2019, <https://www.lowyinstitute.org/publications/2019-lowy-lecture-prime-minister-scott-morrison>.

155 Iain Henry, “Finally, Some Plain Talk on the Quad,” *The Interpreter*, October 25, 2019, <https://www.lowyinstitute.org/the-interpreter/finally-some-plain-talk-quad>.

156 Anwar Alam, *India, Global Powers, and West Asia: Political and Economic Dynamics* (New Delhi: New Century Publications, 2011).

geographic region aligns closely with the way New Delhi has long viewed the world and its place within it.

In 2018, Prime Minister Modi outlined India's strategic approach to the Indo-Pacific in a keynote address to the Shangri-La Dialogue.¹⁵⁷ While Western analysts, in particular, praised Modi's speech as evidence that India had moved closer to the U.S. and Japanese positions on FOIP, Modi's actual comments pointed to an independent approach to the Indo-Pacific based not on alignment, but on India's unique national interests and strategic perspective.

Rather than a FOIP concept, Modi outlined a 'FOIIP' concept, highlighting the importance of a 'free,' 'open,' and 'inclusive' Indo-Pacific as opposed to one that excluded regional or extra-regional states and actors. Modi specifically referenced Russia, for instance, as part of the Indo-Pacific – in direct contrast to U.S. accounts of Russia as a 'revisionist power' – and argued the need for accommodation of interests instead of competition.¹⁵⁸ Modi also argued for increased connectivity in the Indo-Pacific, both between the proponent states and other non-democratic states, including China. Indeed, Modi specifically included China in its Indo-Pacific construct, ostensibly (though not practically) rejecting the idea of China as a disruptive actor.¹⁵⁹

Building on Modi's speech, the Government of India (GoI) has developed a further geographic view of the Indo-Pacific that

157 Ministry of India, "Prime Minister's Keynote Address at Shangri La Dialogue," June 01, 2018, <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Key-note+Address+at+Shangri+La+Dialogue+June+01+2018>.

158 Rahul Roy-Chaudhury, "Modi spells out free, open, inclusive Indo-Pacific policy," International Institute for Strategic Studies (blog), August 7, 2018, <https://www.iiss.org/blogs/analysis/2018/08/modi-free-open-inclusive>.

159 "India and the Indo-Pacific Balance at Shangri-La," *Hindustan Times*, June 5, 2018, <https://www.hindustantimes.com/opinion/india-and-the-indo-pacific-balance-at-shangri-la/story-VrHEb6pndYMNk2YpKDcfvM.html>.

includes Africa and the Middle East and that prioritizes the development and deepening of India's ties across both regions, including with states the U.S. sees as strategic rivalries, such as Iran.¹⁶⁰ While the GoI has publicly stated that Southeast Asia is the centre of gravity in its Indo-Pacific vision, its prioritization of relationship building and connectivity development with Indian Ocean region states is further evidence that India's FOIIP concept is based on its national priorities and is not simply an imitation of the other proponent states' strategies.¹⁶¹

This is not to suggest, however, that India's view of the Indo-Pacific differs entirely from those of the other FOIP proponent states, particularly with reference to China's activities in the Indo-Pacific. Inherent in India's approach to FOIIP participation is its view that the concept provides an invaluable framework for ideational and operational balance against China's BRI, which it has long viewed as inimical to its interests in the Indo-Pacific.¹⁶² Indeed, following Modi's initial attempt to differentiate India's Indo-Pacific vision from Japan's and the United States' more assertive strategies, the GoI's FOIIP approach has gradually become more aligned with the other proponent states, particularly due to New Delhi's strategic concerns over China. The reality that India is more in line with FOIP than with its own self-proclaimed FOIIP has led some Indian analysts to argue its approach to the Indo-Pacific is inherently contradictory and, as such, that it lacks strategic coherence.¹⁶³

160 "Iran Could Derail Trump's Indo-Pacific," *Hindustan Times*, January 3, 2020, <https://www.hindustantimes.com/columns/opinion-iran-could-derail-trump-s-indo-pacific-strategy/story-t4fkNOPOQ82H8UehWkWRYYN.html>.

161 Ministry of External Affairs of India, "India's Concept of Indo-Pacific is Inclusive and Across Oceans," November 8, 2019, <https://mea.gov.in/articles-in-indian-media.htm?dtl/32015/India-concept-of-IndoPacific-is-inclusive-and-across-oceans>.

162 Ministry of External Affairs of India, "The Significance of the Indo-Pacific Region in India's Foreign Policy," September 18, 2019, <https://mea.gov.in/distinguished-lectures-detail.htm?854>.

163 Rajesh Rajagopalan, "Evasive Balancing: India's Unviable Indo-Pacific Strategy," *International Affairs* 96, no. 1 (2020): 75-93.

Its coherence aside, India has worked to operationalize its Indo-Pacific vision in ways that align with the other proponent states. Central to its approach is the Modi government's 'Act East' and 'Act West' concepts, both of which seek to advance Indian influence across the Indo-Pacific.¹⁶⁴ Through its Act East policy, the Modi government has expanded security consultation ties with Australia and Japan through 2+2 dialogue mechanisms, as noted above.¹⁶⁵ In addition, the GoI has further developed its bilateral security ties with the United States. In 2019, India and the U.S. established their first ever joint tri-service exercise, *Tiger Triumph*, and signed a mutual support logistics agreement that allows the Indian Navy access to U.S. bases throughout the Indo-Pacific region.¹⁶⁶

India has also prioritized engagement with ASEAN and ASEAN member states in its Act East outreach, establishing numerous security agreements with states including Indonesia (with which it has a Shared Vision Statement on the Indo-Pacific), Malaysia (to which it has sold a submarine), and Singapore (with which it has signed a logistics support agreement).¹⁶⁷ India has also held defence-related exercises with ASEAN Plus states around de-mining and peacekeeping.

India has also been active in expanding its defence relations through its Act West approach. The Indian Navy, for instance, has conducted joint patrols with the French Navy around France's Reunion Island. It has also participated in large-scale joint naval exercises with

164 Vinay Kaura, "Incorporating Indo-Pacific and the Quadrilateral into India's Strategic Outlook," *Maritime Affairs: Journal of the National Maritime Foundation of India* 15, no. 2 (2019): 78-102.

165 Ministry of External Affairs of India, "Shared Vision of India-Indonesia Maritime Cooperation in the Indo-Pacific," May 30, 2018, <https://www.mea.gov.in/bilateral-documents.htm?dtl/29933>.

166 Saurabh Todi, "India Gets Serious About the Indo-Pacific," *The Diplomat*, December 18, 2019, <https://thediplomat.com/2019/12/india-gets-serious-about-the-indo-pacific/>.

167 Saurabh, "India." <https://thediplomat.com/2019/12/india-gets-serious-about-the-indo-pacific/>.

Australia in the Bay of Bengal, anti-submarine training with the U.S. around Diego Garcia, and a ‘group’ sail with Japan, the United States, and the Philippines in the Indian Ocean.¹⁶⁸

India has also expanded its diplomatic and economic ties with Gulf States through its Act West program, often breaking with other FOIP states in its approach to the region. Prime Minister Modi has travelled to Palestine to demonstrate India’s support for the Palestinians, for example, has rejected the Trump administration’s assertion that Jerusalem is Israel’s capital city, and has refused to participate in the U.S.-led attempt to isolate Iran.¹⁶⁹ Under Modi, India has further developed its strategic and economic ties with Oman and the United Arab Emirates (UAE), both critical states for India’s operational outreach in the Indian Ocean.

While such strategic autonomy arguably serves Indian interests well, it has exposed the Modi government to criticism from outside analysts who view India as the FOIP concept’s ‘weakest link,’ particularly with respect to the Quad, toward which it maintains ambiguous participation.¹⁷⁰ Such criticisms, arguably, say more about the FOIP’s regional appeal and the concept’s ability to take all states’ interests into account than they do about Indian foreign policy. That the Modi government has internalized the Indo-Pacific into India’s contemporary strategic thinking clearly does not mean it has wholeheartedly embraced strategic partnership

168 Abhijit Singh, “All out at sea: on India’s engagements in the Indian Ocean,” *Observer Research Foundation Commentaries*, May 16, 2019, <https://www.orfonline.org/research/all-out-at-sea-on-indias-engagements-in-the-indian-ocean-50901/>.

169 Manoj Joshi, “Success of Modi’s ‘Act West’ policy opens doors to Gulf potential,” *Observer Research Foundation Commentaries*, February 16, 2018, <https://www.orfonline.org/research/success-modi-act-west-policy-opens-doors-gulf-potential/>.

170 Derek Grossman, “India is the Weakest Link in the Quad,” *Foreign Policy*, July 23, 2018, <https://foreignpolicy.com/2018/07/23/india-is-the-weakest-link-in-the-quad/>.

with Australia, Japan, and the United States over its other foreign relations. Rather, there are clear components of the FOIP vision that India is willing to adhere to when and where doing so advances its strategic interests.

THE UNITED STATES

The United States government (USG) has internalized its FOIP concept to the extent that nearly all of what Washington does, or wants to do, in the Indo-Pacific is filtered through its strategic lens.¹⁷¹ Whether with respect to balancing China, expanding defence relations, furthering U.S. economic interests, or promoting democracy – all U.S. strategic ends in the Indo-Pacific – the Trump administration has cast these efforts as part of a FOIP grand strategy.¹⁷² To catalogue the FOIP's strategic ends is, therefore, to inventory the United States' objectives in the Indo-Pacific. The end result of such alignment is that the FOIP concept is both ubiquitous within U.S. policy statements on the Indo-Pacific and diluted to the point that its merit as a strategic concept is questionable.¹⁷³

The concept's value aside, one does gain important insight into U.S. Indo-Pacific objectives through a review of the Trump administration's official FOIP statements. Indeed, the Trump administration has used documents such as the 2017 *National Security Strategy*, the 2018 *National Defense Strategy*, the 2019 *Indo-*

171 Congressional Research Service, "The Trump Administration's "Free and Open Indo-Pacific": Issues for Congress," October 3, 2018, <https://crsreports.congress.gov/product/pdf/R/R45396>.

172 U.S. Department of State, "A Free and Open Indo-Pacific: Advancing A Shared Vision," November 3, 2019, <https://www.state.gov/a-free-and-open-indo-pacific-advancing-a-shared-vision/>.

173 Gregory B. Polling, "For Lack of a Strategy: The Free and Open Indo-Pacific," *War on the Rocks*, November 13, 2019, <https://warontherocks.com/2019/11/for-lack-of-a-strategy-the-free-and-open-indo-pacific/>.

Pacific Strategy, and the 2019 *Free and Open Indo-Pacific Shared Vision* document, as well as numerous leadership statements, to outline a broad set of FOIP objectives toward the Indo-Pacific. Roughly speaking, one can divide these objectives into defence, economic, and governance types.

On defence, the USG has prioritized military preparedness, partnerships, and promotion of a networked region within its FOIP strategic outlook.¹⁷⁴ Predicated on its existing alliance network and ongoing military partnerships, the Trump administration seeks to use its appeal to a ‘free’ and ‘open’ Indo-Pacific to further solidify U.S. military predominance in Asia through formal partnerships, technology transfers, and joint exercises that allow for greater interoperability. The Trump administration is also using the FOIP framework to push its allies and partners to ‘burden-share’ in the form of cost-sharing, active defence, and U.S. weapons systems purchases.¹⁷⁵ As with other proponent states, the Trump administration has further prioritized maritime security – or security of the common domains – in its FOIP strategy.

On economics, the Trump administration has identified FOIP’s objectives as being the propagation of private sector-led economic growth in the Indo-Pacific and the provision of a regional alternative to China’s economic coercion.¹⁷⁶ Further, in 2018, Secretary of State Mike Pompeo identified the U.S.’s FOIP economic objectives as the “fair and reciprocal trade, open investment

174 U.S. Department of Defence, “Indo-Pacific.” <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>

175 Lindsey Ford and James Goldgeier, “Who are America’s Allies and are They Paying Their Fair Share of Defence?” *Brookings’ Policy 2020* (blog), December 17, 2019, <https://www.brookings.edu/policy2020/votervital/who-are-americas-allies-and-are-they-paying-their-fair-share-of-defense/>.

176 USAID, “USAID’s Strategic Approach to Advancing America’s Vision for a Free and Open Indo-Pacific,” February 2020, https://www.usaid.gov/sites/default/files/documents/1861/Strategic-Approach-Indo-Pacific-Vision_Feb2020.pdf.

environments, transparent agreements between nations, and improved connectivity to drive regional ties.”¹⁷⁷ Somewhat ironically, the Trump administration has borrowed heavily from the CPTPP framework (from which it withdrew early in Trump’s tenure) to articulate the precise nature of its FOIP-related economic engagement, which includes the strengthening of international trade agreements, the protection of intellectual property rights, the establishment of international labour standards, and the reduction of trade barriers, among other priorities.¹⁷⁸

On governance, the Trump administration has outlined a set of objectives in the Indo-Pacific including support for democratic development, civil society, transparency and accountability, and freedom of expression – all conditions for governance ostensibly reflecting U.S. values.¹⁷⁹ Central to this set of objectives is the Trump administration’s stated intent to ‘push back’ against the China ‘model’ of illiberalism and revisionism in the Indo-Pacific.¹⁸⁰

Operationally, the USG has recast its alliance relations in Asia, particularly with Australia and Japan, as components of its FOIP approach, thereby using the strategy as a justification for security alignment.¹⁸¹ Washington also uses the FOIP concept as operational shorthand for its broader security relations with its security ‘partners,’ such as Malaysia and Indonesia, and with reference to the

177 U.S. Mission to ASEAN, “Secretary Pompeo Remarks on America’s Indo-Pacific Economic Vision,” July 30, 2020, <https://asean.usmission.gov/sec-pompeo-remarks-on-americas-indo-pacific-economic-vision/>.

178 Lindsey Ford, “The Trump Administration and the ‘Free and Open Indo-Pacific,’” *Brookings’ Foreign Policy*, May 2020, https://www.brookings.edu/wp-content/uploads/2020/05/fp_20200505_free_open_indo_pacific.pdf.

179 U.S. Department of State, “Indo-Pacific Transparency Initiative,” Fact Sheet, November 3, 2019, <https://www.state.gov/indo-pacific-transparency-initiative/>.

180 U.S. Senate Armed Services Committee, “Blunting China’s Illiberal Order: The Vital Role of Congress in U.S. Strategic Competition with China,” a statement by Ely Rather, January 29, 2019, https://www.armed-services.senate.gov/imo/media/doc/Ratner_01-29-19.pdf.

181 Congressional Research Service, “The U.S. - Japan Alliance,” June 13, 2019, <https://crsreports.congress.gov/product/pdf/RL/RL33740/23>.

Indo-Pacific’s ‘security architecture,’ in which the USG sees the U.S. as the regional lynchpin. Indeed, in 2018, the Trump administration established the Asia Reassurance Initiative Act (ARIA) as a way to ensure continued U.S. ‘leadership’ in the Indo-Pacific, which it argued was necessary for regional security and prosperity.¹⁸² The USG also now identifies long-standing multilateral military exercises such as the Rim of the Pacific (RIMPAC) and newly-established exercises such as the ASEAN-U.S. Maritime Exercise as part of its FOIP architecture.¹⁸³ Similarly, U.S. leadership classifies nearly all of its defence exchanges with Australia, India, and Japan – whether through the Quad, multilaterally, or bilaterally – as outcomes of its FOIP vision and approach.¹⁸⁴

On maritime security, in particular, the U.S. has used its FOIP strategy to recast its operations and relations as stabilizing activities undertaken to ensure regional order. The US Navy now classifies its freedom of navigation operations (FONOPs) in the South China Sea – particularly those undertaken with other proponent states – as critical components of the U.S. FOIP strategy.¹⁸⁵ Through the ARIA, the USG has also allotted US\$1.5 billion annually in security assistance training to its allies and security partner states to address issues including maritime shared awareness, maritime resource protection, maritime law enforcement, and anti-piracy.¹⁸⁶

182 U.S. Congress, “S.2736- Asia Reassurance Initiative Act of 2018,” December 31, 2018, <https://www.congress.gov/bill/115th-congress/senate-bill/2736/text>.

183 Jerry Harmer, “US Promotes Free and Open Indo-Pacific at Naval Exercise,” *Navy Times*, September 2, 2019, <https://www.navytimes.com/news/your-navy/2019/09/02/us-promotes-free-and-open-indo-pacific-at-naval-exercise/>.

184 Rahul Roy-Chaudhury and Kate Sullivan de Estrada, “India, the Indo-Pacific and the Quad,” *Survival: Global Politics and Strategy* 60, no.3 (2018): 181-194.

185 U.S. Pacific Fleet, “U.S. Navy, Royal Australian Navy Team up in the South China Sea,” April 21, 2020, <https://www.cpf.navy.mil/news.aspx/130600>.

186 Leigh Hartman, “Promoting Security Cooperation in the Indo-Pacific,” *Share America (blog)*, November 4, 2019, <https://share.america.gov/promoting-security-cooperation-in-indo-pacific/>.

With respect to its FOIP-supporting economic operations, the USG has established a number of new institutions, all of which its policy-makers have formulated and propagated as alternatives to China's BRI institutions.¹⁸⁷ In 2018, for example, Washington established the U.S. International Development Finance Corporation (DFC) through its BUILD Act to provide up to US\$60 billion in development finance to the Asia region. To support the DFC, the Trump administration established the Blue Dot initiative, which, with Australia's and Japan's support, it presents as an alternative to Chinese development aid and infrastructure development; an alternative meant to highlight a project's long-term quality and sustainability over its immediate utility.¹⁸⁸ The U.S. also established a memorandum of understanding (MoU) with Australia and Japan in 2018 around private sector investment with the distinct intention of proving a regional alternative to funding from 'state-directed initiatives that can leave developing countries worse off' or, more directly, Chinese-originating funding.¹⁸⁹

With respect to FOIP governance institutions, the Trump administration established the Indo-Pacific Transparency Initiative in 2018 to provide direct capacity building support to states throughout the Indo-Pacific.¹⁹⁰ An initiative run from the Vice President's office, the Transparency Initiative funds over 200 projects through the Indo-Pacific with a specific focus on institutional strengthening and rule of law. The Trump administration has also allocated nominal funding through the

187 Congressional Research Service, "The Trump Administration's "Free and Open Indo-Pacific": Issues for Congress," October 3, 2018, <https://crsreports.congress.gov/product/pdf/R/R45396>.

188 U.S. Department of State, "A Free."

189 U.S. International Development Finance Corporation, "US, Japan, Australia Sign First Trilateral Agreement on Development Finance Collaboration." November 12, 2018, <https://www.dfc.gov/media/opic-press-releases/us-japan-australia-sign-first-trilateral-agreement-development-finance>.

190 U.S. Department of State, "Indo-Pacific Transparency Initiative," November 3, 2019, <https://www.state.gov/indo-pacific-transparency-initiative/>.

ARIA to promote ‘American values’ among Indo-Pacific states through youth exchanges, human rights support, and religious freedom, although the initiative remains primarily focused on security co-operation.¹⁹¹

191 Congressional Research Service, “The Asia Reassurance Initiative Act (ARIA) of 2018,” <https://fas.org/sgp/crs/row/IF11148.pdf>

CHINA IN THE US FOIP VISION

As demonstrated above, the proponent states share concerns over China's activities in the Indo-Pacific. The United States is unique, however, to the extent that it has infused its FOIP strategy with logic and activities aimed at countering China across the region.¹⁹² Whether one looks to policy or leadership statements as a starting point to understand the Trump administration's FOIP approach, one sees clear and continual reference to China as a threat throughout.¹⁹³

While Trump administration officials regularly deny that the U.S. FOIP vision is inherently anti-Chinese in nature, these same individuals consistently undermine their positions through bellicose, confrontational speeches on the China 'threat' in the Indo-Pacific and the U.S.'s need to prevent China's further rise.¹⁹⁴

Moreover, one can also see an inherent Chinese containment strategic logic in the U.S. operational approach to its FOIP vision.¹⁹⁵ On the military/security front, the United States uses the FOIP concept to rationalize its continued forward presence in the Pacific region, to justify its force projection in the South China Sea and Indian Ocean regions, and to persuade other regional states to align themselves with it to ensure regional stability across the Indo-Pacific, all under the pretext of 'shared values.'

Security co-operation with Japan, Australia, and India (among other 'like-minded' democracies) across the maritime realm to counter Chinese 'aggression,' in particular, has become a rallying cry among U.S. military and political leadership for bilateral and multilateral engagement under the FOIP strategic umbrella.¹⁹⁶

On the economic front, the United States has sought to establish itself through the FOIP concept as the 'anti-China' state, stressing the transparency and sustainability of its lending practices and the quality of its infrastructure projects in contrast to what it argues is Chinese 'debt trade diplomacy.'¹⁹⁷

192 White House, "United States Strategic Approach to the People's Republic of China," May 2020, <https://www.whitehouse.gov/wp-content/uploads/2020/05/U.S.-Strategic-Approach-to-The-Peoples-Republic-of-China-Report-5.20.20.pdf>.

193 Nathan Packard and Benjamin Jensen, "Washington Needs a Bold Rethink of Its China Strategy," *War on the Rocks Commentary*, June 9, 2020, <https://warontherocks.com/2020/06/Washington-needs-a-bold-rethink-of-its-China-strategy/>.

194 Mark Santora, "Pompeo Calls China's Ruling Party 'Central Threat of Our Times,'" *The New York Times*, January 30, 2020, <https://www.nytimes.com/2020/01/30/world/europe/pompeo-uk-china-huawei.html>; "China Threatens Pacific Stability, US Commander Warns, Citing 'Military Intimidation and Outright Corruption,'" *South China Morning Post*, February 13, 2020, <https://www.scmp.com/news/asia/australasia/article/3050435/china-threatens-pacific-stability-us-commander-warns-citing>.

195 Michael D. Swaine, "Creating an Unstable Asia: the U.S. 'Free and Open Indo-Pacific' Strategy," *Foreign Affairs*, March 2, 2018, <https://carnegieendowment.org/2018/03/02/creating-unstable-asia-u.s.-free-and-open-indo-pacific-strategy-pub-75720>.

196 USINDOPACOM, "China Power: Up for Debate," Testimony of U.S. Indo-Pacific Commander ADM Phil Davidson, November 29, 2018, <https://www.pacom.mil/Media/Speeches-Testimony/Article/1702301/china-power-up-for-debate/>.

197 Deborah Brautigam, "A Critical Look at Chinese 'Debt-Trap Diplomacy': the Rise of the Meme," *Area Development and Policy* 5, no.1 (2019): 1-14.

INDO-PACIFIC AND FOIP CONCERNS AND CONTROVERSIES

While regional polling shows an increased acceptance among Asian states, particularly in Southeast Asia, to the idea of an Indo-Pacific, the concept remains problematic within certain parts of Asia and among certain Asian states. More than 54 per cent of respondents to the *State of Southeast Asia 2020* poll, for instance, believe the Indo-Pacific concept is unclear and requires further clarification. More than 23 per cent of respondents also see the Indo-Pacific construct as being largely anti-Chinese in form and function, while 23 per cent believe it will result in the marginalization of ASEAN and Southeast Asian states within Asia.¹⁹⁸ This concern is particularly acute among states with close economic and political ties to China, such as Myanmar and Cambodia, but also extends to U.S. allies, including Thailand and the Philippines.

Neither has the concept taken root in Oceania, where Pacific Island states are seeing their already marginalized position increasingly the result of Australian strategic realignment toward the Indian Ocean. Indeed, South Pacific nations are arguably the most salient example that the Indo-Pacific is not an entirely inclusive project and that, for some states, geographic realignment undermines their existing position within the more established Asia Pacific construct.¹⁹⁹

China, too, is concerned about the proponent states' shared intention to 'balance' its activities in the Indo-Pacific through their respective FOIP constructs. Less critical of the Indo-Pacific concept than it was of the U.S. 'rebalance' to Asia – perhaps because Beijing

198 ASEAN Studies Centre, *The State of Southeast Asia: 2020 Survey Report* (Singapore: 2020), https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2020.pdf.

199 Brendan Sargeant, "The place of the Pacific islands in the Indo-Pacific," *The Strategist*, July 9, 2019, <https://www.aspistrategist.org.au/the-place-of-the-pacific-islands-in-the-indo-pacific/>.

remains unconvinced of its strategic staying power – Chinese leadership has nevertheless identified FOIP as an exclusionary, antagonistic, and destabilizing anti-China strategy.²⁰⁰ Beijing is especially uncomfortable with the U.S. FOIP vision, which it considers a containment strategy in all but name. Chinese analysts, in particular, recognize the Trump administration’s FOIP strategy as a means to undermine China’s political, economic, and defence institutions at the domestic and national levels and, consequently, as a major source of potential conflict between China and the U.S.²⁰¹ Far from a uniquely Chinese interpretation of FOIP, some U.S. analysts have echoed this concern, noting the U.S. FOIP vision overly vilifies China and unnecessarily places the two countries on a path toward confrontation and/or conflict.²⁰² Many Asian states share this concern, as noted above, and see the U.S., not China, as the aggressor and its FOIP strategy as a destabilizing force.²⁰³

Neither is it clear that the proponent states’ respective Indo-Pacific visions and FOIP strategies adequately take Middle East and/or African countries perceptions, priorities, or relationships into account in their formulations and objectives. Indeed, the near total lack of commentary from East Africa and/or the Middle East about the Indo-Pacific concept raises some concern over whether those from the region share an Indo-Pacific ‘vision.’ Neither does it seem that all African states, in particular, share the same enthusiasm as Asian states for economic interconnectivity with respect to their

200 Feng Zhang, “China’s Curious Nonchalance Towards the Indo-Pacific,” *Survival* 61, no. 3 (May 2019): 187-212.

201 (Liang Li), “Goal, Essence and Root of America’s New Containment Strategy against China,” *Journal of Nantong University*, no. 2 (2020), <http://new.oversea.cnki.net/KCMS/detail/detail.aspx?dbcode=CJFQ&dbname=CJFDLAST2020&filename=NTSX202002006&v=MDg2NzVUcldN-MUZyQ1VSN3FmWWVkb0ZpM21WcnJKS3puWWRyRzRITkhNclK5RllvUjhlWDFMdXhZUZdEaDF-UM3E=>

202 Chas W. Freeman, Jr., “The United States and a Resurgent Asia,” (personal blog), March 26, 2020, <https://chasfreeman.net/the-united-states-and-a-resurgent-asia/>.

203 Tang Siew Mun eds. *The State of Southeast Asia: 2020* (Singapore: ISEAS-Yusof Ishak Institute, 2020), https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2020.pdf.

national priorities around developing internal consumption, intra-trade, and a skilled workforce.²⁰⁴ Indeed, some African policy-makers have raised concern over Asian states' economic involvement in their economics; a concern that is likely to grow in response to the proponent states' prioritization of African market penetration in their economic development plans.²⁰⁵ Japan, to its credit, seems to have taken notice of this imbalance within its Indo-Pacific vision and pledged greater inclusivity in its future engagements.²⁰⁶ So, too, has China demonstrated itself a responsible actor in Africa, despite the myriad of Western media suggesting it is engaged in 'neo-colonial' practices.²⁰⁷

In almost mirror opposition, some in South and Southeast Asia and Oceania oppose the Indo-Pacific construct out of concern that developed Asian states (mainly Japan) will overlook Asia for Africa as a destination for overseas investment and manufacturing. Asia and Africa are both home to developing nations that rely on large, youthful populations to compete in labour-intensive, low-cost manufacturing, so there is little appetite within the region's developing states for increased extra-regional competition.²⁰⁸ Central Indo-Pacific initiatives like the Japan-Indian Asia Africa Growth Corridor (AAGC), which highlights the role developed Asian states can play in Africa's development, therefore, do not appeal

204 Ndubuisi Ekekwe, "Why Africa's Industrialization Won't Look Like China's," *Harvard Business Review*, September 4, 2019, <https://hbr.org/2019/09/why-africas-industrialization-wont-look-like-chinas>.

205 African Development Bank Group, *African Economic Outlook 2020*, January 30, 2020, <https://www.afdb.org/en/knowledge/publications/african-economic-outlook>.

206 Walter Sim, "Japan's Free and Open Indo-Pacific must be inclusive," *The Straits Times*, March 8, 2019, <https://www.straitstimes.com/asia/japans-free-and-open-indo-pacific-must-be-inclusive>.

207 Mehari Taddele Maru, "Why Africa loves China," *Aljazeera*, January 5, 2019, <https://www.aljazeera.com/indepth/opinion/africa-loves-china-190103121552367.html>.

208 Irene Yuan Sun, "The World's Next Great Manufacturing Centre," *Harvard Business Review* May-June (2017): 122-129, <https://hbr.org/2017/05/the-worlds-next-great-manufacturing-center>.

to governments and analysts alike in countries like Cambodia, Indonesia, Laos, Myanmar, the Philippines, and Vietnam.²⁰⁹

Neither has the Indo-Pacific concept translated into regional popular sentiment, but rather remains a narrative propagated by regional elites. As noted above, support for the Indo-Pacific concept among poll respondents remains remarkably low, with the primary concern being the concept's lack of clarity and the potential negative effects it might have on regional development and regional unity. As with all top-down initiatives, public opinion on the topic remains agnostic at best and resistant at worse.

Lastly, and perhaps most consequentially, a small number of analysts are calling into question the Indo-Pacific's relevancy as an organizational concept, arguing, rather, that the concept serves no obvious purpose other than promoting Asian exploitation of Africa's developing states and justifying interventionist activities abroad.²¹⁰ Analysts have also raised questions over the desirability of greater linkages between democracies like Australia, India, and Japan and authoritarian states like Ethiopia, Egypt, Saudi Arabia, and Sudan. Outside of Canberra, New Delhi, Tokyo, and Washington, there is also concern among regional states, particularly China and Russia, as to why the advanced Asian economies feel it necessary to engage in a 'concert of democracies' to 'secure' a region where multiple states have conflicting interests.²¹¹

209 Yuan Irene Sun, "The World's Next Factory Won't Be in South Asia," Bloomberg, October 5, 2019, <https://www.bloomberg.com/opinion/articles/2019-10-06/why-factories-leaving-china-aren-t-going-to-india>.

210 Michael D. Swaine, "Creating an Unstable Asia: the U.S. 'Free and Open Indo-Pacific' Strategy," *Foreign Affairs*, March 2, 2018, <https://carnegieendowment.org/2018/03/02/creating-unstable-asia-u.s.-free-and-open-indo-pacific-strategy-pub-75720>.

211 "Russia Doubles Down on Indo-Pacific Criticism, Raises Fear of 'Divisiveness,'" *The Wire*, January 17, 2020, <https://thewire.in/diplomacy/russia-indo-pacific-criticism-double-down>.



CANADA AND THE INDO-PACIFIC: WHERE IS THE RATIONALE?

For Canada, any discussion of proponent states’ Indo-Pacific and FOIP visions’ relevancy must consider the country’s national interests in the Indian and Pacific Oceans as well as the competing versions of FOIP within the Asia Pacific as a starting point. From this perspective, it then becomes possible to determine where and when it may make sense for Canada to reference the Indo-Pacific as a geographic construct and/or to align with a FOIP vision, using the country’s national interests as a baseline for analysis. Central to this approach is a cost/benefit analysis of the FOIP concept for Canada; an exercise that lends itself well to a policy discussion around how Ottawa might engage within the FOIP construct so as to maximize its national interest gains across the region.

ECONOMIC RATIONALE

As outlined above, the earliest accounts of the Indo-Pacific were rooted in economic terms. Japan and India, for instance, employed a clear economic logic to argue for Africa’s and the Middle East’s

inclusion in an Indo-Pacific super-region, noting the MENA's and SSA's potential consumer and energy markets in particular to justify the geographic redesign. Australia and the United States, conversely, predicated their Indo-Pacific visions on India's economic growth, SLOC maintenance in the Indian Ocean area, and energy security. While divergent in terms of priority, the proponent states' shared vision of economic interconnectivity between Asia, Africa, and the Middle East (both actual and potential) provided a basis for their respective Indo-Pacific visions.

Viewed from the perspective of its own economic relations and priorities, it is not clear that Canada shares the proponent states' economic priorities toward the Indo-Pacific. Canada does not, for instance, share Japan's and/or India's economic rationale for adoption of an Indo-Pacific geographic construct. Far from being dependent on energy imports from the MENA through the Asia Pacific as China, India, and Japan largely are, Canada enjoys a high degree of energy autarky, being the 6th largest global producer of energy, including oil, gas, and uranium, and otherwise receiving the majority of its energy imports from the United States. According to Natural Resources Canada, more than 89 per cent of the country's energy exports, primarily crude oil, liquefied natural gas (LNG), and uranium, go to the U.S.; an export pattern that indicates huge demand from the U.S. for Canadian natural resources.²¹² While it may be in Canada's national interest to diversify its energy trade to lessen its dependence on the U.S. market, the most immediate opportunities for such diversification are states like Japan and China, both of which are East Asian, not Indo-Pacific, states.

212 Government of Canada, "Energy Resources Canada," Natural Resource of Canada (website) last modified May 26, 2020, <https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-facts/energy-and-economy/20062>.

ENERGY AND INDIA: A LATENT CANADIAN INDO-PACIFIC ECONOMIC RATIONALE

While Canada, at present, does not have a clear economic rationale necessitating an Indo-Pacific realignment, further development of its energy sector and a corresponding ability to export oil and LNG to Asia would provide such a rationale. Should Canada's federal government and provincial leaders agree on construction of an 'Energy East'-type pipeline from Alberta's oil and gas fields to refineries on the country's East Coast, Canadian firms could substantially increase their energy exports to Asia through the Indian Ocean.

Among Canada's potential energy customers, India, in particular, stands as a great source of potential. The Modi government has prioritized energy diversification in its foreign and security policies, particularly away from dependency on the MENA region, and has already demonstrated its desire for Canadian oil and LNG. In 2013, Indian Oil signed an MoU with the Alberta Petroleum Marketing Commission for off take on the proposed Energy East Pipeline and, in 2014, Indian Oil Corporation invested US\$1 billion for a 10 per cent stake in the Progress Energy LNG project in British Columbia. Both opportunities have fallen through due to environmental and regulatory concerns.²¹³

While pipeline construction remains a challenge for a number of domestic reasons, not least the National Energy Board's greenhouse gas criteria, India remains a ready-made and eager energy consumer. In 2018, India imported 228.6 million tons of oil worth US\$120 billion with the U.S. exporting 6.9 million tons, an increase of 226 per cent year-on-year. Also, India is currently the world's 4th largest LNG importer, importing 21.7 million tons of LNG in fiscal year 2018/19, with the U.S. supplying five per cent of the LNG import market.

In the event Canada does start exporting energy to India through its Eastern Provinces, it would become more dependent on SLOCs in the Indian Ocean. In this instance, Ottawa would gain a material Indo-Pacific rationale, one it could best operationalize through co-operation with the adapter states (outlined in greater detail below).

Even viewed from the perspective of overseas Canadian energy assets, there is little rationale for Ottawa to adopt an Indo-Pacific viewpoint. Canadian firms have two times the amount of energy assets in South America (US\$9.2 billion) than in all of 'Asia'

²¹³ CBC, 'Indian Oil Corp. buys 10% of B.C. LNG project from Petronas,' *CBC*, 7 March 2014, <https://www.cbc.ca/news/business/indian-oil-corp-buys-10-of-b-c-lng-project-from-petronas-1.2564025>; Reid Southwick, 'India port project expects LNG supply from Canada,' *Calgary Herald*, 19 July 2017, <https://calgaryherald.com/business/energy/india-port-project-expects-lng-supply-from-canada>

(including the Middle East) and more than three times more than in Africa. Indeed, Canadian energy investment in the Middle East and Africa has actually been in decline since 2017 while investment in countries like the U.S., Germany, Mexico, and Colombia have increased.²¹⁴

Canada is not, therefore, dependent on maritime-based trade through the Indian Ocean for its economic development and growth. Canadian exports to the Middle East and North Africa, for instance, which consist almost entirely of agricultural goods and seafood, pass through the Atlantic Ocean and Mediterranean rather than the Pacific and Indian Oceans.²¹⁵ These export routes are far more direct and more secure than those in the Indian Ocean area, meaning there is no trade imperative for Canada to abandon its current geographic focus for an Indo-Pacific redesign. Indeed, Canada's current geographic orientation toward the MENA and SSA, seen in comparison to the proponent states' reliance on transit through the Indian Ocean area, is a strategic advantage.

Canada does, conversely, share the proponent states' view of India as a desirable economic partner. Ottawa has long prioritized the development of Canada-India economics relations; a prioritization that has taken on even greater urgency since the 2019 souring of Canada-China relations.²¹⁶ At first glance, there is ample room for growth in the Canada-Indian economic relationship, particularly if Ottawa allocates resources to support greater economic integration

214 Government of Canada, "Canadian Energy Assets," Natural Resources of Canada (website), last modified November 22, 2019, <https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-statistics-analysis/canadian-energy-assets/22397>.

215 Vanessa Hravtin, "Mapping Cargo Ship Routes Around the World," *Canadian Geographic*, May 2, 2016, <https://www.canadiangeographic.ca/article/mapping-cargo-ship-routes-around-world>.

216 Office of Prime Minister of Canada, "Backgrounder: Strengthening Canada India Commercial Relationship," February 20, 2018, <https://pm.gc.ca/en/news/backgrounders/2018/02/20/strengthening-canada-india-commercial-relationship>.

between the two states. As of 2018, for instance, Canada-India trade relations remained nominal, with Canada exporting just C\$3.7 billion in goods to India and receiving just C\$3.5 billion.²¹⁷ Further, Canada's investment in India between 2003 and 2020 totalled just C\$23 billion while Indian investment in Canada totalled C\$3.2 billion over the same period.²¹⁸ To put this amount into perspective, Canadian investment in China from 2003 to 2020 was C\$45 billion while Chinese investment in Canada totalled C\$73 billion. Canada is also home to a sizable Indian diaspora and Indian nationals now account for the largest foreign cohort of overseas students in Canada.

There is little to suggest, however, that Canada's future ties with India are dependent on Ottawa's adoption of an Indo-Pacific vision or a FOIP strategy. New Delhi has not indicated preferential treatment for states that align their foreign policy perspective to its own. Neither has Ottawa's 'Asia Pacific' approach to Asia hampered its ability to engage directly with India. Far from simplifying its relations with New Delhi, voluntarily overlaying its bilateral ties with the Indo-Pacific and/or FOIP concepts will add unnecessary complexity. Canada will do far better to advance its ties with India through a wholly informed bilateral approach; one that avoids the pitfalls associated with the Indo-Pacific ideal and FOIP concept.

217 The Observatory of Economic Complexity, "Canada and India Trade (Profile), 2018, accessed February 14, 2020, <https://oec.world/en/profile/bilateral-country/can/partner/ind>.

218 Asia Pacific Foundation of Canada, Investment Monitor 2019, accessed February 24, 2020, <https://investmentmonitor.ca/data-visualizer#visualizer-filters>.

SECURITY RATIONALE

In many ways, Canada shares the proponent states' security concerns around the Indo-Pacific geographic area and FOIP concept. Canada's Armed Forces (CAF) have been active throughout the 'Indo-Pacific' area for decades and Canada remains a contributor country to ongoing operations in Africa, the Middle East, and Asia. Indeed, as of 2020, the CAF is involved in seven multinational operations in Africa, six in the Middle East, and three in the Asia Pacific where it works with a diverse network of states and institutions ranging from the Tunisian Navy to the United Nations and North Atlantic Treaty Organization (NATO).²¹⁹ Within these operations, the CAF has prioritized non-traditional security, maritime security, and peacekeeping operations as well as joint training, joint exercises, and women, peace, and security (WPS).²²⁰ As such, Canada and the CAF remain deeply committed to contributing to security of the global commons, including across the Indian and Pacific Ocean theaters.²²¹

None of its security concerns or operations, however, are dependent on Ottawa's adoption of the Indo-Pacific geographic region or its adherence to a FOIP formulation. Non-traditional security is a global concern, not one confined to the Indo-Pacific, as Canadian security practitioners and analysts clearly understand.²²² Even

²¹⁹ Government of Canada, "Current Operations List," Department of National Defence (website), last modified May 7, 2020, <https://www.canada.ca/en/department-national-defence/services/operations/military-operations/current-operations/list.html>.

²²⁰ Government of Canada, "Canada Concludes Maritime Security and Counter-Terrorism Mission Having Seized Over 9,000 kg of Narcotics," Department of National Defence (website), May 30, 2019, <https://www.canada.ca/en/department-national-defence/news/2019/05/canada-concludes-maritime-security-and-counter-terrorism-mission-having-seized-over-9000-kg-of-narcotics.html>.

²²¹ Government of Canada, "Canada's Efforts to Promote International Peace and Security," Department of National Defence (website), last modified January 30, 2020, https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/peace_security-paix_securite/index.aspx?lang=eng.

²²² Government of Canada, "World Issues, Development Priorities," last modified July 8, 2019, https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/priorities-priorites/fiap_peace_security-paix_securite.aspx?lang=eng.

specific anti-piracy and anti-terrorism operations in the Gulf of Aden or SLOC security in the Indian Ocean do not require Ottawa to adopt an Indo-Pacific construct, particularly one predicated on exclusivity. Indeed, the Royal Canadian Navy (RCN) already undertakes such operations as part of several international coalitions, some of which co-ordinate with the Chinese Navy on tactical matters.²²³

Neither is it clear that Canada would benefit from security engagement through FOIP adoption. As noted above, the CAF already has multiple global partnerships, whether at the state level or within international institutions. None of these partnerships depend on Canada's Indo-Pacific and/or FOIP alignment and some, conversely, could be undermined if aligned with what many Asian states view as an anti-China coalition. Indeed, one need only examine the CAF's current approach to naval engagement in the Indian and Pacific Ocean regions to see the potential pitfalls around Canadian adoption of an Indo-Pacific and/or FOIP framework.

At present, the RCN is currently involved in a number of multinational naval coalitions in Asia, Africa, and the Middle East, most notably through Operations PROJECTION and ARTEMIS.²²⁴ Through these operations, the RCN has worked with states in the Asia Pacific, including Australia, Japan, the United States, Vietnam, and Fiji, and with Middle Eastern states, including Iraq, Saudi Arabia, and the UAE, to conduct combined maritime

223 Government of Canada, "Canada Increases Contribution to Multinational Counter-Terrorism Naval Task Force," News Release of the Department of National Defence, April 1, 2019, <https://www.canada.ca/en/department-national-defence/news/2019/04/canada-increases-contribution-to-multinational-counter-terrorism-naval-task-force.html>; Nadège Rolland ed., *Securing the Belt and Road Initiative: China's Evolving Military Engagement Along the Silk Roads*, NBR Special Report 80, September 2019, "https://www.nbr.org/wp-content/uploads/pdfs/publications/sr80_securing_the_belt_and_road_sep2019.pdf"

224 Government of Canada, "Operation Projection," last modified August 22, 2018, <https://www.canada.ca/en/department-national-defence/services/operations/military-operations/current-operations/operation-projection.html>.

operations and trainings.²²⁵ Many of the RCN's missions in support of PROJECTION and ARTEMIS were (and are) a part of U.S.-led coalitions, including the Indian Ocean-based United States Naval Forces Central Command and the Pacific Ocean-based US Pacific Fleet.

Canada's military leadership, however, has made the pragmatic choice not to define its operations in line with U.S. FOIP objectives and/or rhetoric. Whereas the U.S. Indo-Pacific strategy calls for U.S. FONOPs in the South and East China Seas to counterbalance Chinese 'revisionism,' the RCN has specifically rejected the idea of participating in freedom of navigation operations (FONOPs) against China's maritime claims.²²⁶ Through this strategic approach, the CAF have been able to affect its own balancing act between Washington and China.

Rather than find its ties with the People's Liberation Army Navy (PLAN) problematized over its adherence to U.S. FOIP priorities – as is the case with Australia's navy – the RCN still maintains direct and amiable ties with the PLAN.²²⁷ Neither has Beijing curtailed the RCN's ability to conduct port calls in Hong Kong, despite the RCN's transit of warships through the Taiwan Strait in 2019, which Canadian military leadership refused to identify as a FONOP. Conversely, Beijing no longer allows the US Navy to port in Hong

225 Government of Canada, "HMCS Calgary Concludes Operation Projection and Returns to CBF Esquimalt," Department of National Defence, December 18, 2018, <https://www.canada.ca/en/department-national-defence/news/2018/12/hmcs-calgary-concludes-operation-projection-and-returns-to-cfb-esquimalt.html>; Government of Canada, "Operation ARTEMIS (Middle Eastern Waters)," last modified April 3, 2020, <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/transition-materials/caf-operations-activities/2020/03/caf-ops-activities/op-artemis-mid-east-waters.html>.

226 "Canada Sails Warship Through Taiwan Strait for Second Time in Three Months," *South China Morning Post*, September 11, 2019, <https://www.scmp.com/news/china/diplomacy/article/3026707/canada-sails-warship-through-taiwan-strait-second-time-three>.

227 Government of Canada, "HMCS Vancouver Completes Its Contribution to Operation Projection in Asia-Pacific," *The Maple Leaf*, June 28, 2018, <https://ml-fd.caf-fac.ca/en/2018/06/15144>.

Kong, citing ‘unreasonable U.S. practices’ as their justification.²²⁸ In choosing to forgo strategic alignment with the U.S. through the FOIP concept, Canada has clearly maintained strategic flexibility and regional relations that allow it greater room to manoeuvre. The RCN remains a steadfast U.S. ally, but has not closed the strategic door to engagement with China in and around security areas in the Asia Pacific and Indian Ocean areas.

Similarly, Canada has little to benefit from Indo-Pacific/FOIP alignment with respect to security dialogue. Ottawa is already a part of the Asian region’s primary security dialogue mechanisms, including the East Asian Summit and the ASEAN Regional Forum, where it has observer status, and the Council for Security Cooperation in the Asia Pacific (CSCAP), among others.²²⁹ These dialogue mechanism – most of which are ASEAN-centric – are inclusive and provide regional perspectives to Asian security and the Asian strategic environment. Conversely, Canada would have little to gain in working with FOIP proponent states through the Quad, which China views – quite correctly – as being directed against its interests in the Indian and Pacific Ocean regions.²³⁰ Rather than increase its actual security ties with India, Japan, and the United States, Canadian involvement in the Quad would send a clear message to Beijing that it too sees China’s activities in the Indian and Pacific Ocean areas as inherently threatening. As Canada currently maintains a direct security dialogue mechanism with China – the annual Canada-China Annual Leaders’ Dialogue – Canadian leadership will gain more from direct discussion with

228 Ministry of Foreign Affairs of the PRC, “Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference on December 2, 2019,” https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1720852.shtml.

229 Office of Prime Minister of Canada, “Prime Minister Concludes Successful visit to Singapore and Participation at ASEAN,” November 15, 2018, <https://pm.gc.ca/en/news/news-releases/2018/11/15/prime-minister-concludes-successful-visit-singapore-and-participation>.

230 Derek Grossman, “The Quad Needs Broadening to Balance China--And Now’s the Time to Do It,” *The Rand Corporation* (blog), October 22, 2018, <https://www.rand.org/blog/2018/10/the-quad-needs-broadening-to-balance-china-and-nows.html>.

Beijing on its concerns and intentions than by further isolating China through its alignment with the Quad.

Detractors from this approach will cry ‘appeasement’ and argue that China is an existential threat against which Canada must balance through engagement with ‘likeminded’ countries. These individuals will argue for Canadian acceptance of the Indo-Pacific concept, its involvement in the Quad, and its participation in FOIP-identified operations precisely because they are directed against China, which they believe is a threat to global (not to mention regional) security. Any situation where China’s activities challenge the existing status quo, or the sacrosanct rules based order, is, from this perspective, evidence of Chinese revisionism.

Such charges are misplaced as they assume Chinese motivations and intentions in line with their own worldview of a Western-led security order – one where China is a security recipient and not a security provider. Regional states do not uniformly hold this view, however, and are more interested in accommodating China’s growing influence and interests through co-operation and collaboration, including on areas such as the contentious South China Sea. While ubiquitously dismissed as an exercise in futility by Western analysts, ASEAN member states are currently negotiating with China over a Code of Conduct (CoC) for the South China Sea where all claimant states’ interests are considered.²³¹ Regional states’ preference for dialogue over direct conflict is due to their understanding that they must address China’s growing interests in line with its expanding influence. This is not a net-negative outcome for Asia, rather a condition born of changing regional dynamics that prioritize regionalism over offshore balancing.²³²

231 Laura Zhou, “ASEAN Members Up the Ante on South China Sea Amid Code of Contact Talks,” *South China Morning Post*, December 29, 2019, <https://www.scmp.com/news/china/diplomacy/article/3043772/asean-members-ante-south-china-sea-amid-code-conduct-talks>.

232 Dong Jun Kim, “Unfaithful Allies? US Security Clients in China-led International Institutions,” *International Relations of the Asia-Pacific* 20, Issue 1, January (2020): 61–90.

As Canada further develops its security approach to the Asia Pacific, it would do well to consider China's national and foreign policy interests. While the two states' current relations are fraught with difficulty, Canada does not stand to benefit strategically from ignoring Beijing's perspective on regional events, even when they do not align with Ottawa's own regional assessment. Neither does Canada stand to benefit from alignment against China, particularly with respect to the proponent states. Canadians may deeply object to China's political and economic institutions, or its approach to human rights, but there is nothing about China's current position in Asia that requires Canada to enter into a U.S.-led security coalition to contain China, to balance China, or to hedge against China.

Nor is isolating China the strategically 'smart' move for Canada, as dialogue and engagement are critical components to crisis management and prevention.²³³ While current U.S. strategic analysts discount the importance of dialogue with the country's adversary states, their views differ significantly from previous generations that advocated for dialogue between the U.S. and Soviet Union, even at the height of the Cold War.²³⁴ Further, while Canada-China political relations are strained at the time of writing, security relations between the two states remain stable. Should Ottawa align itself with proponent states' FOIP perceptions of China as an 'enemy,' it is almost certain that its security relations with China will correspondingly suffer.²³⁵

233 J. Martin Ramirez and Gracia Abad-Quintanal ed., *Cross-Cultural Dialogue as a Conflict Management Strategy* (Gewerbestrasse: Springer, 2018).

234 James Voorhees, *Dialogue Sustained: The Multilevel Peace Process and the Dartmouth Conference* (Washington, D.C.: United States Institute of Peace Press, 2002).

235 Christian Olsson, "Can't Live With Them, Can't Live Without Them: 'the Enemy' as Object of Controversy in Contemporary Western Wars," *Critical Military Studies* 5, no. 4 (May 2019): 359-377, <https://www.tandfonline.com/doi/abs/10.1080/23337486.2019.1622261>.

NORMATIVE RATIONALE

There is, as first glance, a compelling normative case to be made for Canadian adoption of an Indo-Pacific geographic concept and/or the FOIP framework. Canada is a steadfast proponent of inclusivity, a rules based order, and global justice and the proponent states have suffused their Indo-Pacific and FOIP visions with a normative logic drawn from these values. Yet, as with proponent states' FOIP economic and security rationale, the benefits for Canada in FOIP alignment are less clear when critically considered in line with the strategy's actual normative assumptions. Indeed, far from an institution founded on ideals, FOIP's normative components are just as exclusive as inclusive and, in many ways, far less about values and rules than about fostering strategic alignment.²³⁶

With respect to democracy, FOIP proponent states themselves are divided, with India preferring to downplay democracy promotion within its Indo-Pacific vision and the United States raising the issue of democracy protection to an almost religious level.²³⁷ Neither have the proponent states clearly articulated their objectives and means for democratic promotion in the Indo-Pacific region, but have rather limited their discussions of democratic values to their own systems, thereby proving a normative rationale for their FOIP engagement. The Abe administration's 'democratic security diamond' and 'concert of democracies' concepts are the most salient examples of this attempt at ideological alignment, although one sees similar references throughout the proponent states' FOIP statements to alignment between 'likeminded' (read 'democratic')

236 Axel Berkofsky and Sergio Miracola ed., *Geopolitics by Other Means: The Indo-Pacific Reality* (Milan: Ledizioni LediPublishing, 2019).

237 Julie Zauzmer, "Pence: America Will Prioritize Protecting Christians Abroad," *The Washington Post*, May 11, 2017, <https://www.washingtonpost.com/news/acts-of-faith/wp/2017/05/11/pence-america-will-prioritize-protecting-christians-abroad/>.

states.²³⁸ Far from being a principled institution established to support governance, the proponent states' FOIP concepts are, rather, manifestos for Asia's advanced democracies to work together to shape regional governance institutions in ways that advance their respective interests.²³⁹

Similarly, there is little in the proponent states' FOIP concepts' approach to preserving and strengthening a rules based order that is compelling upon critical examination. In addition to the proponent states' lack of clarity around what constitutes an RBO, there is a clear sense, from the United States in particular, that the RBO is essentially shorthand for a continuation of the regional status quo around governance, law, and institutions.²⁴⁰ While the prevailing 'San Francisco System' does have much to commend it, its contemporary and future relevance is less certain, particularly if its principal architects (e.g. the proponent states) are committed to its preservation at the expense of its evolution.²⁴¹ Far from a source of regional stability at a time of increased uncertainty, a 'Western'-led program to preserve an RBO could have the desultory effect of propagating Asian spheres of influence, where 'adherents' and 'detractors' to the RBO find themselves in opposition.²⁴²

While Canada can benefit from greater collaboration with the region's advanced democracies and greater involvement in

238 Kharis Templeman, "Democracy under Siege: Advancing Cooperation and Common Values in the Indo-Pacific," *Atlantic Council*, January 2020, <https://www.jstor.org/stable/pdf/resrep20700.pdf>.

239 Congressional Research Service, "Democracy Promotion: An Objective of U.S. Foreign Assistance," January 4, 2019, <https://fas.org/sgp/crs/row/R44858.pdf>.

240 Carl Ungerer, "Whose Rules? In Which Order?" *Australian Institute of International Affairs - Australian Outlook*, May 25, 2018, <http://www.internationalaffairs.org.au/australia-noutlook/whose-rules-in-which-order/>.

241 Richard Menhinick, "The Rules-Based Global Order': Be Alert and Alarmed," *The Strategist*, April 12, 2018, <https://www.aspistrategist.org.au/rules-based-global-order-alert-alarmed/>.

242 Van Jackson, "Whose Rules, What Rules? A Contest for Order in the Asia-Pacific," Chicago Council on Global Affairs Commentary, December 6, 2017, <https://www.thechicagocouncil.org/publication/whose-rules-what-rules-contest-order-asia-pacific>.

discussions around Asia's RBO, the proponent states' FOIP strategies are not the appropriate vehicles for such activities. As a self-described 'alternative' model to China's BRI, the proponent states have defined FOIP in largely adversarial terms to non-democratic states and/or states that advocate for new regional institutions to match the region's new power dynamics. Moreover, FOIP's commitment to democratic promotion is taking place at the same time that Asian states are adopting more mixed-model governments, learning from China's, Malaysia's, and Singapore's governance successes, and rejecting the West's democratic models as unable to meet modern day global challenges, such as the COVID-19 pandemic and the 2008 Global Financial Crisis.²⁴³

Canada rightfully prioritizes democratic values in its foreign policy at the global level. For Canada, however, it is unnecessary to align with FOIP proponent states on democracy promotion and/or preservation of the Asian RBO as, in so doing, it would be aligning itself with the region's established powers at the expense of its engagement with emerging powers. To simply view the region's move away from democracy as the result of a lack of 'responsible' leadership is to take a paternalistic view of Asian states' agency, with the very real possibility that in doing so Canada will further establish itself as an 'outside' actor in Asia Pacific affairs. One only need look to regional polling to see that democracy's appeal is in large decline among Asian states and populations.²⁴⁴ Far better for Ottawa to work bilaterally and through inclusive regional institutions (in line with the adapter states' Indo-Pacific values, on which more is written below) to share its national experiences

243 Freedom House, "New Report: Freedom in the World 2020 Finds Established Democracies are in Decline," March 4, 2020, <https://freedomhouse.org/article/new-report-freedom-world-2020-finds-established-democracies-are-decline>.

244 Pew Research Centre, "Many Across the Globe Are Dissatisfied With How Democracy Is Working," April 19, 2019, <https://www.pewresearch.org/global/2019/04/29/many-across-the-globe-are-dissatisfied-with-how-democracy-is-working/>.

around democracy and to articulate its democratic ideals than to align with FOIP and push against endogenous change in the Asian region.

In contrast to democracy and the RBO, there is a compelling normative case to be made for Canadian acceptance of an Indo-Pacific frame of reference if, indeed, regional sentiments are in agreement that the Asia Pacific concept is a colonial legacy and the Indo-Pacific construct is a more inclusive, endogenous vision of the region's geographic and cultural parameters.²⁴⁵ Canada should jettison the Asia Pacific concept if doing so is truly an act of social justice, if only to show solidarity for small and middle powers in the region that may have lacked previous agency to shape the lexicon within which they must operate.

From the limited amount of information available on non-elite public opinion in the Asia Pacific, however, there are no clear social demand signals for a geographic re-framing toward the Indo-Pacific. In polling on regional issues from 2015 until the present, for instance, there is little indication from Asian respondents that replacing the Asia Pacific with an Indo-Pacific geographic construct is a post-colonial priority. Pew polling from 2015 on *How Asia-Pacific Publics See Each Other and Their National Leaders*, for instance, showed no endogenous drive among respondents to adopt an Indo-Pacific vision.²⁴⁶

245 Indrani Bagchi, "Raisina Dialogue: 'Indo-Pacific' a Global Common, Says Foreign Secy Vijay Gokhale," *The Times of India*, January 17, 2020, <https://timesofindia.indiatimes.com/india/raisina-dialogue-indo-pacific-a-global-common-says-foreign-secy-vijay-gokhale/article-show/73337528.cms>.

246 Pew Research Center, "How Asia-Pacific Publics See Each Other and Their National Leaders," September 2, 2015, <https://www.pewresearch.org/global/2015/09/02/how-asia-pacific-publics-see-each-other-and-their-national-leaders/>.

Neither did a 2017 Chicago Council and Asia Pacific Foundation of Canada poll on *Asia in the Age of Uncertainty* record public dissatisfaction with the Asia Pacific as a geographic reference point.²⁴⁷ While the absence of registered dissatisfaction does not, of course, preclude the existence of unspoken discontent, neither does one find evidence of support for the Indo-Pacific concept in more directed regional polling. The ISEAS-Yusof Ishak Institute's *State of Southeast Asia: 2020* poll, for instance, notes that 54 per cent of respondents in 2020 opposed the Indo-Pacific concept on the grounds that it was 'unclear,' and 23 per cent of respondents believed the concept could undermine ASEAN's centrality within the Asia Pacific.²⁴⁸

Neither is there is a significant body of scholarly work that identifies the Asia Pacific as a colonial construct and advocates a redefinition to rectify it as a post-colonial institution. Indeed, a preliminary search of existing scholarly databases, including Google Scholar, shows the most relevant academic piece on the Asia Pacific as a colonial concept is a 1992 work by Arif Dirlik titled, *The Asia-Pacific Idea: Reality and Representation in the Invention of a Regional Structure*. Importantly, however, Dirlik did not advocate for a widening of the Asia Pacific to the Indo-Pacific. Rather, his key argument was for a move toward sub-regionalism as the Asia Pacific ideal, itself, was too 'wide' a geographic construct.²⁴⁹

In line with this view, there has been a significant amount of scholarship in recent years within and outside the Asia Pacific on Asian 'regionalization' or 'localization.' The central thesis within

247 The Chicago Council of Global Affairs, "Asia in an Age of Uncertainty: Public Opinion in the Asia Pacific Results of the 2016 Multinational Survey," Chicago, 2017, https://www.thechicago-council.org/sites/default/files/asia-age-of-uncertainty-report_20170201.pdf.

248 Tang Siew Mun et al. "The State of Southeast Asia: 2020 Survey Report".

249 Arif Dirlik, "The Asia-Pacific Idea: Reality and Representation in the Invention of a Regional Structure," *Journal of World History* 3, No. 1 (Spring, 1992): 55-79.

such scholarship is that the Asia Pacific has become a more robust region through Asian states' shared norms, strategic views, and economic interconnectivity. These shared characteristics, in turn, have led to the formation of regional institutions and have contributed to a 'thickening' of regional ties. Indeed, authors such as Amitav Acharya have become pioneers in arguing for Asian regionalism, or the expansion of Asian states' linkages to the Asia Pacific region, as an act of post-colonial social justice, noting that Asian states gain power and agency through consolidation and cooperation.²⁵⁰ This scholarship, based on years of close observation at the Asia Pacific regional level, directly contradicts calls from FOIP propogating states – primarily India – that the Indo-Pacific is a more 'natural' geographic construct as it includes states and actors from the Middle East and Africa.

There is little evidence, therefore, that the region would see Canada's alignment with the proponent states' Indo-Pacific values as anything more than Canadian 'bandwagoning' with FOIP proponent states. Indeed, there is a good chance that Canada's internalization of the proponent states' FOIP strategies would place it on the outside of regional sentiment, particularly as the states most ardently pushing the Indo-Pacific construct are the region's most developed, most affluent states. This is particularly the case as three of the FOIP proponent states have been colonial powers in Asia in the past.

²⁵⁰ Amitav Acharya, *Whose Ideas Matter? Agency and Power in Asian Regionalism* (Ithaca, NY: Cornell University Press, 2009).

CANADA AND FOIP: HOW TO PROCEED?

While there is not a clear rationale for Canada to abandon the Asia Pacific for an Indo-Pacific geographic ideal, as demonstrated above, there is still value in examining whether Canada could best achieve its national interests through FOIP engagement and, if so, which proponent states’ FOIP construct would best support its national aims. Setting aside the question of Indo-Pacific relevancy, the fundamental question then becomes whether Canada stands to benefit from co-operation with Australia, India, Japan, and the U.S. under a FOIP strategic umbrella.

The table below summarizes the above discussion on differing FOIP visions in Australia, ASEAN, India, Japan, and the United States, in terms of priority thematic areas and FOIP priorities. While such a representation oversimplifies the inherent interconnectivity between issue areas, it does provide an important starting point for discussions of the FOIP concept’s applicability for Canada in line with its national interests and its current engagement approach to Asia.

Table 1: Free and Open Indo-Pacific Visions Among FOIP Proponent States/Institutions

	Country	Governance	Economic Development	Security	Interconnectivity & Inclusion	Balance China
First-tier priority	Australia	Second-tier priority	Second-tier priority	First-tier priority	Not applicable	First-tier priority
Second-tier priority	ASEAN/Indonesia	First-tier priority	First-tier priority	Third-tier priority	First-tier priority	Not applicable
Third-tier priority	India	Second-tier priority	First-tier priority	Second-tier priority	First-tier priority	Second-tier priority
	Japan	First-tier priority	First-tier priority	First-tier priority	Second-tier priority	First-tier priority
Not applicable	United States	Third-tier priority	Third-tier priority	First-tier priority	Not applicable	First-tier priority

Among these competing FOIP visions, Canada should be the wariest of the United States', which is predicated on expanded U.S. military hegemony in Asia and aimed at containing China.²⁵¹ No other FOIP vision so fully embraces the idea that China is a revisionist actor seeking to upset the regional rules based order (read U.S.-led regional order) and that China's actions require a 'peace through strength' approach based on a U.S.-led military/security coalition.²⁵² While both Japan and Australia have similarly articulated concern over China's activities in the Indian and Pacific Ocean areas, neither state has placed as much emphasis on 'great power competition' within the FOIP concept as has the Trump administration, despite the fact that both states are central to Washington's FOIP view and operations. Neither has the United States offered a fully detailed or compelling economic or governance counterpart to its militaristic approach, despite claims from Secretary of State Pompeo that the US State Department has developed a FOIP economic blueprint. The Trump administration's blind withdrawal from the CPTPP immediately after assuming office and its decision to voluntarily enter into a trade war with China is more than evidence enough that the U.S. has no economic strategy for inclusive engagement in Asia, aside from the sanctions-based economic coercion strategy it employs across the Indo-Pacific theater with allies and adversaries alike.²⁵³

Neither does Australia's formal FOIP model offer much for Canada's approach to Asia as it, too, has become a largely anti-

251 Michael D. Swaine, "A Counterproductive Cold War with China," *Foreign Affairs*, March 2, 2018.

252 White House, "President Donald J. Trump's America First Agenda is Helping to Achieve Peace Through Strength," September 25, 2018, <https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-america-first-agenda-helping-achieve-peace-strength/>.

253 Charlene Barshefsky, et al., "Reinvigorating U.S. Economic Strategy in the Asia Pacific: Recommendations for the Incoming Administration," (report), January 2017, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/161228_Barshefsky_US_Economic_Strategy_Asia_Pacific_Web.pdf.

China directed strategy under the Morrison administration. While earlier Australian accounts of FOIP articulated the country's need to reconceptualise its geographic position in light of its growing commercial and security interests in the Indian Ocean, Prime Minister Morrison has now publicly linked Australia's FOIP with the U.S. vision, going so far as to equate the Quad with the FOIP concept.²⁵⁴ Notably, the Morrison administration's position is contrary to public discussion and scholarship in Australia, which is arguably the most sophisticated among the English-speaking world with regard to developing and articulating an Indo-Pacific 'logic.' For states like China, however, Morrison's alignment with the U.S. FOIP vision is an indication that Australia has deprioritized the concept's focus on inclusivity while prioritizing its focus on containment.²⁵⁵

India's FOIP vision, conversely, is far less concerned with security matters and China than it is an expression of that country's two-ocean's approach to its economic development and multilateral engagement. This is not to say that India is not concerned about China's activities in the Indian and Pacific Ocean regions, but rather that it remains committed to strategic autonomy, foreign policy flexibility, and inclusivity over competition with China. Indeed, India's FOIP vision is far more focused on deepening its ties with states in the Middle East, or 'West Asia,' and in Southeast Asia, where it sees particular economic and political opportunities. In contrast to Australia, the Modi government has specifically worked to separate its participation with the Quad (of which it is the most hesitant member) to its FOIP vision in a frank attempt to decouple

254 See Seng Tan. "Consigned to Hedge: South-East Asia and America's 'Free and Open Indo-Pacific' Strategy." *International Affairs* 96, Issue 1 (2020): 131-148.

255 Wu Minwen, "How Has the China Containment Indo-Pacific' Strategy Has Steadily Progressed?" *Xinhua*, August 9, 2018, http://www.xinhuanet.com/mil/2018-08/09/c_129929588.htm.

its economic and political interests from its strategic and security concerns.²⁵⁶

While India's FOIP is less confrontational than the U.S. and Australian visions, its value as a strategic concept for Canada is nevertheless questionable. India's view on the Indo-Pacific comes from its unique geographic position, its need to develop a clear two-ocean, two-continent strategy, and its desire to capitalize on its deep historical and civilizational linkages with the Middle East to realize what it sees as its greater potential on the global stage.²⁵⁷ The concept is a realization of the Modi administration's Act East and Act West strategies, which are India-specific in terms of priorities and potential outcomes. While Canada can certainly benefit from greater bilateral and multilateral co-operation with India on a number of fronts, none are dependent on the two countries' alignment under FOIP. Indeed, aside from the benefit Canada might receive from symbolic alignment with India, there is nothing tangible that Ottawa would receive from adopting India's FOIP vision.

Of the FOIP visions, Japan's is, at first glance, the most relevant for Canada's position as it covers governance, economic development, and security in equal parts. While initially more in line with the U.S. and Australian visions in its focus on China and its intent to balance China's BRI activities, Japan's FOIP vision has evolved to be more inclusive and less confrontational – what Yuichi Hosoya calls Japan's FOIP 2.0 – up to and including closer collaboration with

256 Rahul Roy-Chaudhury, "Modi's Vision for Indo-Pacific Region," International Institute for Strategic Studies (blog), June 2, 2018, <https://www.iiss.org/blogs/analysis/2018/06/modi-vision-indo-pacific>.

257 Manjeet S. Pardesi, "The Indo-Pacific: a New 'Region' or the Return of History," *Australian Journal of International Affairs* 74, no. 2 (2020): 124-146.

China and China's BRI.²⁵⁸ The Abe administration's FOIP evolution, in this respect, positioned Japan much closer to the *2019 ASEAN Outlook on the Indo-Pacific*, which emphasizes inclusivity, dialogue, non-interference, and ASEAN centrality in any Indo-Pacific strategy. While this brings Japan more in line with Southeast Asian sentiment, which has accepted the Indo-Pacific concept but rejected any FOIP-related institution building, it has also diluted Tokyo's FOIP vision into something less than a comprehensive strategy and something more like an aspirational, normative statement.²⁵⁹

This raises the critical question of what shape Canadian alignment with Japan's FOIP vision would take aside from a general accord around the two states' shared principles, values, and norms. For Japan's FOIP vision to remain appealing to Southeast Asian nations, which the Abe administration identified as a 'core interest' for Japan, Tokyo must avoid any FOIP operations that lead to institution development or cause regional instability.²⁶⁰ Rather, it must be content working within the Asia Pacific's existing regional architecture and applying the FOIP nomenclature where doing so makes strategic sense for Japan. This suggests that going forward, the FOIP concept will be little more than a strategy in name – one that serves the (important) purpose of demonstrating Japanese strategic resolve and strategic vision to the Asian region while not antagonising ASEAN member states.²⁶¹

258 Yuichi Hosoya, "FOIP 2.0: The Evolution of Japan's Free and Open Indo-Pacific Strategy," *Asia Pacific Review* 26, Issue 1 (2019): 18-28.

259 Celine Pajon, "Japan's Indo-Pacific Strategy: Shaping a Hybrid Regional Order" *The War on the Rocks Commentary* (blog), December 18, 2019, <https://warontherocks.com/2019/12/japans-indo-pacific-strategy-shaping-a-hybrid-regional-order/>.

260 Kei Koga, "The Emerging Indo-Pacific Era (Japan-Southeast Asia Relations)," *Comparative Connections* 21, No. 1 (2019): 125-134.

261 Yukio Tajima, "Abe Softens Tone on Indo-Pacific to Coax China's ASEAN Friends," *Nikkei Asian Review*, November 13, 2018, <https://asia.nikkei.com/Politics/International-relations/Abe-softens-tone-on-Indo-Pacific-to-coax-China-s-ASEAN-friends>.

From this perspective, it is not at all certain where Canada could operationally engage with Japan on issues of governance outside the institutions that already exist in the Asia Pacific region independent of the FOIP concept. There is currently no FOIP-specific governance institution, for example, and neither is Canada underrepresented in regional multilateral governance forums. Canada is already a member of the G20 and G7, for instance, both of which are invaluable forums for discussion of governance issues with reference to the Asia Pacific and neither of which depend on the FOIP concept for their relevance. At the G20 summit in Osaka in 2019, for instance, state member committees addressed rules and regulations around regional trade and finance, environmental protection, economic development, women's empowerment, and public health, among other relevant governance issues.²⁶² At the 2019 G7 meeting in France, member states addressed the U.S.-China trade war and events in Hong Kong, among other non-Asia specific issues including climate change and international finance.²⁶³ Canada is also a founding member of Asia-Pacific Economic Cooperation (APEC), a regional forum focused on economic governance issues including trade, economic integration, and structural reform, a member of the CPTPP, a regional multilateral FTA focused on trade liberalization, tariff elimination, and intellectual property protection, and a director on the boards of both the Asia Infrastructure Investment Bank (AIIB) and Asian Development Bank, two of the Asia Pacific's premier developed institutions focused on poverty reduction.

262 Government of Canada, "G20 Osaka Leaders' Declaration," Global Affairs Canada (website), June 29, 2019, https://www.international.gc.ca/world-monde/international_relations-re-lations_internationales/g20/2019-06-29-g20_leaders-dirigeants_g20.aspx?lang=eng.

263 Présidence de la République Française, "G7 Leaders' Declaration," August 26, 2019, <https://www.elysee.fr/en/g7/2019/08/26/g7-leaders-declaration>.

While there are clearly areas where Canada could increase its participation in local discussions around governance, both related to economic and non-economic issues, these opportunities are primarily within existing institutions and almost exclusively within the ASEAN Plus frameworks, which Canada has yet to wholly embrace. Indeed, as ASEAN member states have made the strengthening of ASEAN institutions a priority within their *Indo-Pacific Outlook*, Canada should be circumspect in supporting any new regional institutions that could undermine those already existing.

One can say the same for Canada's potential to engage with Japan on economic development issues under the FOIP concept. At present, there are no FOIP-specific institutions that fill a gap in the Asia Pacific's economic institutional architecture, which is developing through initiatives like the CPTPP and the Regional Comprehensive Economic Partnership (RCEP) in parallel to the FOIP vision. Neither is Canada lacking membership in or access to existing institutions. As noted above, Canada is an active member in APEC, CPTPP, the ADB, and the AIIB. Canada also has FTAs with South Korea, Chile, and Peru and is in the process of exploratory discussions on FTAs with China, ASEAN, and Thailand, and FTA negotiations with the Pacific Alliance.²⁶⁴ Canada also works with the World Bank, the International Finance Corporation, and the International Labour Organization on economic development issues across the Asia Pacific.

As there is ample evidence that Canada is actually underperforming on economic issues in the Asia Pacific despite its participation

²⁶⁴ Government of Canada, "Canada and the Asia Pacific," Global Affairs Canada (website), last modified January 10, 2020, https://www.international.gc.ca/world-monde/international-relations-relations-internationales/asia_pacific-asie_pacifique/index.aspx?lang=eng.

in these existing institutions, there is little reason to think engagement on economic development issues under FOIP would advance Canada's national economic interests in any meaningful way.²⁶⁵ This is even the case with regard to Canada-Japan economic relations, as both states have entered into the equivalent of a bilateral FTA through mutual accession to the CPTPP.

Lastly, alignment with Japan on the FOIP concept is unnecessary for Canada's security relations to the Asia Pacific region as neither country's security activities or security interests are dependent on FOIP concept-related operations. With regard to Canada-Japan bilateral security relations, the two states already co-ordinate on security issues through the G7 and G7 working groups like the DPRK Sanctions Contact Group and the Non-Proliferation Directors Group and work together to support United Nation's Security Council sanctions against North Korea through Operation NEON. Canada and Japan also signed an Acquisition and Cross-Servicing Agreement (ACSA) in 2018, allowing the two countries to better co-ordinate co-operation between their respective armed forces where and when appropriate.²⁶⁶

With regard to multilateral security relations, the only benefit Canada might receive from alignment with Japan around the FOIP concept is participation in the Quad, which, ironically, Japan is increasingly uncomfortable associating with the FOIP and, increasingly, is becoming a U.S. and Australian FOIP institution. Canada already has close defence relations with Australia, Japan, and the United States, is already a part of the 'Five Eyes' intelligence

265 Asia Pacific Foundation of Canada, *The CPTPP Tracker 2019: The First Year*, (Vancouver: 2019), https://www.asiapacific.ca/sites/default/files/publication-pdf/the_cptpp_tracker_report.pdf.

266 Office of Prime Minister of Canada, "Canada Announces Closer Collaboration with Japan," April 28, 2019, <https://pm.gc.ca/en/news/backgrounders/2019/04/28/canada-announces-closer-collaboration-japan>.

sharing mechanism that includes two FOIP proponent states, the U.K., and New Zealand, and already undertakes joint-training and joint-operations with three of the FOIP states (not India) in the Asia Pacific. None of these security partnerships are dependent on Canadian adherence to the FOIP concept, nor would Canada's acceptance of FOIP guarantee Canadian involvement in the Quad.

It is clear that Canada would not benefit materially from FOIP engagement with Japan. This is not because Japan's FOIP concept is inherently flawed, but rather because Ottawa and Tokyo already enjoy close bilateral relations, because Canada is already enmeshed in the Asia Pacific's existing governance, economic, and security institutions, and because Japan's FOIP concept lacks a clear operational platform. From the perspective of material gain, therefore, there is nothing persuasive that should push Canada to adopt the FOIP concept, particularly as it has no clear rationale derived from its national interests to do so.

There is, however, a strong case to be made for normative alignment with Japan's FOIP vision if the Suga administration continues the country's ideological shift away from its original Indo-Pacific strategy, which sought to counter China's rise through democratic security alignment toward a more 'inclusive' Indo-Pacific concept in line with the adapter states (on which more is written below). As noted above, Tokyo has reconceptualized its FOIP 'strategy' to be more of a FOIP 'vision' through which it seeks greater ideological alignment with regional actors, such as ASEAN, that reject the more bellicose, U.S.-led Indo-Pacific view. Japan has shifted its Indo-Pacific rhetoric, in this respect, from 'managing' China's rise toward regional consultation, integration, and non-aggression, bringing it more in line with the ASEAN *Outlook*, in particular.

Whether Japan wholly embraces this more regionally-driven Indo-Pacific view remains, however, questionable. While the Abe administration made rhetorical alterations to its FOIP concept, most notably with respect toward China and China's role in Asia, Japan remains firmly committed to operational engagement with the other FOIP proponent states, as detailed above. Japan's continued reliance on proponent states security ties, in particular, is problematic if the country is truly intent on distancing itself from a more aggressive FOIP interpretation, one it had a majority hand in first articulating. If Japan continues to engage with the U.S. on FOIP security and defence relations, for instance, while espousing a more 'inclusive' Indo-Pacific, Canadian policy-makers should view this for what it is – a rhetorical attempt by Tokyo to placate regional concerns over the FOIP while maintaining the very same FOIP operations that the adapter states have summarily rejected.

Much, therefore, depends on Japan's near-term FOIP development, whether, for example, Tokyo aligns its FOIP operations with its FOIP ideals of whether, alternatively, it continues to reference the FOIP with respect to its defence relations with the U.S. This is not to say that Japan must reject its defence relations with the U.S. before Canada considers alignment. U.S.-Japan defence relations are fundamental to Tokyo's security strategy and are unlikely to change significantly in the near- to medium-terms. Rather, Japan must decouple its FOIP vision from its relations with the U.S. to demonstrate its commitment to Indo-Pacific diversity, inclusivity, and stability.

Should the Suga administration continue with activities, relations, and operations that partner with the U.S. to target Chinese activity, Canada should avoid normative alignment with the Japanese FOIP concept. If, alternatively, Japan alters its FOIP operations in line with its new Indo-Pacific rhetoric, demonstrably aligning its FOIP

operations with its commitment to regional inclusivity, Canada should work with Tokyo to ensure normative alignment.

Importantly, however, Canadian-Japanese normative alignment should not take place within the proponent states' FOIP concepts. As demonstrated above, Canada stands to gain little from proponent states FOIP alignment and, indeed, could find its strategic options in the Indo-Pacific lessened as a result of perceived bangwagoning with the U.S. FOIP vision, in particular. Rather, Ottawa should look to the Indo-Pacific adapter states for a strategic direction forward, most notably with respect to Indo-Pacific priorities and values. Canada should also look to funnel its bilateral engagement with Japan through the adapter states' Indo-Pacific visions, thereby benefiting from close engagement with Tokyo in the Indo-Pacific while avoiding the strategic 'baggage' associated with the proponent states' FOIP strategies.



THE ADAPTERS AND A 'DIVERSE,' 'INCLUSIVE,' AND 'STABLE' INDO-PACIFIC

The Indo-Pacific represents an ideal, one that gains in value the more states are willing to adopt it and to internalize it into their foreign and security policies. Japanese and U.S. leadership, in particular, understand this and have prioritized the Indo-Pacific's and the FOIP's propagation within their regional foreign and security policy activities. The Abe administration, for example, identified FOIP expansion throughout Asia as a policy priority, particularly among ASEAN member states, noting that the benefits for FOIP participation are open to 'every country that supports this idea.'²⁶⁷ The Trump administration, similarly, has pushed for Asian states to accept its Indo-Pacific vision, arguing that each country is free to determine its own course within the broader Indo-Pacific framework.²⁶⁸ While more reticent than Tokyo and Washington, Canberra and New Delhi have similarly used the Indo-Pacific and FOIP constructs to appeal for regional unity and regional order, particularly with respect to the

267 Ministry of Foreign Affairs of Japan, *Diplomatic Bluebook 2018* (Tokyo: Ministry of Foreign Affairs, 2018), <https://www.mofa.go.jp/policy/other/bluebook/2018/html/chapter1/c0102.html#sf01>; Ministry of Foreign Affairs of Japan, "ASEAN Policy Speech by Foreign Minister MOTEGI Toshimitsu," January 10, 2020, https://www.mofa.go.jp/sa/sea2/page3e_001148.html.

268 U.S. Senate Foreign Relations Committee, "Testimony of Randall Schriver on ARIA Implementation and the Indo-Pacific Strategy," October 16, 2019, https://www.foreign.senate.gov/imo/media/doc/101619_Schriver_Testimony.pdf.

maintenance of the regional rules based order and international law.²⁶⁹

It is, therefore, not surprising that regional and extra-regional actors have articulated their own Indo-Pacific visions, albeit somewhat apprehensively.²⁷⁰ These actors' views of the Indo-Pacific are not, however, clean reproductions of the proponent states' visions. Rather, they represent the clear and persistent foreign and security policy norms of non-alignment, conflict management, and inclusion that small and middle powers have used for at least a decade to balance great power rivalry in the Asian region to maximum effect.

Ironically, in adopting and adapting the proponent states' Indo-Pacific visions, these 'adapter' institutions and states have, perhaps unwittingly, contributed to an alternative Indo-Pacific 'reality' that rejects many of the proponent states' early FOIP rationales and justifications. Rather than adhere to Indo-Pacific ideals that securitize China's rise, for instance, the adapter states articulate a vision on Indo-Pacific order that includes China and that accommodates China's strategic interests, even at the cost of continued U.S. hegemony.

Further, these adapter states have systematically rejected the 'great power conflict' paradigm that now informs the Australian and U.S. Indo-Pacific visions, focusing instead on non-traditional security issues such as terrorism and piracy (France), economic

269 Office of Prime Minister of Australia, "In Our Interest," Speech- Lowy Lecture, October 3, 2019, <https://www.pm.gov.au/media/speech-lowy-lecture-our-interest>; Indian Ministry of External Affairs, "Prime Minister's Speech at the East Asia Summit," November 4, 2019, https://www.mea.gov.in/Speeches-Statements.htm?dtl/32171/Prime_Ministers_Speech_at_the_East_Asia_Summit_04_November_2019.

270 Huong Le Thu, "The Long and Winding Way to the Indo-Pacific," *The Strategist*, June 29, 2019, <https://www.aspistrategist.org.au/the-long-and-winding-way-to-the-indo-pacific/>.

security (ASEAN and Indonesia), and climate change (Germany). Built into this view of security is the equidistant treatment of Beijing and Washington, a commitment to strategic neutrality, and a prioritization of Indo-Pacific inclusivity that breaks from the proponent states' more parochial Indo-Pacific visions.

Lastly, these adapter states have uniformly called for middle and small power collaboration across the Indo-Pacific on matters of trans-regional governance. Rejecting the 'rule of the strong' for a more multilateral approach to matters of international law, international institutions, and international security, the adapter states' Indo-Pacific visions exclude such groupings as the 'democratic security diamond' and, in some cases, the Quad. All adapter states further prioritize ASEAN as an institution and Southeast Asia as a sub-region for engagement, again, ironically, returning Asia's centre of gravity to the Asia Pacific.

The adapter states' summary rejection of aspects of the proponent states' Indo-Pacific visions and FOIP strategies suggest that, in advocating for widespread Indo-Pacific adoption, the proponent states sowed the seeds for a truly inclusive, regionally-developed Indo-Pacific ideal. This alternative vision is one of interconnectivity, inclusivity, consultation, and stability rather than democracy, exclusivity, and confrontation. For a middle power such as Canada, the adapters' Indo-Pacific visions offer far more with respect to comprehensive Asian engagement.

The following section details the 'ASEAN Outlook' on the Indo-Pacific, Indonesia's Indo-Pacific vision, and France and Germany's Indo-Pacific visions as they are, collectively, the most significant examples of Indo-Pacific adapters to date. Not only do they reject the proponent states' more bellicose Indo-Pacific/FOIP concepts,

but they offer a clear strategic option: an ‘inclusive’ and ‘stable’ Indo-Pacific.

ASEAN

ASEAN member state were slow to embrace the Indo-Pacific vision, with states like Singapore clearly concerned that doing so could lead to Southeast Asia’s marginalization and to great-power centric spheres of influence in the Asia Pacific. Singaporean Prime Minister Lee Hsien Loong clearly articulated these concerns in a major speech at the Shangri-la Dialogue in 2019, where he rejected any idea of the ‘Indo-Pacific’ that was not inclusive, that ignored ASEAN centrality, or that led to increased tensions in the region. Prime Minister Lee further critiqued the Indo-Pacific concept in relation to the BRI, which he argued was more developed and more operational.²⁷¹ Regional polling suggests that the Southeast Asian public shares Lee’s concerns over the Indo-Pacific as a concept, with more than 54 per cent of respondents in the *State of Southeast Asia: 2020 Survey Report* noting that the Indo-Pacific concept was unclear and required further development.²⁷²

In June 2019, nevertheless, ASEAN member states outlined their view of the Indo-Pacific in a document called the *ASEAN Outlook on the Indo-Pacific*. For those looking to Southeast Asia and ASEAN as a bellwether of a FOIP vision’s regional appeal, this joint-statement was a vindication of sorts, demonstrating to skeptical analysts and hesitant publics that the FOIP construct has a universalist quality

271 “PM Lee Hsien Loong’s Speech at the Shangri-La Dialogue,” *Channel News Asia*, May 31, 2019, <https://www.channelnewsasia.com/news/singapore/lee-hsien-loong-speech-2019-shangri-la-dialogue-11585954>.

272 Tang Siew Mun, ed., “The State of Southeast Asia: 2020 Survey Report,” ASEAN Secretariat, January 16, 2020, https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2020.pdf.

that appeals to Asia's middle powers, even those initially hesitant to embrace its universalism.²⁷³

Examination of the *ASEAN Outlook* statement, however, does not reveal Southeast Asian acceptance of the FOIP concept (in any form), but rather a view from ASEAN about the applicability of the Indo-Pacific as a geographic area; one that only makes sense in the ASEAN context if Southeast Asia remains the Indo-Pacific's centre of gravity. Indeed, rather than a statement endorsing the proponent states' Indo-Pacific and/or FOIP constructs, as some Western analysts wrongly claimed, the *ASEAN Outlook* outlined ASEAN's intent to internalize and use the Indo-Pacific construct in ways that benefit ASEAN centrality and obscure the concept's more adversarial components. The *ASEAN Outlook* accomplishes this primarily by insisting any Indo-Pacific concept must be inclusive, it must maintain Southeast Asian centrality, and it must prioritize co-operation instead of competition.²⁷⁴

One can see these principles clearly in the *Outlook's* issue-area focus. With regard to maritime issues, for example, the *ASEAN Outlook* breaks with the proponent states' FOIP visions to deprioritize maritime security engagement and emphasize maritime consultations, arbitration, and conservation.²⁷⁵ The *Outlook* also calls for greater connectivity between Indo-Pacific states in line with the existing *Master Plan on ASEAN Connectivity (MPAC) 2025*, which identifies China's centrality in Asia and its positive contribution to regional infrastructure development – a core requirement for

273 Stephen R. Nagy, "Shifting into the Era of the Indo-Pacific," *Japan Times*, December 12, 2019, <https://www.japantimes.co.jp/opinion/2019/12/12/commentary/japan-commentary/shifting-era-indo-pacific/#.Xkw-WChkJD4>.

274 ASEAN Secretariat, *ASEAN Outlook on the Indo-Pacific* (Jakarta: 2019), https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf.

275 Ibid.

greater, inclusive regional interconnectivity.²⁷⁶ The *Outlook* also emphasizes the importance of the United Nations' Sustainable Development Goals (SDGs) and the importance of micro, small, and medium enterprises to ASEAN states' overall economic development.

In contrast to the proponent states' FOIP visions, all of which have their foundations in strategic and security issues, the *ASEAN Outlook* is far more focused on economic development issues and conservation. Far from accepting existing FOIP visions in its drafting, ASEAN's *Outlook on the Indo-Pacific* presents a more economic-centric, inclusive alternative for the Indo-Pacific region – one that clearly rejects any Chinese containment logic for one predicated on dialogue and engagement.

INDONESIA

More than other ASEAN member state, Indonesia has been at the forefront of developing an alternative Indo-Pacific vision, one that prioritizes neutrality over the proponent states' FOIP alignment.²⁷⁷ Indeed, the Widodo administration's 'Look West' strategy, its 'Global Maritime Fulcrum' vision, and its 'Indo-Pacific Co-operation Concept' all articulate a clear Indonesian view of the Indo-Pacific predicated on economic co-operation and security participation.²⁷⁸ Central to the Indonesian vision – which greatly informed the *ASEAN Outlook* – is the need for Indonesia and other Southeast

276 ASEAN Secretariat, *Master Plan on ASEAN Connectivity* (Jakarta: 2016), <https://asean.org/storage/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf>.

277 "Indonesia Promotes ASEAN Outlook on Indo-Pacific at Middle Power Meet," *The Jakarta Post*, February 14, 2020, <https://www.thejakartapost.com/news/2020/02/14/indonesia-promotes-asean-outlook-on-indo-pacific-at-middle-power-meet.html>.

278 David Scott, "Indonesia Grapples with the Indo-Pacific: Outreach, Strategic Discourse, and Diplomacy," *Journal of Current Southeast Asian Affairs* 38. no.2, (2019): 194-217.

Asian states to maintain strategic autonomy from all great powers in the region, with specific reference to China and the United States.

Rather than create new institutions to affect an inclusive Indo-Pacific approach, the Indonesian government prioritizes the further development and integration of existing ASEAN and other regional institutions, a view the Widodo administration succeeded in getting ASEAN to include in its *Indo-Pacific Outlook*.²⁷⁹ Indeed, like the *ASEAN Outlook*, Indonesia's approach to the Indo-Pacific is predicated on engagement with all states, subversion to none. This interpretation of the Indo-Pacific is particularly at odds with the Australian and U.S. FOIP visions, both of which emphasize security and the need to 'manage' China. Indeed, far from using its view of the Indo-Pacific to contain Chinese activity, the Widodo administration has embraced Indonesian co-operation with China's BRI where and when doing so makes sense for Indonesian national security and national interests.²⁸⁰ Through this pragmatic approach, Indonesia and ASEAN have offered and are offering a competing rather than a complementary vision of FOIP.

FRANCE AND GERMANY: EXTRA-REGIONAL INDO-PACIFIC ACTORS

France's and Germany's Indo-Pacific strategies are the most comprehensive adaptive visions to date and, as such, are important models for Canada as it develops its own national-level approach to the Indo-Pacific. Their strategic relevance comes not only from

279 Dewi Fortuna Anwar, "Indonesia and the ASEAN Outlook on the Indo-Pacific," *International Affairs* 96, no.1, (2020): 111–129.

280 Xinli Qiu, "Why BRI-GMF Cooperation Benefits China and Indonesia," *The Jakarta Post*, August 23, 2019, <https://www.thejakartapost.com/academia/2019/08/23/why-bri-gmf-cooperation-benefits-china-and-indonesia.html>.

their inclusive Indo-Pacific visions, but also their prioritization of diversification, multilateralism, and non-alignment in their Indo-Pacific approaches. Paris and Berlin have also provided much needed frameworks for the Indo-Pacific's conceptual integration with existing international institutions, such as the United Nations, G7, and European Union that can contribute to inter-regional stability across the Indian and Pacific Ocean areas.

FRANCE

For France, the Indo-Pacific has a geographic and territorial determination, with the country's seven overseas territories – Mayotte and La Réunion islands, Scattered Islands and French Southern and Antarctic Territories, New Caledonia, Wallis and Futuna, French Polynesia, and Clipperton – straddling the Indian and Pacific Ocean areas and constituting 97 per cent of its total exclusive economic zone (EEZ).²⁸¹ From this conceptual starting point, the Macron administration has prioritized the safety of French overseas nationals, the security of French territory, and maritime security across the Indian and Pacific Ocean areas within its Indo-Pacific strategy. This has led some analysts to suggest, wrongly, that France is bandwagoning with the U.S. in the Indo-Pacific.

Rather, France has outlined a security approach to the Indo-Pacific predicated on 'inclusivity,' with its ultimate concern being non-traditional security issues including piracy, terrorism, and organized

281 Ministry of Europe and Foreign Affairs, 'The Indo Pacific Region: A Priority for France', February 2020, <https://www.diplomatie.gouv.fr/en/country-files/asia-and-oceania/the-indo-pacific-region-a-priority-for-france/>

crime, not great power competition or China's rise.²⁸² While Paris identifies Australia, India, and Japan as important Indo-Pacific security partners, for instance, it does so within a broader commitment for engagement in regional multilateral security forums such as ASEAN Defence Ministers' Meeting-Plus, the Heads of Asian Coast Guard Agencies Meeting, and the Regional Cooperation Agreement on Combating Piracy and Armed Robbery Against Ships in Asia, all of which include China as a security actor.

France has similarly embraced multilateralism and diversity of relations in its economic approach to the region. This approach includes deepening economic ties with China in Asia, both bilaterally and through co-operation on the Belt and Road Initiative, to 'strengthen and rebalance its comprehensive strategic partnership' with Beijing in the Indo-Pacific.²⁸³ Concurrently, Paris will reach out to Australia, India, Japan, Singapore, and Malaysia to develop further economic opportunities for French firms, all a part of its inclusive Indo-Pacific approach.

Lastly, Paris has identified support for sustainable development, environmental protection, and biodiversity preservation as core pillars of its Indo-Pacific approach. Led by the Agence Française de Développement (AFD), France seeks primarily to engage with ASEAN member states and Pacific Island nations through development financing and programming, which it undertakes with both the Asian Development Bank and the Asian Infrastructure Investment Bank.

²⁸² Ministry for Armed Forces, 'France and Security in the Indo Pacific', access 4 Sept 2020, <https://www.defense.gouv.fr/layout/set/print/content/download/532754/9176250/version/3/file/France+and+Security+in+the+Indo-Pacific+-+2019.pdf>

²⁸³ Ministry of Europe and Foreign Affairs, *French Strategy in the Indo-Pacific: For an Inclusive Indo-Pacific*, accessed 11 September 2020, https://jp.ambafrance.org/IMG/pdf/french_strategy_in_the_indo-pacific.pdf?27051/2765a0ffd0fab0010aa4d96b5ad7419e73f67dea

GERMANY

Germany, conversely, has framed its Indo-Pacific strategy largely in governance terms. In its 2020 Federal Foreign Office document, *Guidelines on the Indo-Pacific (Leitlinien zum Indo-Pazifik)*, German policy writers describe the state as a ‘global trading nation’ both dependent on and an advocate for an Indo-Pacific rules based order.²⁸⁴ To ensure Germany’s global ‘prosperity,’ argues Germany’s foreign minister, Berlin must proactively engage within the Indo-Pacific to ensure the region remains receptive to German interests and supportive of German economic development.²⁸⁵ In particular, Germany seeks to promote an Asian RBO based on consultation and co-operation, not on the ‘law of the strong.’

Germany sees itself, in this respect, as playing an important role toward institutional development in the Indo-Pacific, a region its policy analysts describe as institutionally underdeveloped. The Federal Foreign Office has identified Germany’s participation with the United Nations, the European Union, the Organization for Security and Co-operation in Europe (OSCE), the Council of Europe, and the North Atlantic Treaty Organization (NATO) as important experiences it can use to support institutional development in Asia, primarily in partnership with ASEAN and within the ASEAN regional framework.²⁸⁶ Berlin’s focus on ASEAN centrality and institutional building through ASEAN’s existing structure directly align its Indo-Pacific vision with the *ASEAN Outlook* and Indonesia’s Indo-Pacific strategy.

²⁸⁴ Federal Foreign Office, ‘Leitlinien zum Indo-Pazifik’, 2 September 2020, <https://www.auswaertiges-amt.de/blob/2380514/35e5c739e1c9a5c52b6469cfd1ffc72d/200901-indo-pazifik-leitlinien--1--data.pdf>

²⁸⁵ Federal Foreign Office, ‘Foreign Minister Maas on the adoption of the German Government policy guidelines on the Indo-Pacific region’, 2 September 2020, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-indo-pacific/2380474>

²⁸⁶ Federal Foreign Office, ‘Leitlinien zum Indo-Pazifik’, 2 September 2020, <https://www.auswaertiges-amt.de/blob/2380514/35e5c739e1c9a5c52b6469cfd1ffc72d/200901-indo-pazifik-leitlinien--1--data.pdf>, 2

Importantly, Germany uses its *Guidelines on the Indo-Pacific* to differentiate its own Indo-Pacific approach from the proponent states' FOIP strategies, particularly with respect to China. Rather than engage in strategic competition in the region, Germany outlines an Indo-Pacific approach based on multilateralism, institutionalism, and inclusivity, even with China as a strategic partner. Germany calls this approach 'geographic and thematic' diversity, through which its purposefully seeks to avoid one-sided dependency on a single state and/or actor.²⁸⁷

Indeed, Germany outrightly rejects the idea of a unipolar Asia, arguing that hegemony has no place in the contemporary Indo-Pacific, and argues against bipolarity, stating that no Asian state should have to choose between any two powers. This Indo-Pacific view places Germany squarely outside the U.S. FOIP vision, which is predicated, as outlined above, on the perseverance of U.S. predominance and the U.S.-led alliance system in the Indo-Pacific.

Aside from its focus on regional governance and institutionalism, Germany's Indo-Pacific vision identifies key areas where the country will seek to deepen its economic engagement. Economic relations with China, which accounts for around 50 per cent of Germany's total Indo-Pacific trade, are key to this approach, although Berlin makes clear that economic diversification away from China is one of its key Indo-Pacific strategic priorities. German policy writers identify ASEAN member states, in particular, as nodes of great economic potential for German industry, and as a means for German firms to ensure greater supply chain security in the Indo-Pacific.²⁸⁸

²⁸⁷ Federal Foreign Office, 'Leitlinien zum Indo-Pazifik', 2 September 2020, <https://www.auswaertiges-amt.de/blob/2380514/35e5c739e1c9a5c52b6469cfd1ffc72d/200901-indo-pazifik-leitlinien--1--data.pdf>, 9

²⁸⁸ Ibid, 47

Aside from its own national priorities and engagement strategies, Germany uses its Indo-Pacific strategy to call for a European Union-wide Indo-Pacific approach, one based on the French and German views of inclusivity, multilateralism, and diversification. Germany specifically notes an EU Indo-Pacific approach would strengthen its member states' ability to force China to reciprocate on matters of trade and investment. One finds similar calls for EU co-ordination in France's *For an Inclusive Indo-Pacific (Pour un espace indopacifique inclusive)* strategic document, an indication that the two states' national views could inform a comprehensive EU approach in the near to medium terms.

INDO-PACIFIC ADOPTER STATES: A MODEL FOR A DIVERSE, INCLUSIVE, AND STABLE INDO-PACIFIC

In contrast to the proponent states' Indo-Pacific and FOIP visions, one can make a strong case for Canadian alignment with the adapter states' Indo-Pacific visions. Like the adapters, Canada is committed to multilateralism and institutionalism in Indian and Pacific Oceans areas and, like the adapter states, Canada has prioritized inclusivity and sustainable development in its Feminist International Assistance Policy (FIAP) toward Asia. Also like the adapter states, Canada is deeply committed to international rule of law and regional order in Asia, particularly if such order is flexible to the development of new, endogenous institutions that meet a clear regional demand. Canada's decision to participate in the AIIB despite President Barack Obama's administration's objections, for instance, is evidence that Canada does not see Asia's order as a zero-sum game where Chinese interests are ignored for the sake of

continued U.S. primacy. Canada is also committed to supporting social and economic development and security in the Middle East and Africa, where it already works with the Gulf Cooperation Council, Global Coalition Against Daesh, La Francophonie, and the International Syria Support Group on such issues.²⁸⁹

Canada is also keenly aware of the importance of middle power co-operation to achieve its national interests in Asia, and it could use Indo-Pacific normative alignment with the adapter states, in particular, to further its middle power engagement in the region. Canada can also benefit from an inclusive Indo-Pacific – one that accommodates for China as an influential Asian actor with rights as well as responsibilities – and a commitment to non-aggression. So long as the adapter states remain committed to such values, normative alignment with their shared Indo-Pacific principles appears to provide Canada with a strategic logic – if not imperative – for strategic engagement.

Canada can only undertake normative alignment of this type, however, if it purposefully and clearly articulates the Indo-Pacific vision it accepts and identifies the Indo-Pacific visions, or components thereof, that it rejects. Adherence to the U.S. FOIP vision, for instance, would not allow Canada to advance its middle power position in the Asia Pacific (or Indo-Pacific), but rather would place it firmly on the U.S. ‘side’ in Asia. Far from advancing its position as a middle power, Canada would find its actions limited and its room to manoeuvre constrained as a result of such a conceptual alliance.

²⁸⁹ Government of Canada, “Canada and the Middle East and North Africa,” last modified July 25, 2019, https://www.international.gc.ca/world-monde/international_relations-relations_internationales/mena-moan/index.aspx?lang=eng.

These realities raised two important questions for Canada as it moves forward with its deliberations over whether or not to conceptually and practically reengineer its approach to the Asia Pacific to bring itself in line with Indo-Pacific adapter states.

First, can Canada choose which version of the Indo-Pacific it aligns itself with if and/or when it decides to adopt the Indo-Pacific as a geographic reference point? While the answer to this question is ostensibly ‘yes,’ as Canada is free to articulate its approach to any policy as it sees fit, practically the answer is a resounding ‘maybe.’ The Indo-Pacific and the FOIP vision, while complex ideas and concepts to those willing to spend the time to critically disassemble them, are primarily valuable as foreign policy tools as they represent perceptions, intentions, and partnerships.

For many Indo-Pacific states, there is little difference between the U.S. and German Indo-Pacific visions, particularly as both states use the Indo-Pacific concept as shorthand for their bilateral and multilateral engagement in Asia. For Canada, then, communication to other Asian states – particularly those that are inherently wary of the Indo-Pacific and FOIP as grand strategic visions – that its Indo-Pacific vision adheres to the adapters’ views and eschews the U.S. approach is a strategic communication imperative. This distinction will become easier to articulate and maintain as more states like Germany publicize their Indo-Pacific views in opposition to the Trump administration’s ‘America First’ approach.

Second, does Canada gain through normative alignment with the FOIP concept? Here, the answer should be a resounding ‘yes,’ albeit with an important caveat. While there is clearly much laudable in ASEAN’s *Indo-Pacific Outlook* and the French, German, and Indonesian Indo-Pacific concepts in terms of adherence to non-

aggression, inclusivity, non-interference, international law, and multilateralism, Ottawa needs to understand that the dominant Indo-Pacific and/or FOIP narrative in the region remains one propagated by Washington, which, as described above, is inherently *illiberal* in its treatment of China, its dependence on military force as its primary means, and its insistence on continued U.S. hegemony in Asia. Any acceptance of the Indo-Pacific on normative grounds must, therefore, include a clear strategy for communicating which aspects of the Indo-Pacific concept Canada accepts and, perhaps even more importantly, which it rejects. Germany has demonstrated this is possible by clearly rejecting ‘rule of the strong’ in Asia, by which Berlin clearly means the U.S. FOIP approach. Canada can do this as well, but not without openly rejecting Washington’s more brutish vision of regional order.



CONCLUSION

The Indo-Pacific concept is now a geographic and strategic reality, despite its lack of clarity and its ongoing controversies, as described above. For Canada, this means there is now a substantial need to address the concept within its own strategic approach to the region, even as it lacks a geographic and material foundation necessitating geostrategic realignment. This is not to suggest that Canada accept existing Indo-Pacific models as its own – indeed, far from it. Rather, Canadian policy-makers must figure out how best to engage with the concept so as to advance the country’s national interests in Asia and avoid the strategic backlash that has, and will, coalesce around more confrontational visions, such as the U.S. FOIP. Clear understanding of predominant Indo-Pacific and FOIP accounts is the starting point for such a strategic undertaking.

First and foremost, Canadian policy-makers must differentiate between the Indo-Pacific as a strategic concept and FOIP as a strategic plan. While there is significant overlap between the two concepts, most notably with respect to the proponent states’ Indo-Pacific ‘visions,’ which constitute ‘strategies’ in all but name, they are not mutually dependent. The Indo-Pacific, as outlined

above, is most fundamentally an expansion of the Asia Pacific geographic area to include the Indian Ocean area and its littoral states. The FOIP concepts, conversely, are strategic plans, including operations and resources, to ensure the proponent states' national interests across the Indo-Pacific area. While FOIP depends on the Indo-Pacific for its strategic and geographic reference area, the Indo-Pacific concept can, and does, exist exclusive of FOIP.

For Canada, it is therefore possible to adopt an Indo-Pacific 'vision' while rejecting a FOIP strategy. This may at first seem self-evident, but the differentiation between the two concepts is subtle and often ignored. When ASEAN published its *Indo-Pacific Outlook*, for instance, proponent state advocates were quick to claim the institution and its member states shared the U.S. vision of Asia, which includes the need to balance China. Indeed, the US State Department specifically referenced ASEAN as a key U.S. FOIP partner in its *Indo-Pacific Strategy* publication, essentially co-opting ASEAN member states into the U.S. vision of regional order, despite ASEAN's clear break with the U.S.'s exclusionary approach.²⁹⁰ Similarly, Western analysts were quick to ascribe Germany's Indo-Pacific strategy as 'anti-Chinese' in nature, despite Berlin's rejection of a U.S.-led FOIP vision and acceptance of China's Indo-Pacific centrality in its strategic document.

Nevertheless, it is possible for Canada to adopt an Indo-Pacific viewpoint while rejecting the FOIP strategy; an approach that would allow Ottawa to make common reference to a geographic area of growing relevance and significance among non-proponent states and to align its foreign policy principles with existing models of diversification, inclusion, and stability. This approach is only possible, however, if Canada specifically rejects FOIP as

290 U.S. Department of State, "A Free."

a strategic ideal and aligns itself with the adapter states, all of which have taken measures to ensure their own Indo-Pacific visions include clear rejection of U.S.-led FOIP principles, such as Chinese containment and U.S. pre-eminence. The approach would not, therefore, be cost free as its success depends on defining it in opposition to the proponent states' predominant views.

The benefits for normative alignment with the adapter states do, however, outweigh the costs. ASEAN, Indonesia, France, and Germany have all articulated Indo-Pacific visions that stress non-traditional security (climate change, in particular), governance, and middle power diplomacy – all issue areas that transcend the Indo-Pacific and have implications for the global order going forward. Canada's foreign policy principles of multilateralism, international governance, and international law are, therefore, strengthened as the result of adapter state engagement, particularly as such alignment rejects the FOIP dominant paradigm that U.S. pre-eminence in Asia is the necessary condition for regional stability.

Similarly, Canada shares the adapter states' Indo-Pacific principles of diversity, inclusivity, and stability and could support these principles as alternatives to the proponent states' 'free' and 'open' ideals. Through normative alignment, Ottawa could demonstrate its commitment to non-competitive regional order in Asia, its support for middle power coalitions, and its independence of action from the U.S. in Asia. Canada's strategic reputation in Asia would benefit from the rejection of a U.S.-led order and instead the adoption of a shared, internationalist view of an inclusive Asian order, particularly one with ASEAN as its conceptual centre of gravity.

Further, engagement with the adapter states also provides Canada a framework for thinking about its own, non-FOIP-aligned strategic

approach to the Indo-Pacific. Rather than seek to replicate the proponent states' FOIP rationales, visions, and approaches, Canada could instead internalize the adapter states' principles of diversity, inclusivity, and stability to shape its own strategy of 'broad diversification' in the Indo-Pacific. While such an approach will necessarily evolve over time, a Canadian 'diverse,' 'inclusive,' and 'stable' Indo-Pacific strategy should address the following points.

First, Canada must operate selectively in the Indo-Pacific rather than adopting a region-wide approach such as the FOIP concept. Canadian policy-makers should use Canada's national interests, its Indo-Pacific values, and its partnerships to determine where and when to undertake operations to support its regional vision. Part of this approach must include a willingness to forego the Indo-Pacific geographic lens when doing so increases Canada's strategic flexibility and options, such as ensuring continued Canadian involvement with Mexico, Chile, and Peru – important Latin American partners for Canada is Asia – that continue to operate within a conceptual Asia Pacific.

Second, Canada must remain materially and operationally unaligned in the Indo-Pacific region. Canada can achieve this through a policy of equidistance toward the U.S. and China, of selective engagement with Indo-Pacific states, and of multilateralism where and when possible. In particular, Canada must carefully avoid any operations with the proponent states directed against China, such as freedom of navigations operations (FONOPs) in the South China Sea, as Ottawa could find itself an unwitting 'partner' in an anti-China coalition. Concurrently, Canada must develop a China 'strategy' predicated on economic, political, and security reciprocity – a strategy designed in line with Canada's national interests and its commitment to regional diversity, inclusivity, and stability.

Third, Canada must continue close co-operation with the Indo-Pacific proponent states *outside* the FOIP strategic construct. Australia, India, and Japan, in particular, are all critical middle power strategic partners for Canada and Ottawa must ensure continuity and development of its bilateral relations with each state. In particular, Canada must prioritize co-operation with Japan where Tokyo works toward Indo-Pacific inclusion, ASEAN centrality, and regional institutional building. Ottawa must studiously avoid any bilateral and/or multilateral engagement with the proponent states under the FOIP strategic umbrella, however, particularly with respect to FOIP security activity.

Similarly, Canada must continue to work with the U.S. on matters where the two states' national interests align while studiously avoiding entrapment in Washington's FOIP strategy. Engagement of this type will be difficult as the Trump administration uses the Indo-Pacific and FOIP concepts as shorthand for nearly all U.S. activity in the region, particularly when Washington directs such activity at China. Indeed, Canada must assiduously avoid the unintended consequences of partnership with the U.S., at least until Washington refines its own approach to the region to be less antagonistic.

Fourth, Canada must work with the ASEAN Secretariat to strengthen the organization's existing institutions, dialogue mechanisms, and normative values. Canada can best accomplish this through recognition of ASEAN's centrality within the Indo-Pacific, expansion of Canada representation across forums such as the ADMM+, the EAS, and the ARF, and negotiation of a Canada/ASEAN free trade agreement. Canada must also work with each ASEAN member state to identify areas of potential economic opportunity and common strategic vision, to encourage education

exchange, to increase local awareness of Canada, and to encourage high-skilled immigration where appropriate.

Fifth, Canada must work with ASEAN, Indonesia, France, Germany, and potentially Japan, to operationalize its Indo-Pacific values through activities designed to strengthen regional governance and rule of law, to address climate change, water security, and illegal, unreported, and unregulated fishing, and to reject great power competition. Canadian policy-makers must prepare both to support existing institutions, such as Mekong River Commission, and to engage with new regional institutions, such as the Conference on Interaction and Confidence-Building Measures in Asia. Canada must studiously avoid rejection of any regional institution, such as the AIIB, on the grounds that it is China-led.

Sixth, and lastly, Canada must invest in domestic education and training programs to enable Canadian students, government officials, and entrepreneurs to engage more effectively in Asia. Canadian national and provincial governments must introduce Asian modules into primary and secondary social studies programs, both to highlight contributions from Asian-Canadians to Canada's national development and to educate Canada's next generation of students about one of the world's most dynamic regions. Canada must also invest more resources in Asian language studies, offering immersion opportunities for Canadian students in line with existing French language schools, and increase opportunities for young Canadians to undertake co-op opportunities in Asia. Through these modest efforts, Canadian policy-makers can increase the Canadian public's 'Asia Competence' and better position the country to compete successfully in Asia.

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ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

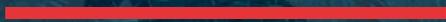


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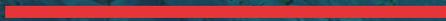
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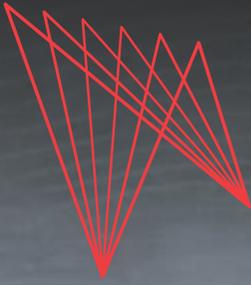
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COVID-19 Pandemic Implications on Agriculture and Food Consumption, Production and Trade in ASEAN Member States

FEBRUARY 2021



This report has been prepared by the Asia Pacific Foundation of Canada, funded by Global Affairs Canada through the Canadian Trade and Investment Facility for Development.

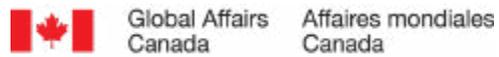


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ABOUT THE REPORT

This report captures the implications of the COVID-19 pandemic for agriculture and food consumption, production and trade in the Association of Southeast Asian Nations (ASEAN) region. In this context, the Asia Pacific Foundation of Canada and Mouralea Consulting produced this report to provide technical assistance on COVID-19 recovery plans to ASEAN stakeholders including Ministers on Agriculture and Forestry, Senior Officials, and their working groups. To achieve this goal, the authors of this report conducted primary surveys with ASEAN focal representatives, health and nutritional modelling, rudimentary economic analysis, and secondary literature reviews related to the impacts and challenges posed by COVID-19 in the ASEAN agriculture and food sector. As such, an analytical and evidence-based approach was embraced to develop policy insights and recommendations suitable for the varied contexts, capacities, and agendas of the different member states and partners in ASEAN.

This report contains six chapters that touch upon the following topics: i) COVID-19 trajectory, ii) macro impact, demand and consumption, iii) supply and value chains, iv) trade challenges and opportunities, v) gender impacts, and vi) policy recommendations. The results presented in this study are intended to facilitate policy dialogues and enable evidence-based decision-making among ASEAN members and key stakeholders on the best course of action to alleviate the burden of COVID-19. Our report contains a wide-ranging review, analysis and discussion of a number of issues arising as a result of the unfolding pandemic. The report also provides some links and references to relevant state-of-the-art scientific and socio-scientific work undertaken elsewhere. We are hopeful that the report proves useful to ASEAN leaders and senior officials in addressing the pressing challenges they now face.

ACKNOWLEDGEMENTS

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
APF	Asia Pacific Foundation
ASEAN	Association of South East Asian Nations
AMS	ASEAN Member States
CDC	Centre for Disease Control and Prevention
CGIAR	Consultative Group for International Agricultural Research
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
COVID-19	Coronavirus Disease 2019
ERIA	Economic Research Institute for ASEAN and East Asia
FAO	United Nations Food and Agriculture Organization
GDP	Gross domestic product
GVC	Global value chain
IFPRI	International Food Policy Research Institute
ILRI	International Livestock Research Institute
IMO	International Maritime Organization
NTM	Non-Tariff Measure
OECD	Organization for Economic Cooperation and Development
OIE	World Animal Health Organization
PPE	Personal protective equipment
RCEP	Regional Comprehensive Economic Partnership
SPS	Sanitary and phytosanitary measure
USDA	United States Department of Agriculture
WFP	United Nations World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

GLOSSARY

k	A measure of a disease's dispersion. Generally, "k" is used as indicator of whether a disease spreads incrementally or in clusters.
R0 or Rt	Reproduction number (for transmission of a disease or illness) If R / R_0 is greater than one, the number of people infected will increase and the disease will continue to spread. If R / R_0 remains at or below 1, the number infected will remain steady or decrease, and the disease may disappear in time.
Energy sufficient diet	Diets that meet an individual's caloric requirement, largely based on their livelihood activities. Emphasis is often placed on basic starchy staple to achieve this diet.
Nutrition adequate diet	Diets that contain a balance of carbohydrates, proteins, fats, vitamins and minerals to maintain proper health and avoid diet-related illnesses and diseases
Healthy diet	Diets that provides individuals with adequate calories and nutrients. Emphasis is often placed on dietary diversity to ensure both micro- and macro-nutrient requirements are met.
Staple food	Foods that are eaten regularly and constitute dominant parts of one's diet to meet their total energy requirements. Rice, wheat, and maize are examples of common staple foods in Southeast Asia.
Primary sector	Production activities that cover the harvesting and raw extraction of goods for later processing
Secondary sector	Production activities that involve the processing of raw materials for final consumption

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EXECUTIVE SUMMARY: KEY FINDINGS AND POLICY GUIDANCE

In October 2020, our team was invited by the Association of Southeast Asian Nations (ASEAN) and the Canadian Trade and Investment Facility for Development (CTIF) to examine the impacts of the unfolding COVID-19 pandemic on ASEAN's agri-food sector. Key priorities were to assess and discuss ways and means of limiting the pandemic's adverse impacts on food security and disruptions to trade and agri-food value chains within the ASEAN region. The main aim of the undertaking was to better inform senior and technical officials at the national and ASEAN-wide level of the ramifications of different policy and regulatory choices with regard to containing the pandemic and mitigating its adverse consequences on the economy and society.

To achieve these goals, our team conducted primary surveys with ASEAN local representatives, undertook health and nutritional simulation modelling and statistical analysis, and an extensive literature review related to the impacts and challenges posed by COVID-19 in ASEAN agri-food value chains. Accordingly, an analytical and evidence-based approach was undertaken to develop policy recommendations suitable for the varied contexts, capacities, and agendas of the different member states and partners in ASEAN.

This report contains six chapters that touch on the following topics: i) COVID-19's spread within ASEAN members and approaches to its containment, ii) macroeconomic consequences of the pandemic and containment measures and their impacts on food demand, iii) supply and value chains, iv) trade challenges, options and opportunities, v) gender impacts, and vi) policy recommendations. Our team's findings are intended to facilitate policy dialogues and

enable evidence-based decision-making among ASEAN members and key stakeholders on the best course of action to alleviate the burden of COVID-19. Key findings and policy guidance from this effort follow below.

ASEAN members perform relatively well in virus containment broadly

Because of their economic interdependence with and close geographic proximity to China, ASEAN Member States (AMS) found themselves on the front lines of the COVID-19 pandemic in its initial phases, ranking high for the relative risk of case importation. With the exception of the Philippines, Myanmar and Indonesia, however, ASEAN members have done relatively well in containing the virus. Lessons learned about the nature of the virus and how it spreads since its onslaught can inform the redesign of key components of ASEAN regional food chains: livestock and vegetable primary production, wet markets, processing facilities, slaughter facilities and packing plants.

Macroeconomic prognosis: Sluggish until May 2021, robust growth from 2021 Q3

The ASEAN region's economy will shrink in 2020 by around five per cent in aggregate and growth prospects will remain subdued in the first half of 2021 until effective and widely distributed vaccines are available and key trading partners in the Global North begin to recover. Macro analysts remain wary of making point forecasts and typically include scenarios with a subdued recovery path with repercussions for at least two years. Although effective vaccines do appear to be on the horizon, many countries in the Global North are still struggling with the pandemic and may, once again, need to resort to lockdown and physical distancing measures. For this reason, economic performance is likely to decline over the coming several months, contributing to a double-dip or wobbly "W"-shaped pandemic-induced recession.

Supply of food staples adequate, but transparency is key to avoiding panic on the supply side

When the COVID-19 pandemic first began, several ASEAN members took steps to restrict exports while others impeded imports. Such actions concurrently led to short-term price increases in importing countries and for their consumers and concomitant short-term price declines and lower income prospects for producers in exporting countries. Fortunately, ASEAN leaders recognized that such behaviour was counter-productive and rescinded most of these interventions by May 2020.

Fears of shortfalls and associated panic buying and hoarding have receded due to international efforts to improve communication regarding production, utilization and stocks. Supplies of staple crops are large, production prospects are favourable, and cereal stocks in 2020 are expected to reach their third-highest level on record. Consequently, under current conditions, global food staples (rice, maize, corn, soybeans) supplies and prices should be capable of meeting ASEAN's needs from a "calorie sufficient" perspective.

Transport and border bottlenecks lead to higher costs

The International Air Transport Association indicates that Asia Pacific Air-Cargo-Tonne-Kilometres fell ~ 15 per cent in 2020 while Active-Temperature-Controlled-System Cargo (for perishable items) fell by 25 per cent.¹ Concurrent with these volume shortfalls, air freight costs spiked in the summer of 2020. Ocean-going cargo shipments through the Port of Singapore fell by 5.8 per cent, while container movements through Port Klang fell by 16 per cent. Refrigerated shipments of high-value foodstuffs to and from ASEAN ports are thought to have declined by 10-20 per cent.

¹ IATA. (September 2020). Air Cargo Market Analysis. <https://www.iata.org/en/iata-repository/publications/economic-reports/air-freight-monthly-analysis---september-2020/>

Intra-country travel restrictions amplify existing health and nutritional disparities

Intra-country travel restrictions and checkpoints continue to pose barriers to the distribution of food, despite sufficient supply in most countries. Even in sites near food-producing facilities, the delivery and transport of fresh fruits, vegetables, and animal products may take up to several weeks as personnel are required to adhere to quarantine guidelines. Communities outside city centres will thus become more susceptible to negative health impacts of COVID-19. This contributes to existing health disparities across countries in ASEAN as rural areas experience higher poverty rates and malnutrition. Implementing evidence-based measures that will not disrupt internal logistics and transport is essential to support households with limited access to a stable supply of food and for future vaccine distribution.

Curbs on seafarer movements increase waste, obstruct trade and lower diet quality

With the rise of COVID-19, many nations and ports have started to restrict the movements of crews and seafarers manning cargo ships and other sea craft. This is harmful to the health and well-being of these seafaring men and women. It also constitutes a growing impediment to trade in general, including trade in much-needed agriculture inputs, food staples and more nutritious but time sensitive food items in particular. As Filipinos, Indonesian, Thai and Vietnamese nationals make up a large portion of the global maritime workforce, this new disruption and personnel-based protectionism has ramifications for trade and economic development, food security and nutrition outcomes throughout ASEAN, as well as humanitarian consequences for ASEAN nationals and disruptive impacts worldwide.

Transaction costs and impediments to trade at the border have been rising

New impediments have been placed on product movements. And new constraints have been placed on seafarer shore leave and movements. Such disruptions and delays effectively reduce the quantities of food available, increases waste, lowers food quality and nutritional value, while concurrently increasing their cost to consumers. Efforts to reduce costs and improve timeliness in expediting movements of vegetables and fruit in particular will lead to better nutritional outcomes and should be a high priority.

The above developments pose a two-fold challenge for trade facilitation: i) securing customs clearance ahead of time for the products in question, to minimize costly delays and waste; ii) securing approval prior to entry for crews to use port facilities to avoid delays upon arrival. ASEAN's efforts to ameliorate such bottlenecks while maintaining health and safety precautions will be well-rewarded; a starting point might be to consider those involved in the agri-food value chain and the transportation of such products in the same light as essential healthcare workers.

Constrained movements and false rumours undermine ASEAN fisheries

ASEAN's fisheries provide thousands of jobs catching, consolidating, marketing, processing and trading but the COVID-19 pandemic has inflicted considerable damage on seafood markets. This is partially due to the sector being subject to repeated lockdowns and partially due to misinformation regarding virus transmission (falsely attributed to seafood) dampening demand.

The seafood sub-sector may be the most vulnerable agri-food sector to COVID-19's disruptive impacts. Many fishing fleets are now laying idle and the deteriorating outlook has seen aquaculture producers reduce stocking targets. Authorities in destination ports are reluctant to allow both seafarers and fishermen shore leave and

access to port facilities without quarantine due to concerns relating to COVID-19 spreading. Unless protocols for access to port facilities can be negotiated that allow commercial production and trade to continue while safeguarding human health, COVID-19 precautions could inadvertently undermine the solvency of smallholder seafood operations. This has negative implications for the livelihoods of fishermen and women and, left unresolved, could decrease future availabilities of this high-quality protein source.

Wet markets and other food venues need to revisit food safety practices

All ASEAN members have wet markets, depended on by small and modest-sized food producers as their main channel of distribution, and by consumers for access to fresh food. However, many food vendors in ASEAN countries are not well educated about public health or food safety standards, nor are they trained to maintain good hygiene while distributing food to help prevent the spread of foodborne diseases. The WHO indicates that the Southeast Asia Region has the second-highest burden of foodborne illnesses after the African Region, with more than 150 million cases and 175 000 deaths annually. Since 70 per cent of new viruses originate with animals and livestock products, renewed efforts in risk management and hygiene education focusing on livestock production, livestock processing and wet markets are warranted.²

Medical and scientific insights can improve facility design

Facility design and product flow insights acquired since COVID-19 first appeared could be incorporated into the design and operation of livestock farms, slaughter facilities, processing plants and market places. While such alterations may represent a significant upfront cost, they will lower risk of disease spread, lower incidences of

² Jones, K.E., Patel, N.G., Levy, M.A., Storeygard, A., Balk D., Gittleman, J.L. & Daszak P. (2008). Global trends in emerging infectious diseases. *Nature*, 451, 990–993.

product contamination, improve worker health, reduce time lost due to workforce illnesses, and lower consumer risks.

Women suffer disproportionately from the pandemic-induced economic downturn

COVID-19 has made employment tenuous for men and women. However, women were much more vulnerable to job losses and income declines than men because more women were employed in the processing and service sectors as casual labourers. Shocks to the agri-food system during COVID-19 have caused businesses to resort to furloughs and layoffs, reducing a significant proportion of women's social safety nets. Due to the dominance of women as market food vendors, many of them were also forced to significantly reduce the price of their goods and operating capacity so that they could cover the cost of their household necessities. As a result, negative impacts on household nutrition and food security outcomes were observed. The gender imbalance was accentuated by the uneven division of care and domestic work in the household, further limiting women's livelihood choices and opportunities.

Despite women officially making up over one-third of workers in the agricultural sector in ASEAN, only 13% of agricultural land title holders are women. Operationally, men and women may share roles in resource management responsibilities. However, this legal bias is problematic when female migrant workers return home and intend to start farm production activities but cannot exercise control over their resources due to the absence of their male counterparts. Policies to empower women through greater access to resources, such as land, need to coincide with COVID-19 relief efforts to present women with the independence of household decision-making. Correcting gender imbalances and strengthening safety nets for women and men will be critical challenges in the post COVID-19 era.

Migrants workers remain vulnerable

Migrant workers are even more vulnerable to exploitation than they were before. There are an estimated 10 million migrant workers in ASEAN, with a large share working in the agriculture and food sector. Impediments to the movement of migrants not only jeopardize their livelihoods but also the agricultural productivity of ASEAN's agriculture and food sector and erodes national efforts to improve food security and nutrition outcomes. As a result of migrant repatriations, job losses, and job suspensions, remittance shortfalls for ASEAN members are estimated to be US\$6-12B. In many instances, employers held migrants' passports and other documents, limiting migrants' ability to remove themselves from an abusive or exploitative situation. Increased incidences of deferred, reduced, withheld or non-payment of wages by employers were also experienced by migrant workers. In the absence of social guarantees, the pressure to continue labour activities heightens the exposure of migrants to COVID-19.

Falling incomes and job losses shift dietary patterns and lower nutritional outcomes

To date, the main way in which COVID-19 has threatened food security and undermined households' nutrition is via overall stagnation in the economy and associated income shortfalls and job losses, particularly for migrant workers and poor households. These undermine households' abilities to buy food and other essentials. Poverty levels and food insecurity levels in the Philippines, Indonesia, Cambodia, Thailand, Vietnam, Myanmar, and Lao PDR have all suffered as a consequence. Such job losses and declines in income typically result in consumers shifting toward "caloric sufficiency" starch-based diets, at the expense of "nutrition adequate" diets with greater amounts of nutrition-rich vegetables, fruits, meat and fish.³

³ For more on this issue, see: FAO et al. (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets.*

Such dietary shifts, if sustained, are likely to further exacerbate already high rates of stunting in children under five years old and anemia among women. In poorer ASEAN member states and poorer households in particular such dietary shifts could have longer-term adverse impacts on maternal and child health, with knock-on complications for the incidence of stunting, mental health issues, and educational attainment prospects. If prevalent across a wide portion of the population, this can also affect an entire nation's long-term prospects.

Achieving a “nutrition adequate” diet will be a challenge for ASEAN

Most countries rely on some combination of domestically-produced and imported vegetables and fruits to broaden their diet, increase their intake of micro-nutrients, and improve nutrition levels. Besides border impediments mentioned above, production of more perishable horticulture crops and livestock products has also been hampered by labour shortfalls and constrained access to inputs that are time sensitive in their application. Constraining the movements of migrant workers and those undertaking complementary transportation and distribution activities related to agriculture and food value chains undermines their production capacity.

ASEAN Regional Policy Guidance

Three broad categories of actions are identified - immediate action, short term action, and for sustained, long term effort – to guide ASEAN’s regional policy on post–COVID-19 recovery. The actions are further elaborated in Chapter 6 of this report.

IMMEDIATE ACTIONS RECOMMENDED

- Continue with and improve upon effective measures to contain the pandemic.
- Expedite movements of key agriculture and food inputs, products and people.
- Remove remaining export bans and import barriers.
- Expedite cash transfers to farming households.
- Take pre-emptive steps to reduce foodborne illnesses in agriculture and food value chains.
- Collaborate in assessing how existing commercial operations can lower COVID-19 risks.

SHORT-TERM ACTIONS RECOMMENDED

- Expedite visa protocols for migrant workers in agriculture and food value chains and for workers engaged in transporting and distributing agriculture and food products.
- Facilitate, broaden, and accelerate movements to digital transactions in wholesale and retail operations and at the border for both products and people.
- Identify vulnerabilities to COVID-19 within the value-chain and “short circuit” them.
- Harmonize ASEAN Non-Tariff Measures (NTMs) – recognizing Regional Comprehensive Economic Partnership (RCEP) and

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) foundations as a good start.

- Replace input subsidies and output subsidies with direct income support for farming households.
- Broaden safety nets to include migrants and food system workers.
- Explicitly include women in pandemic stimulus and adjustment policies.
- Improve coverage, reliability, granularity and timeliness of agriculture and food, and nutrition data to assist public and private decision-making on production, distribution, and trade.

LONG-TERM ACTIONS

- Expand and extend infrastructure in an inclusive manner to under-served communities.
- Increase interdisciplinary cooperation to improve knowledge, actions and outcomes.
- Engage in cooperation between governments and private individuals, without eroding opportunities, incentives and responsibility.



CHAPTER 1

BUILDING PANDEMIC SCENARIOS AND EXAMINING THE RAMIFICATIONS OF DIFFERENT POLICY CHOICES AND CONTAINMENT MEASURES

This introductory chapter provides insights on various scenarios regarding COVID-19's spread, analyzed using Imperial College London's pandemic scenario analysis tool. The chapter enables the reader to understand how the virus transmits and spreads and lessons to be learned from some of the best practices implemented to curb or mitigate COVID-19. The coronavirus propagates itself in a non-linear fashion whereas control measures are linear in nature. A key takeaway, therefore, is that swift and decisive action is significantly superior to delayed half measures from both a health perspective and a socio-economic perspective.

As the coronavirus disease (COVID-19) continues to spread worldwide, the global economy is falling into recession. In the absence of a functioning, targeted and widely distributed vaccine, precautions taken to limit the spread and severity of the coronavirus have, to a large degree, curtailed peoples' movements and economic activity, driving many economies into recession.

Because of ASEAN's economic interdependence with and close geographic proximity to China, ASEAN Member States (AMS) found themselves on the front lines of this pandemic in its initial phases, ranking high for the relative risk of case importation. Some AMS have fared relatively well to date, others less so.⁴

Like other regions worldwide, ASEAN has felt the adverse impacts of COVID-19 on its peoples' health, economy, and general well-being. Among these, the agriculture and food trade sector play a critical role within the economy and health and well-being of the society. Understanding the magnitude or severity of the pandemic impacts on this sector thus became necessary for decision makers within the Forestry, Agriculture and Food division of ASEAN. Such an assessment would enable ASEAN and individual AMS to plan how to recover agriculture and food trade from the pandemic.

In this broad context, the APF Canada undertook an overview study of the pandemic implications on agriculture and food trade in ASEAN. Because COVID-19 is largely a health crisis with repercussions for the economy, APF Canada adopted a holistic approach by analyzing not only trade but the overall health, food security and nutrition outcomes for ASEAN. The approach is anchored upon understanding how COVID-19 spreads and its probable trajectory through the use of a simulation model

⁴ We should note, however, that the ASEAN member states – in spite of their close proximity and the extent of their interactions with China – have fared well relative to other destinations. This is due, in part, to their having taken fairly swift and decisive measures to contain the virus's spread and to efforts to inform the public of its risks.

developed by Imperial College of London and COVID-19 data drawn from sources such as the World Health Organization (WHO), John Hopkins Coronavirus Resource Centre, Channel News Asia and others.

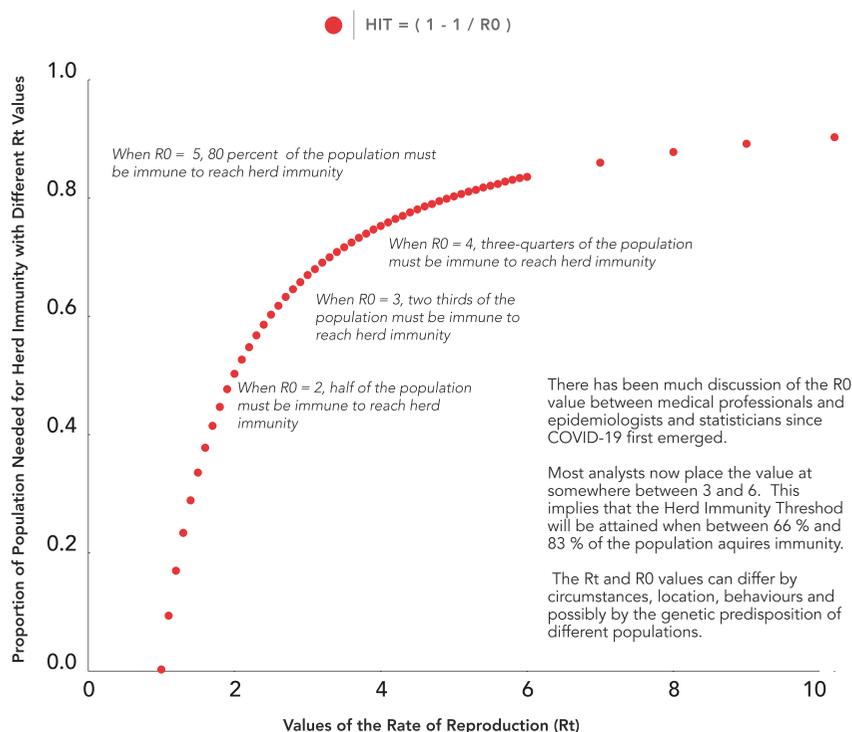
Imperial College's scenario analysis tool is not so much a predictive tool as it is a tool which allows users to make assessments regarding the prevalence of infections and the expected number of people who may subsequently require hospitalization and critical care facilities, given different policy and containment choices. Since Laos and Cambodia recorded zero (0) deaths and Brunei only recorded three as of the date of writing, there was insufficient data for covidsim.org to process simulations for them.

Researchers at Imperial College London use R_0 and R_t values to develop COVID-19 scenarios. R_0 and R_t are mathematical terms that indicate how contagious an infectious disease is. It's also referred to as the reproduction number. R_0 and R_t indicate the average number of people who will contract a contagious disease from one person with that disease. It applies to a population of people who were previously free of infection and haven't been vaccinated.

If a disease has an R_0 of 4, a person who has the disease will transmit it to an average of four other people. If the rate of transmission (R_0 or, subsequently, R_t) exceeds 1, each existing infection causes more than one new infection. The disease will be transmitted between people, and there may be an outbreak or epidemic. If the rate of transmission equals 1, each existing infection causes one new infection. The disease will stay alive and stable, but there won't be an outbreak or an epidemic. If the rate of transmission is less than 1, each existing infection causes less than one new infection. In this case, the disease will decline and eventually die out.

Initially, medical and health researchers thought that the natural R0 for COVID-19 was somewhere between 2 and 3. Now, the estimate has been revised upward with the median R0 for COVID-19 being about 5.7.^{5,6} The 5.7 means that one person with COVID-19 can on an average potentially transmit the coronavirus to five or six people; if left unimpeded without any kind of public intervention or individual restraint, the time it takes for the number of coronavirus cases, hospitalizations, and deaths to double is just two to three days.⁷ With an R0 of 5.7, over 80 per cent of the population needs to become immune through either vaccination or acquired immunity to reach “Herd Immunity” and stop the pandemic (Figure 1.1).

FIGURE 1.1
Hit (Herd Immunity Threshold) for Different Rates of Viral Reproduction (R0 and Rt)



5 Sanche et al. (2020). High Contagiousness and Rapid Spread of Severe Acute Respiratory Syndrome Coronavirus 2. *Emerging Infectious Diseases*, 26(7), 1470-1477.

6 Wu et al. (2020). Nowcasting and forecasting the potential domestic and international spread of the 2019-nCoV outbreak originating in Wuhan, China: a modelling study. *Lancet*, 395, 689-97.

7 Fortunately, in most countries – even those where government oversight has been modest at best – individual judgement and restraint has lowered “R” reproduction values somewhat below what they otherwise would be.

Simulations from the COVID-19 Scenario Analysis Tool for ASEAN member states suggest that the Philippines, Indonesia, Myanmar and Malaysia in particular will need to remain vigilant if they are to meet the challenge of keeping the virus from spreading in the coming months. Through a combination of public policies and cooperative citizen behaviour, most ASEAN members reduced transmission rates somewhat. Vietnam did well in bringing the rate of transmission down below 1. Outside ASEAN, Taiwan has been a success story in curbing the spread of virus, thus providing lessons to learn for the world.

Much earlier than most other countries, Taiwan and Vietnam also considered the tendency of the virus to be dispersed and spread in clusters in their strategy to limit the spread of COVID-19. While many countries have undertaken forward contact tracing after noticing a new case of Covid-19, both Taiwan and Vietnam have engaged in exhaustive “retrospective contact tracing” or backward contact tracing, with a high degree of success. This allowed them to identify individual behaviours and characteristics as well as environments and circumstances that are conducive to “super spreader” events and swiftly take steps to eliminate them.

Results of both epidemiological modelling at Imperial College and socio-economic modelling undertaken by members of the GTAP network suggests that an initial extended period of fairly stringent restrictions is nonetheless economically preferable to a more rapid return to pre-pandemic activities followed by another round of global lockdowns. This is a critical, but inconvenient (and perhaps unpopular), finding for leaders and policymakers who are eager to lift restrictions and perhaps prematurely attempt to stimulate economic recovery.^{8,9}

8 Guan et al. (2020). Global supply-chain effects of COVID-19 control measures. *Nature Human Behaviour*, 4(6), 577–587

9 Ivanov, D. (2020). Predicting the impacts of epidemic outbreaks on global supply chains: A simulation-based analysis on the coronavirus outbreak case. *Transportation Research Part E: Logistics and Transportation Review*, 136, 101922.

Epidemiologists and virologists have been repeatedly warning that there can be no “return to normal” or adjustment to a “new normal” unless and until we have a better understanding of the virus itself and develop better means to contain it. Some of the new habits, protocols and precautions developed will probably serve us well even after effective vaccines are widely available as they are likely to result in safer social and business practices and designs in other contexts and in the face of other threats. A review of medical and scientific literature about the coronavirus has highlighted some key findings below which have helped inform the analysis and recommended actions of this study –

- COVID-19 can’t move on its own; the virus doesn’t move unless people move it. People are both the vehicle and the destination of the virus’s movement.
- The virus replicates itself in exponential fashion.^{10 11} Containment efforts, once introduced, tend to work in a linear direction. Given that the virus replicates itself in an exponential and non-linear way, containment gets increasingly difficult the longer societies wait to act or the greater the tendency to rely on half measures.¹² The math and the evidence affirms that decisive action early in an outbreak or at the earliest sign of resurgence leads to a lower toll on citizens’ health as well as the economy.
- The reproduction rate (R_0 and R_t) of the virus can be lowered through the collective efforts and actions of people and the society as a whole. If the reproduction rate can be brought below 1 for an extended period of time, a virus will eventually die out. A key challenge, therefore, is to somehow “short circuit” or at least severely limit COVID-19 transmission while still allowing economic activities to continue.

10 Ivorra et al. (2020). Mathematical modeling of the spread of the coronavirus disease 2019 (COVID-19) taking into account the undetected infections. The case of China. *Communications in Nonlinear Science & Numerical Simulation*, 88, 105303.

11 Ma, J. (2020). Estimating epidemic exponential growth rate and basic reproduction number. *Infectious Disease Modelling*, 5, 129–141.

12 David, R. (August 2020) Exponential growth bias: The numerical error behind Covid-19. *BBC*.

- The “K” number of COVID-19 is also an important consideration. The “K” number implies that most infections recorded are the result of “clustering” or a “super-spreader” kind of event. Most of such clusters began with an asymptomatic but infected person who did not wear a mask. Mask-wearing, especially in enclosed spaces and close quarters and crowded spaces, should therefore be considered a critical control measure.
- Medical researchers and epidemiologists are learning more about the conditions which contribute to clusters and super spreader events. Some of the common conditions identified are enclosed space, poor air ventilation, relatively dry conditions, crowded with little physical distancing and limited number of people wearing masks for protection.

The above key findings from ongoing applied scientific research can help with envisioning, redesigning and shaping the “new normal.” Going forward, reflecting on what kinds of circumstances within value chains – and within agriculture and food value chains in particular – might be prone to heightened COVID-19 risks could inform the first tentative steps at recovery.

Given the context of how the virus spreads, the conditions that make it viable to turn into a super-spreader event and the pandemic scenarios derived for the ASEAN Member States, the following chapters provide detailed analysis of the impacts on macroeconomics growth prospects, demand and consumption trends, supply chain and trade disruptions and what actions can be taken by ASEAN and individual AMS to recover from COVID-19.

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CHAPTER 2

COVID-19 IMPACTS ON DEMAND, CONSUMPTION AND FOOD SECURITY

This chapter contains an assessment of the disruptive impacts that COVID-19 and related containment measures have on economic growth, labour markets and, subsequently, food consumption. As incomes and employment decline and become uncertain, consumers may shift their consumption from more nutritious foods (fruits and vegetables, high-value proteins) to more basic food staples that are higher in calories but lower in nutritional value. In low-income ASEAN member states in particular, this could have longer-term adverse impacts on maternal and child health, with knock-on complications for the incidence of stunting, mental health issues, and educational attainment prospects.

2.1. GLOBAL ECONOMIC SLOWDOWNS AND MACRO GROWTH PROSPECTS FOR ASEAN

2.2. MACROECONOMIC CONTRACTIONS, LOWER INCOMES, SHIFTS IN FOOD CONSUMPTION

2.3. COVID-19 IMPACT ON PREVAILING DEMAND AND DISAPPEARANCE TRENDS

2.4. MIGRANT LABOUR CONSTRAINTS, REMITTANCES, NUTRITIONAL OUTCOMES, AND FOOD SECURITY

2.5. SHORT TERM IMPACTS ON FOOD SECURITY AND NUTRITION IN ASEAN MEMBER STATES

2.1. Global Economic Slowdowns and Macro Growth Prospects for ASEAN

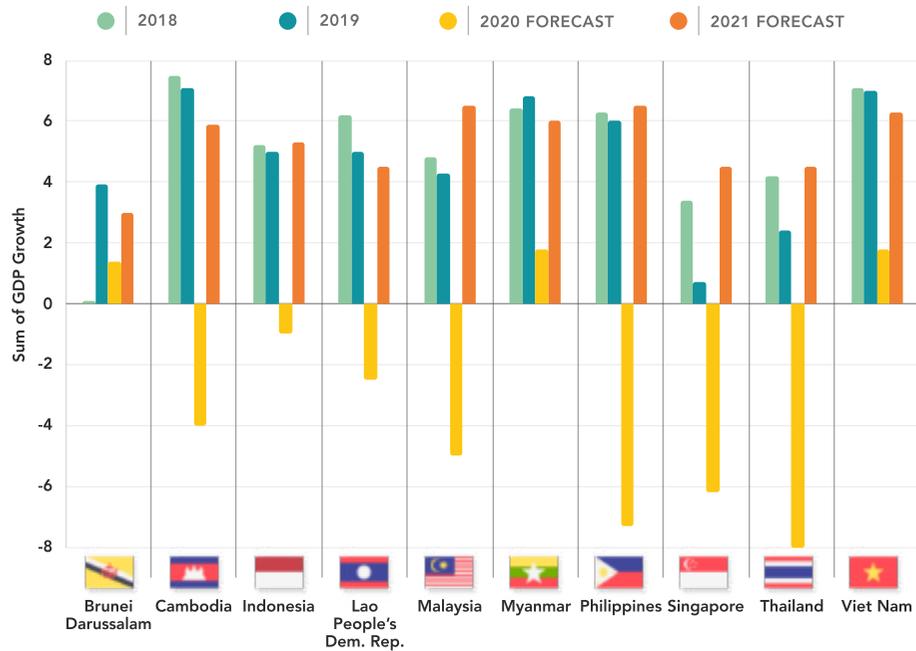
Economic slowdowns in the initial epicentres of the pandemic (China, Europe, and the U.S.) have descended down to low- and-middle income countries, including those in ASEAN, through declines in trade, commodity prices and restrictions on international tourism, travel and freight. These secondary impacts have compounded the economic costs of low-income countries' own COVID-19-related restrictions and struggles. As a result of these income shortfalls and slowdowns, rising protectionism, and increasing risks and costs throughout the value chain, COVID-19 also poses a threat to low-income countries' and households' food security and nutrition. It is therefore important to be vigilant and reflect on what responses and interventions might help to prevent this global health crisis from also becoming a global food crisis.

Some observers are hopeful that, if and when effective vaccines are developed and become widely available, a “V-shaped” recovery will unfold; China’s partial recovery in the third quarter of 2020 suggests that such a recovery is not outside the realm of possibility. Such optimism is also reflected in the ADB’s assessment of ASEAN’s economic prospects for 2021 (Figure 2.1). At the time of writing this report, this optimism may not be completely misplaced, as there are over 40 candidate COVID-19 vaccines in clinical trials.¹³ ¹⁴ Ten of these vaccines are in phase 3 trials, and at least 3 will announce the results of those trials before the end of 2020. If the results of the phase 3 trials are satisfactory, wide-scale deployment of vaccines may be possible later in 2021.

¹³ Krammer, F. (2020). SARS-CoV-2 vaccines in development. *Nature*, 586(7830), 516–527.

¹⁴ Anderson et al. (November 2020). Challenges in creating herd immunity to SARS-CoV-2 infection by mass vaccination. *The Lancet*.

FIGURE 2.1
Covid-19 Era Actual and Forecast GDP Growth in ASEAN Member Countries, 2018-2021



Source: ADB. (September 2020). Asian Development Outlook.

However, given that a full recovery requires that countries worldwide manage to contain the pandemic, the intervening months until May 2021 will be challenging. While most ASEAN member states have coped with containing the virus relatively well, leadership and good governance have been lacking in key countries and trading partners critical to a more fulsome global economic recovery; infection rates and fatalities are climbing at an alarming rate in many parts of Europe, North America, Latin America, Russia and elsewhere. Consequently, although recent news reports regarding prospective vaccines are encouraging, it remains advisable to “Plan for the Worst and Hope for the Best.”¹⁵ Macro analysts

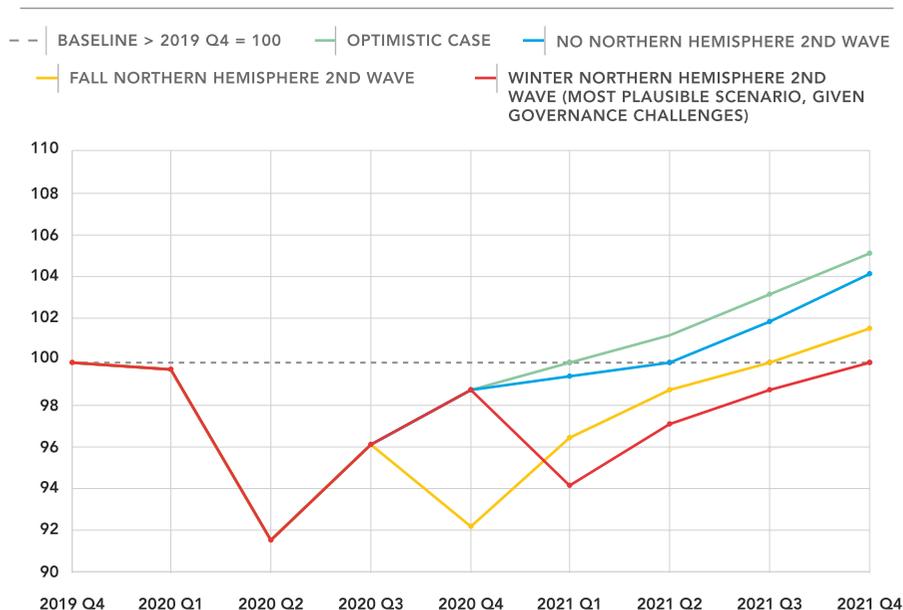
15 Cohesive leadership, informed by science and not politics, will be essential. Developing the structure of a within-country immunisation programme will be crucial, including establishing priorities for receiving vaccination, solving distribution challenges, and encouraging public acceptance of vaccination. Addressing vaccine hesitancy will require good communication strategies on the value of being protected as individuals and the benefits for the community in reducing transmission. See WHO (November 2020). Improving vaccination demand and addressing hesitancy. https://www.who.int/immunization/programmes_systems/vaccine_hesitancy/en/

remain wary of making point forecasts and typically include scenarios with a “COVID-19 recession” or a subdued recovery path with repercussions for at least two years. Recovery prospects are likely to reflect a combination of:

- how quickly truly effective vaccines are developed, distributed and widely embraced;
- the degree of leadership, progressive governance exhibited by leaders in key countries;
- the nature of the virus and the manner in which it spreads if precautions are not taken;
- mass psychology and related behaviours across countries.

Consequently - when informed by assessments of epidemiologists and virologists – our assessment is that the recovery is unlikely to be a quick, “V-shaped” recovery, nor a “U-shaped” one. The modest recoveries experienced in parts of the Global North in 2020’s third quarter are likely to subside somewhat as infections and fatalities rise and official lockdowns and public anxiety escalate as a result. Our view is that economic recovery is likely to take an ill-formed wobbly “W” shape, with economic performance being subdued in the first half of 2021 before strengthening in the latter half of 2021 (Figure 2.2).

FIGURE 2.2
Prospective ASEAN Post COVID-19 Recovery Paths



Note: Orange line, optimistic case assumes vaccine, enlightened leadership, cooperative and progressive behaviour by citizens and no 2nd wave. Grey line is slightly less optimistic case, also assumes vaccine but with a little less enlightened leadership and citizen behavior and no 2nd wave. Yellow line is slightly less optimistic case, also assumes vaccine but with a little less enlightened leadership and citizen behavior and a 2nd wave in autumn/fall. Red line is less optimistic case, also assumes vaccine but with a little less enlightened leadership and citizen behavior and a 2nd wave in winter.

Source: Authors' assessment based on McKinsey Corporation, Oxford Economics and ADB Scenarios.

Within ASEAN, Singapore’s 6.2% contraction in the economy in 2020 has been primarily caused by declines in trade volumes (as seen in Figure 2.1 and Table 2.1). Thailand (-8%) and Cambodia (-4%) have been adversely affected by drops in the tourism and hospitality industries. The Philippines has been impacted by a general slowdown in the economy, damaging natural disasters, and drops in tourism and in remittances from abroad (-7.3%). Vietnam has dealt with the virus fairly well, still registering slightly positive growth (1.8%), although it too has suffered from adverse impacts on its trading partners. Vietnam’s slightly positive growth is also partially attributable to the diversion effects of still-unfolding bilateral United States – China trade tensions.¹⁶

¹⁶ Gopalan et al. (2020). *Tale of two shocks in ASEAN, ASEAN Regional Outlook*. Nanyang Technological University and Nanyang Centre for Emerging Markets, Singapore.

With respect to Brunei's economy, although growth has slowed, it has been buffered by the performance of its petro-chemical sector and will register modest economic growth (1.4%). Indonesia, although it is struggling with the virus's direct and indirect consequences, has been only modestly impacted (-1%) as it has a relatively insulated economy. Myanmar is starting from a low base, with agriculture playing an important role in the economy; its growth was initially expected to be positive up until late September (~1.8%), but may have ended up declining due to lockdowns that were warranted in October as virus infections climbed.

Lockdown measures, physical distancing, the wearing of masks, and personal hygiene are proving to be effective in limiting the coronavirus's spread. However, these control measures are also placing major strains on the economy (as seen in Table 2.1) as well as the population's mental and physical health. Given the progress to date in terms of having a widely effective and widely distributed vaccine available, a more fulsome recovery may be underway by the second half of 2021. However, if vaccines are not as widely effective or embraced as hoped, or if there is a breakdown in individuals' collective behaviour or a shortfall in either leadership or governance, a more robust recovery may not be realized until later in 2021 or even 2022.

TABLE 2.1.

Non Agri-Food Sector Impacts on consumption, investment, and mobility

Economy	% dampening of consumption	% decline in investment	Decline in tourism receipts (% of GDP)	Average Lockdown Stringency Index	Average Mobility
Brunei Darussalam	9.64	13.46	-1.13	57.4	-27.6
Cambodia	6.40	9.39	-15.92	72.3	-33.7
Indonesia	7.50	9.75	-1.21	61.4	-32.5
Lao People's Democratic Republic	5.50	8.13	-3.41	90.6	-42
Malaysia	10.05	12.90	-4.91	64.9	-51.8
Myanmar	8.63	13.52	-4.93	78.70	-54.50
Philippines	9.30	19.95	-2.37	92.9	-63.2
Singapore	10.95	11.55	-4.53	55.6	-25.9
Thailand	9.90	13.35	-10.45	71.2	-33.7
Viet Nam	5.35	7.70	-3.32	75.5	-31.2

Sources: ADB data sets and Abiad et al. 2020. The impact of COVID-19 on developing Asian economies: The role of outbreak severity, containment stringency, and mobility declines; Djankov & Panizza (eds.). (June 2020). COVID in Developing Countries.

2.2 Macroeconomic Contractions, Lower Incomes, Shifts in Food Consumption

The pandemic-induced recession has effectively reduced incomes, lowering peoples' purchasing power. However, the situation could deteriorate further if pre-emptive steps are not taken to preclude creeping trade protectionism, value chain disruptions, and obstructions to the movement of key inputs (including labour) on the supply side.

To date, the main way in which COVID-19 has threatened access to food and household nutrition is via overall stagnation in the economy and associated income shortfalls and a decline in assets that undermine households' ability to buy food. The world's poorest households spend roughly two-thirds of their incomes on food; this makes their food security and nutritional standing particularly vulnerable to income shocks. As the economic costs of physical distancing measures become manifest and the persistence of the virus in the absence of such distancing measures more evident, global economic forecasts became less optimistic. In its most recent forecast, the International Monetary Fund (IMF) projects a five per cent decline of the world economy in 2020 — a deeper worldwide recession than during the 2008-09 financial crisis. The ADB has projected declines of similar magnitude for ASEAN.

Either as a direct result of COVID-19-related health complications or policies introduced to limit its spread, the pandemic can impact all four pillars of food security to some extent: availability (adequacy of the food supply); access (can people easily obtain the food they need?); utilization (do people have enough intake of nutrients?); and stability or reliability (do people have access

to sufficient, nutritious food at all times?).¹⁷ With regard to food demand and nutrition, the consequences of income shortfalls due to the COVID-19-precipitated recession and lower associated incomes and job opportunities, as well as the dampening effects of lockdowns and physical distancing, are likely to result in a reduction in overall food expenditures and consumption. Such impacts are likely to be significant in low-income nations and households within ASEAN.

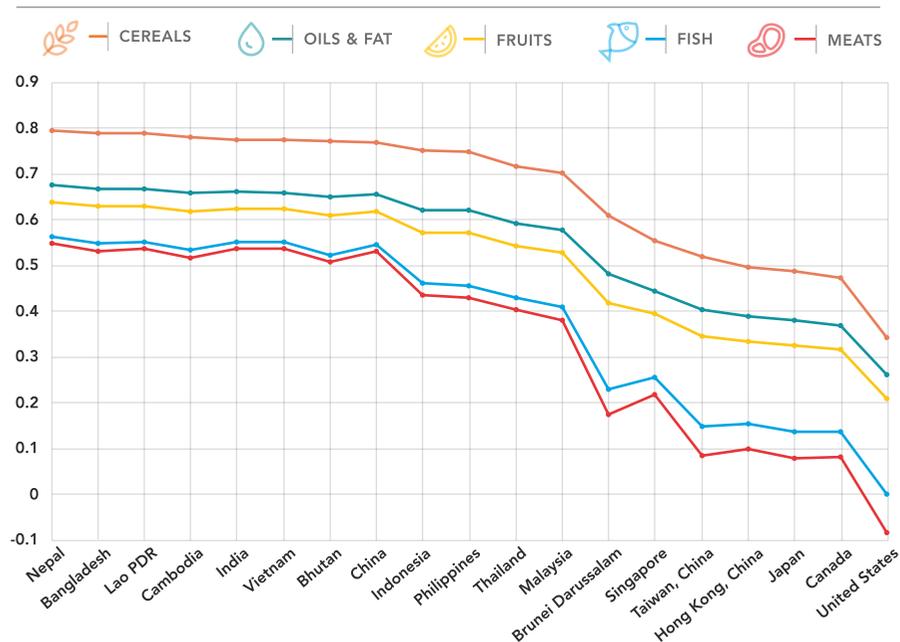
COVID-19 has exerted a shock on final food demand by lowering overall purchasing power, due to declines in overall productivity and incomes. The impact is particularly profound for increasing numbers of unemployed people. The extent of impacts on food demand depend on numerous factors, including the depth and length of the macroeconomic shock, the availability of savings and access to credit and safety-net mechanisms. These factors determine the responsiveness of demand, which will drive the differences in reactions across countries and food groups. For ASEAN member states and households, it is likely that staple grain consumption will increase and consumption of meat, dairy and horticulture products will fall as a result of this pandemic-induced demand-side shock. Barring prospective supply-side disruptions, this suggests more of a deterioration in the nutritional quality of households' diets rather than greater calorie shortfalls.

Whether through falling incomes, rising food prices, or both, ASEAN citizens will have less real income to pay for their food and will adjust accordingly by purchasing the cheaper calorie items. Across ASEAN, the estimated average loss in income is ~7%, but the burden is not evenly spread out. Some have incurred modest income losses while others have lost their jobs entirely. Without more

¹⁷ Fuller explanations of aspects of food security can be found in McCalla & Revoredo. (2001). *Prospects for global food security: a critical appraisal of past projections and predictions*. Brief 71. International Food Policy Research Institute (IFPRI); Stamoulis & Zezza. (November 2003). *A Conceptual Framework for National Agricultural, Rural Development, and Food Security Strategies and Policies*. ESA Working Paper No. 03-17.

information on the demographic details of such income losses, precise predictions are a challenge. But it is well-established that, in the face of drastic declines in income, vulnerable households will often give up nutrient-rich foods in order to preserve their caloric intake.^{18 19 20} In many low- and middle-income countries (like much of ASEAN), calories from nutrient-rich foods like fruits, vegetables, milk, fish, meat and eggs can be up to 10 times more expensive than calories from staples like rice, maize, or wheat.

FIGURE 2.3
Income elasticities for select food subcategories, ASEAN and Selected Countries



Sources: Authors' calculations, derived from USDA data in <https://www.ers.usda.gov/data-products/international-food-consumption-patterns/>, and Seale J., A. Regmi, and J. Berstein. (2005, updated 2011) [International Evidence on Food Consumption Patterns.] USDA, Economic Research Service. Technical Bulletin Number 1904

As incomes and employment decline and become uncertain, consumers may shift their consumption from more nutritious foods

18 Schmidhuber, J., Pound, J. & Qiao, B. (2020). COVID-19: Channels of transmission to food and agriculture. FAO: Rome, Italy.

19 Torero, M. (2020). Without food, there can be no exit from the pandemic. *Nature*, 580(7805), 588–589.

20 Nordhagen, S. (May 2020). Covid-19 and food prices: what do we know so far? *Global Alliance for Improved Nutrition*.

(fruits and vegetables, high-value proteins) to more basic food staples that are higher in calories but lower in nutritional value (Figure 2.3). We have not been able to obtain precise consumption and trade data for ASEAN food products since COVID-19 began, but there is some evidence that trade volumes for perishable agri-food products have fallen somewhere between 10% and 25% in ASEAN since COVID-19 began, possibly as a consequence of income shortfalls and rising costs and impediments to trade (discussed in Chapter 4).

If translated into foregone consumption per capita, the implications are worrisome, with the proportion of households unable to afford nutrition adequate diets rising significantly due to COVID-19. In low-income ASEAN member states in particular this could have longer-term adverse impacts for maternal and child health, with knock-on complications for the incidence of stunting, mental health issues, and educational attainment prospects.^{21,22,23} If prevalent across a wide portion of the population, this will impact upon an entire nation's long-term prospects, in addition to the individual's and household's. Figure 2.4 is a stylised representation of how apparently modest shifts in “average” incomes, once distributed over the full distribution of incomes, can have dramatic impacts on the numbers of people who are able to afford “calorie sufficient” and “nutrition adequate” diets.²⁴

These distributions are unique to each country and community. Such diet adequacy concerns are particularly acute for Cambodia,

21 Grantham-McGregor et al. (2007). Developmental potential in the first 5 years for children in developing countries. *Lancet*, 369, 60–70.

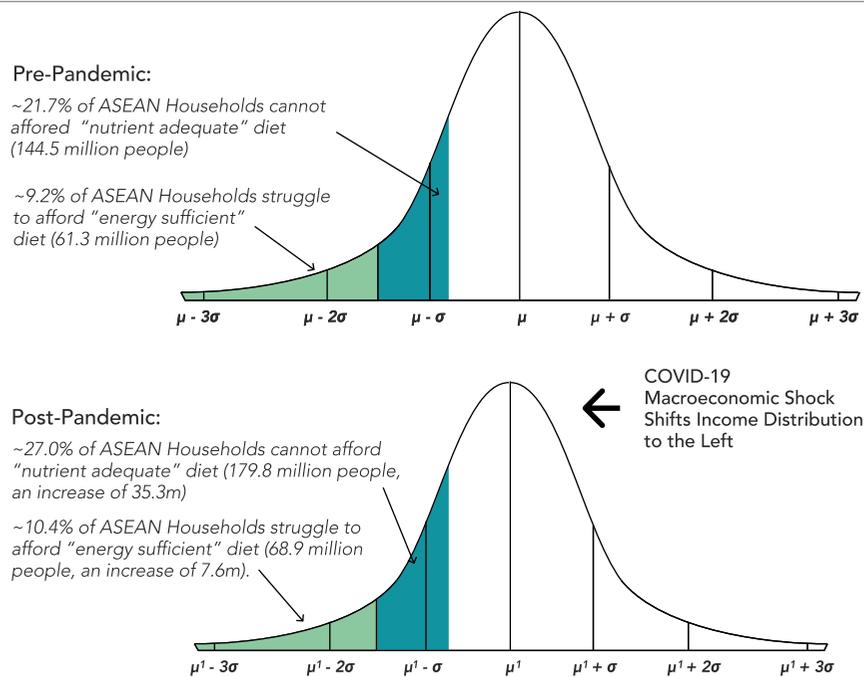
22 Martorell et al. (2010). Weight gain in the first two years of life is an important predictor of schooling outcomes in pooled analyses from five birth cohorts from low- and middle-income countries. *The Journal of Nutrition*, 140(2), 348–354.

23 Victora et al. (2008). Maternal and child undernutrition: Consequences for adult health and human capital. *The Lancet*, 371(9609), 340–357.

24 A fuller explanation of these concepts and supporting data can be found in FAO et al. (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO.

Lao PDR, Myanmar, Indonesia and the Philippines. Because of such long-term and wide-ranging consequences for both households and societies of these nutrition shortfalls, it is important to think of ways and means of assisting poorer households in particular in their efforts to maintain balanced, nutritious diets.

FIGURE 2.4
How COVID-19 Macro Shocks Impact ASEAN Consumption and Food Security



Source: Authors calculations using USDA, FAO and WFP data

2.3. COVID-19 impact on Prevailing Demand and Disappearance Trends

At the beginning of the COVID-19 pandemic, emotional thinking contributed to panic buying by consumers, as well as some panic interventions by public agencies. As the pandemic has unfolded, more rational thinking started manifesting itself. It is likely that consumer demand for food safety, digital shopping, in addition to technology-driven retail and higher quality-assurance standards, will be more widely sought and embraced in the post-pandemic food system.

Households are eating out less and “cocooning” more at home as a precautionary measure. There are signs that businesses within the food chain are already adapting to such consumption shifts, for example by switching production lines and increasing their capacity to manage larger inventories; moving to online platforms where possible, embracing delivery to households and adjusting the size and nature of their packaging. Some of the biggest sector challenges arise from measures needed to contain COVID-19; adjustments within the sector to comply with preventative measures (which may increase costs); and the need to find alternative markets for products affected as consumption habits shift in response to COVID-19.²⁵

Since the advent of the COVID-19 pandemic, there does not yet appear to be a discernible trend in prices for food staples. As mentioned earlier, this is partially due to considerably less panic buying and hoarding on the demand side than occurred in the 2007-08 food crisis. However, local markets for fresh horticulture and livestock products have been impacted. Demand and consumption have been adversely impacted because of declines in income and employment opportunities reducing the amount of money households have to spend. At the same time, disruptions to production, processing, trade and transport have concurrently increased waste and driven up costs within the value chain lowering availabilities and raising costs to consumers. Because of these concurrent developments, prospects for meeting households’ “energy-sufficient” diets since COVID-19 appeared have not been seriously eroded but efforts to attain “nutrition adequate” diets for most households have suffered a serious setback.

²⁵ OECD. (April 2020). COVID-19 and the food and agriculture sector: Issues and policy responses.

2.4. Migrant Labour Constraints, Remittances, Food Security and Nutrition Outcomes

Like other economic sectors, agri-food supply chains and international trade avenues have been impacted by COVID-19, leading to layoffs of migrants, who then return home as a precautionary measure. In all, ASEAN has some 10 million migrants. Malaysia and Thailand play host to over three million migrants each. Indonesia and Filipino nationals account for around four million each. Many of these migrants work in the agri-food, fisheries and resource sectors. As millions of migrants have lost their jobs or had their hours, wages and benefits reduced, both demand for and supply of agri-food products have been impacted.

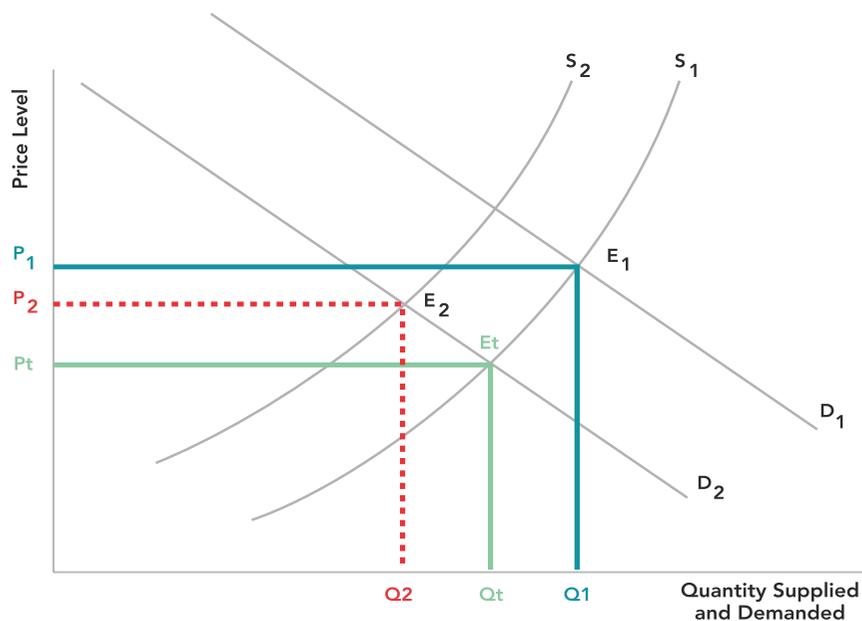
As a result of migrant job losses, job suspensions, and repatriations, ASEAN member remittance shortfalls are estimated to be between US\$6B and \$12B. The loss of or suspension of wage-earning jobs has obvious adverse consequences for the individuals and their families, as well as the wider economy.²⁶ Poverty levels and food insecurity levels in the Philippines, Indonesia, Cambodia, Thailand, Vietnam, Myanmar, and Lao PDR are thought to be worse as a consequence. While some better-off families can use savings to compensate for the loss, more vulnerable households are compelled to work longer and cut spending on necessities such as food and education. Without remittance flows, remittance-dependent households can fall into poverty or have difficulty meeting basic essential needs, as well as access education and health services. This is illustrated in Figure 2.5 below as a shift in demand from D1 (situation prior to the COVID-19 shock) to D2 (situation after COVID-19). Since this year's production is already determined, supply would remain

²⁶ Shah, S. (April 2020). Will a drop in remittances cause further pain? *Capital Economics*; IOM. (March 2020). Migrant workers stream home as Thailand's economy goes into COVID-19 lockdown; Takenaka et al. (2020). *COVID-19 Impact on International Migration, Remittances, and Recipient Households in Developing Asia*. Issue 148. Asian Development Bank.

as depicted by S_1 , but prices would fall from P_1 to the transitional price P_t and actual quantities consumed would fall from Q_1 to Q_t .

However, if circumstances are not remedied before the next production cycle, the situation could deteriorate further in coming production periods. The loss of migrant labour from labour-intensive roles in primary horticulture and livestock production, processing and marketing could result in a loss of productive capacity in coming years. In Figure 2.5, this is represented by an upward shift in the supply curve from S_1 to S_2 . Quantities produced and consumed would then decline still further from Q_t to Q_2 while prices would rise from P_t to P_2 because fewer supplies become available.

FIGURE 2.5
Ramifications of Migrant Layoffs and Reduced Labour Inputs



This discussion illustrates two important points: i) migrant displacement and barriers to their movements will result in serious drops in their incomes and in the ability of ASEAN households to afford a nutritious diet; ii) sustained constraints placed on migrants' movement will result in a contraction of productive capacity. As migrant labour is an important input to the production of highly nutritious horticulture and livestock products, increased

limitations on their movements will result in less production and compound challenges to attaining nutrient adequate diets. Recent work with the Organization for Economic Cooperation and Development (OECD) METRO model indicates that ongoing labour obstructions and other inward-looking policies would lead to a further contraction of seven per cent in Indonesia's GDP and a 10 per cent contraction elsewhere in ASEAN, undermining consumption potentials.²⁷ Additional insights from the OECD METRO model simulations are discussed in chapter 4.

2.5. Short Term Impacts on Food Security and Nutrition in ASEAN Member States

Given the foregoing discussion, a near-term prognosis of food consumption, food security and dietary developments for each ASEAN member follows. Longer-term assessments require an examination of supply side and trade considerations, which is addressed in chapters 3 and 4.

2.5.1. BRUNEI

Brunei has the second-highest GDP per capita in the ASEAN region. This affluence allows Brunei and its population to produce, import, purchase and consume a wide variety of food products. Food availability has been stable and undernourishment has been low. Because of its affluence, most Brunei households are able to afford both calorie sufficient and nutrition adequate diets. However, there are some challenges in practice.

Brunei's anaemia rates are high among women of child bearing age and relatively high for children under five. This suggests that iron may be lacking in the local diet. Improving access to iron-rich meats and vegetables could help to address this issue. There are some signs that zinc, vitamin A and vitamin E and other micronutrients may be

²⁷ OECD. (June 2020). *Shocks, risks and global value chains: insights from the OECD METRO model*. <http://www.oecd.org/trade/documents/shocks-risks-gvc-insights-oecd-metro-model.pdf>

lacking in the diet. The relatively high incidence of stunting, wasting and underweight children under five is also of concern for a country as affluent as Brunei. These conditions can undermine children's potential in the years to come and, if widely prevalent, they can place a drag on the nation's prospects as well.

Alleviating these diet-related challenges could be achieved through a combination of domestic production and trade. However, COVID-19-related actions that raise the cost of border movements and disrupt trade and sales of nutritious perishable foods could exacerbate these dietary and health issues for women and children. It is, therefore, important not to conflate the concepts of food security with self-reliance or food self-sufficiency.

2.5.2. CAMBODIA

Within Cambodia, income shortfalls, dislocations in labour markets and obstructions to trade in agri-food products have raised the percentage of food insecure households from about 18% pre-COVID-19 to around 22% post-COVID-19 (~ 3.6 million people), possibly more. While most households can afford to purchase sufficient staple foods to meet their caloric needs, half the population are now unable to afford a "nutrition adequate" diet.

COVID-19 is seen to have caused market disruptions that undermined productivity and gross output per worker while also reducing citizens' incomes and capacity to buy nutritious foodstuffs. Although everyone suffers when incomes fall and food insecurity manifests itself, children and women are among the first to carry the burden. Unless remedial measures are taken, existing levels of children under five exhibiting stunting (~ 30 percent) and women experiencing anaemia (~ 40 percent) will deteriorate further as a result of the COVID-19-related economic shock.

2.5.3. INDONESIA

Prior to the COVID-19 pandemic, the "average" Indonesian consumed sufficient calories and protein on a daily basis. However, the bottom 40% did not. Employing a framework borrowed

from the United States Department of Agriculture (USDA)²⁸, it is estimated that households who struggle to afford a “calorie adequate” diet will rise from 6% to 8% as a result of the pandemic macro shock.

The United Nations Food and Agriculture Organisation (FAO) and United Nations World Food Programme (WFP) estimate that, post COVID-19, more than one-third of Indonesians would struggle to afford a “nutrition adequate” diet (~ 90 million people). This has adverse consequences for individuals’ health in general and is particularly problematic for the health of women and children. If sustained for a prolonged period of time, permanent damage can be done to the health, educational prospects, and future job prospects for these individuals and their families. If pervasive across society, it will also adversely impact on the nation’s prospects.

2.5.4. LAO PDR

The FAO and WFP recently undertook a food security assessment survey of over 1,000 households in Lao PDR. Households indicated that the primary constraint in access to food was financial – either because households did not have enough income to purchase food, or due to unemployment or under-employment and higher prices for some food products. As a result, households with less income or with fewer daily labour opportunities suffered most. One in every 11 households relies on remittances from migrant labourers; for these households, remittances make up roughly 60% of their income. Obviously, such households would be hit hard with the COVID-19-precipitated repatriation of migrant labourers.

Most of the respondents (82%) reported that all households could access the same foods as before, although this may not be in the same quantities, especially as many respondents indicated that different foods are consumed to cope with the situation. Among the 18% who responded that this was no longer possible, the vast majority cited financial reasons: lack of income, insufficient money,

²⁸ Baquendano et al. (August 2020). *International Food Security Assessment 2020-30*. GFA 31. USDA-ERS.

and price increases; they often responded that the unavailability of employment during the crisis was a key reason for lower access to some foods.

In their International Food Security Assessment, USDA estimates that just 3.5% of Lao PDR's households are food insecure even after COVID-19 struck, but this figure may apply only to an “calorie sufficient” diet. The WFP-FAO assessment provides evidence to suggest that fully half of households find it a challenge to afford a “nutrient adequate” diet (~ 3.5 million people).²⁹

2.5.5. MALAYSIA

After Singapore and Brunei, Malaysia is the third most affluent ASEAN member. Its population comes in at just under 33 million, and is increasingly urbanized. Initially anticipated to grow at around 4% in 2020, it is now anticipated that Malaysia's economy will contract by roughly 5% due to COVID-19 and measures taken to control its spread. While Singapore and Brunei score in the high eighties in the Global Food Security Index for 2019, Malaysia earned a score of 73.8.³⁰ However, since COVID-19 and related measures unfolded, one family in six experienced some food insecurity, particularly as related to “nutrition adequate” diets.³¹

It is of concern that almost one-quarter of Malaysian women of reproductive age suffer from anaemia. Again, this suggests that iron may be lacking in the local diet. Improving access to iron-rich meats and vegetables could help to address this issue. There are some signs that other micronutrients may also be lacking. Around one-fifth of children suffer from stunting, which can conceivably place limits on their development and Malaysia's development in future.

29 WFP & FAO. (2020). *Rapid Assessment of Food Security and Agriculture in Lao PDR*. Vientiane, Lao PDR; FAO et al. (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO.

30 Corteva Agriscience. (2019). The Global Food Security Index. <https://foodsecurityindex.eiu.com/>

31 FAO et al. (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO.

2.5.6. MYANMAR

COVID-19-related lockdowns have impacted upon economic activity, income and employment. A significant shutdown was undertaken in April to stem the spread of the virus. Subsequent intermittent lockdowns have been imposed when the virus appeared to be resurging. Many migrants that either lost their jobs or had their jobs suspended have returned home, most of them returning from Thailand and Malaysia. Because of dampened GDP growth prospects and significant reductions in migrant remittances, more households are likely to struggle with food security and nutrition shortfalls.

Myanmar had been making steady progress, almost halving undernourishment in its population from around 28% in 2005, to under 15% in 2019. COVID-19 and efforts to limit its spread may have contributed to undernourishment increasing again in the near term to close to 20%. Prior to COVID-19, two out of five women are thought to have suffered from anaemia and other ailments arising from diets deficient in micro-nutrients. Stunting is thought to have afflicted one in three children under five. Both of these nutritional shortfalls are likely to have been exacerbated by COVID-19.³²

2.5.7. THE PHILIPPINES

GDP growth in the Philippines was initially expected to exceed 6% in 2020, but its economy is now expected to shrink by over 7% due to COVID-19 and efforts to contain it. Natural disasters have further darkened this outlook, among the most recent being Typhoon Vongfong, which hit the Philippines in mid-May, hampering efforts to deal with the virus's spread. Among many other things, the typhoon affected agri-food production, especially perishable horticulture crops, as well as rice, maize, livestock and fisheries operations.

As a result of a shrinking economy, lower remittances from abroad, less work for seafarers, and disruptions throughout the agri-

³² Ibid.

food value chain, nutritional outcomes and benchmarks in the Philippines will deteriorate. Roughly half of the Filipino households are likely to suffer from food insecurity and nutrition shortfalls. COVID-19 and related measures to limit its spread will exacerbate already challenging levels of stunting in children under five (~ one in three) and women afflicted with anaemia and other micro-nutrient shortfalls (~ one in six).

2.5.8. SINGAPORE

Singapore is a city-state, with little arable land. Yet, it consistently ranks among the most food secure nations in the world.³³ Singapore achieves this level of food security because of its open trading policy and status as a leading trading hub, importing roughly 90% of its citizens' food requirements from 170 different countries. Perhaps to the surprise of some, Singapore is even a modest net exporter of agri-food products based on the strength of its agri-food processing sector, biotechnology and plant-breeding innovations, and role as an entrepôt.

To some extent, Singapore offers a case study on the policies, capabilities and technologies that contribute to assuring food security in a small island state.³⁴ Like many other ASEAN members, however, Singapore also faces challenges with a high prevalence of anaemia in women of child-bearing age (one in five).³⁵ This issue has not arisen as a consequence of COVID-19, but requires attention never-the-less.

2.5.9. THAILAND

As we have seen earlier in this study, Thailand has been relatively successful in containing the spread of COVID-19. However, because of COVID-19's impact on the tourism, restaurant and hospitality

³³ Corteva Agriscience. (2019). The Global Food Security Index. <https://foodsecurityindex.eiu.com/>

³⁴ Teng, P. (2020) Assuring food security in Singapore, a small island state facing COVID-19. *Food Security*, 12, 801–804.

³⁵ FAO et al. (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO.

industries, the Thai economy is expected to experience the largest downturn among all ASEAN economies, contracting by over 8% in 2020.

Although Thailand is ASEAN's largest net agri-food exporter at the macro level, food accessibility at the household level remains a challenge. Lockdown measures, supply-chain disruptions, and declining tourism have all contributed to a faltering economy, declining purchasing power, and fewer employment opportunities. As a result of declines in income and employment, households reduced their nutritious food intake. Anecdotal evidence is that Thai households have shifted their diets toward starchy foods and away from more nutritious vegetables, fruits, fish, poultry, pork and dairy products. This is especially true for low-income households and households experiencing job loss or drops in income.³⁶

Prior to COVID-19, just over 9% of Thailand's population (~ 6.5 million people) were considered food insecure. Due to the virus and associated lockdowns and other measures, the number of food insecure people may have climbed to around 8 million. Almost one-third of Thai women suffered from anaemia prior to COVID-19 and this figure could deteriorate further if trade and consumption of nutrient-rich vegetables and livestock products are not facilitated. Thailand did well in reducing stunting in children under five to around 10% before the pandemic, but will need to marshal its resources well to ensure such progress is not stalled in the wake of COVID-19.

2.5.10. VIETNAM

Vietnam has done well in its virus control efforts to date. This is, in part, due to concerted and coordinated efforts and consistent messaging by different government departments. Vietnam's

³⁶ Partially in response, the Ministry of Agriculture and Cooperatives hopes to rekindle domestic consumption for Thai vegetables and fruits to improve nutrition, expand distribution channels and offset the downturn in exports and declines in the tourism sector. www.coopshoph.com

economy is likely to grow modestly (~ 2 percent) in 2020, down from pre-COVID-19 assessments but stronger than most of its neighbours. This positive growth is due in part to Vietnam's success in containing the virus, in part due to its increasing openness, and in part due to the diversion effects of the ongoing China–United States trade dispute.

However, Vietnam's circumstances are not a panacea. While it has not been affected as severely as some of its neighbours, there is some evidence that consumption has shifted slightly to starchier food items and away from more nutrition-rich foods. The proportion of households experiencing caloric undernourishment in Vietnam had fallen to just over 6% before COVID-19. This may not have changed significantly, given Vietnam's position as a leading rice producer and exporter. However, the profile with respect to “nutrition adequacy” is a little different. The presence of stunting in children under five remains stubbornly high (~ one in four), as does the prevalence of anemia in women of child-bearing age (also ~ one in four).³⁷ If sustained for a prolonged period of time, permanent damage can be done to the health, educational prospects, and future job prospects for these individuals and their families. If pervasive across society, it will also adversely impact on the nation's prospects. Efforts to ramp up consumption of nutritious vegetables, fruits, livestock and fish products would be well rewarded.

³⁷ FAO et al. (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO.

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CHAPTER 3

SUPPLY IMPACTS AND VALUE CHAIN CHALLENGES

This chapter discusses the potential disruptions at vulnerable points within ASEAN agri-food value chains and some potential remedies that could help to ameliorate their impacts.

3.1. STAPLE CROPS: TOWARDS A KNOWLEDGE-BASED, TRANSPARENCY FIRST APPROACH

3.2. INPUTS, AGRI-FOOD SERVICES AND INFRASTRUCTURE: MAINTAINING AGRICULTURE CAPACITY

3.3. VEGETABLE AND FRUIT CROPS: ENABLING PRIMARY PRODUCTION IN A POST-COVID WORLD

3.4. LIVESTOCK AND MEAT PRODUCTION CHALLENGES

3.5. SEAFOOD, FISH, AND AQUACULTURE MARKETS HAVE BEEN PARTICULARLY DISRUPTED

3.6. MEAT, FISH AND SEAFOOD PROCESSING PLANTS

3.7. IMPROVING PRE-EMPTIVE ENGINEERING CONTROLS

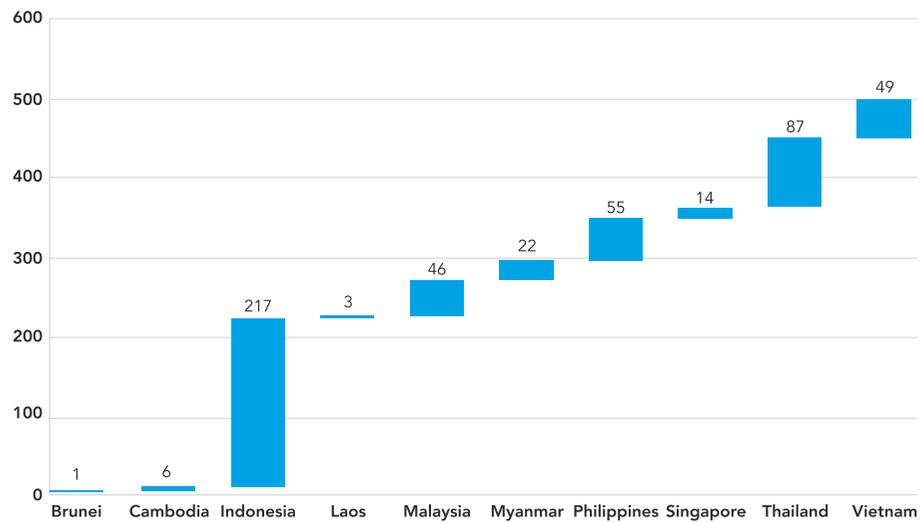
3.8. IMPROVING CONDITIONS IN WET MARKETS

3.9. INFORMAL AND MIGRANT WORKERS AND THEIR TURNKEY ROLES IN ASEAN VALUE CHAINS

3.10. THE NEED TO "SHORT-CIRCUIT" ASEAN VALUE CHAIN DISRUPTIONS

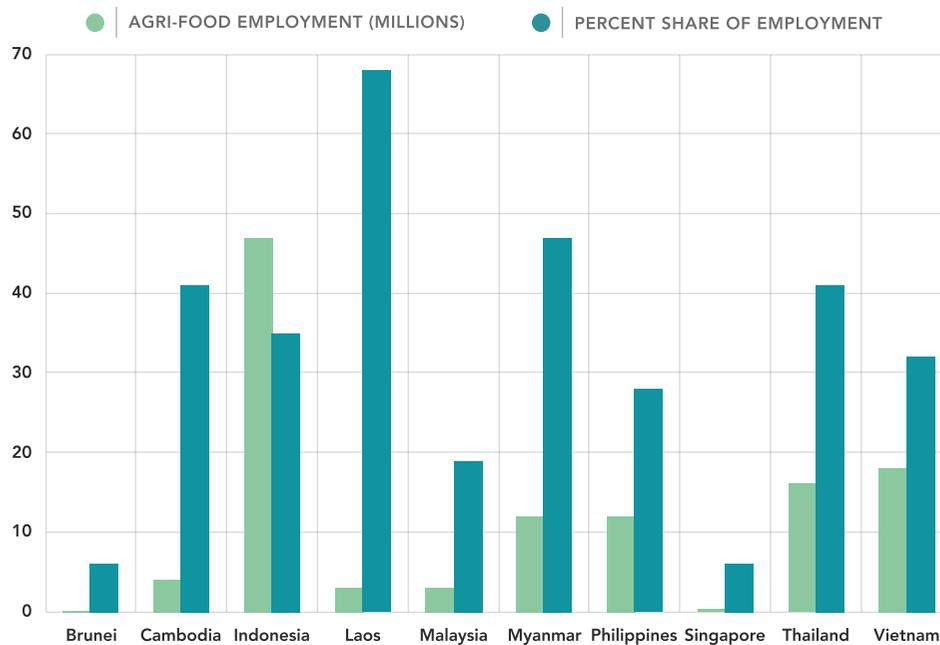
The agriculture and food industry is of major importance to the ASEAN region, providing essential nutrition to populations, but also driving a large share of economic output and employment. It contributes around US\$500 billion to the region’s output, about 17% of ASEAN’s total GDP (Figure 3.1); Indonesia is the largest producer. The share of employment is even higher, with the industry accounting for around 116 million jobs in ASEAN, or about 35% of the total labour force (Figure 3.2). The agri-food industry is therefore of huge importance to both the economic wellbeing and health of ASEAN citizens.

FIGURE 3.1
 ASEAN’s Agri-Food Sector GDP, 2018 (\$ USD Billions)



Source: FAO, World Bank

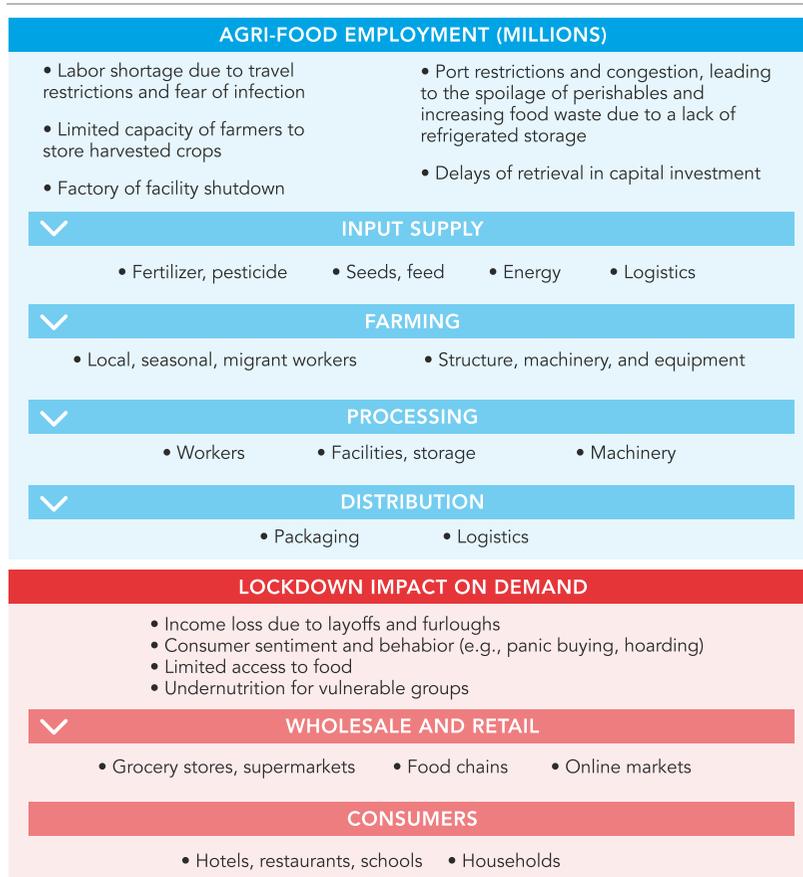
FIGURE 3.2
 ASEAN's Agri-Food Sector Percent Share of Employment



Source: FAO, World Bank, International Labour Organisation

The COVID-19 pandemic has placed unprecedented stresses on food supply chains, with bottlenecks in farm labour, processing, transport and logistics and marketing. Figure 3.3 illustrates just a few ways in which the COVID-19 pandemic can disrupt ASEAN value chains. Most of these disruptions are a result of policies adopted to contain the spread of the virus. To date, value chains have demonstrated remarkable resilience in the face of these stresses. Supplies have been replenished over time, stockpiling behaviour largely has disappeared and value chains have responded to shifts in demand. Border bottlenecks have declined somewhat in response to policies to alleviate unnecessary restrictions. While COVID-19's impacts are still unfolding, experience to date demonstrates the importance of open and predictable domestic marketing arrangements and international trade arrangements to ensure food can move to where it is needed. The biggest risk for food security is not with food availability but with consumers' access to food: safety nets are essential to avoid an increase in hunger and food insecurity.

FIGURE 3.3
Potential COVID-19 Pandemic ASEAN Food System Disruption Pathways



Source: Amjath-Babu et al. (2020). Key indicators for monitoring food system disruptions caused by the COVID-19 pandemic. *Food Security*, 12, 761-768.

As part of this study, APF Canada conducted a survey among AMS to identify challenges and major disruptions from COVID-19 pandemic to trade and value chains. Perceived disruption of the agri-food value chain was the greatest in the Philippines, Vietnam, Lao PDR, and Indonesia, and less so in Brunei Darussalam and Malaysia. High disruption to agricultural inputs, value-added processing, and product transportation was reported in the Philippines, Vietnam, Indonesia, and Lao PDR. Low disruption on the value-added processing and storage of goods were reported in Brunei Darussalam and Malaysia. The disruption on the product wholesale and retail ranged from moderate to high. These varied responses likely reflect the differences in the horizontal and vertical integration of agri-food supply chains across ASEAN, allowing

some member states to weather COVID-19 and other external shocks better than others. Among sectors, the livestock, vegetables, fruits and fishery sectors were considered the most vulnerable and logistics and transportation operators were thought to be quite susceptible to disruption.

The virus poses a threat to food security and livelihoods in lower income countries within ASEAN, where agricultural production systems are more labour-intensive and there is less residual capacity to withstand any sizeable shock. Any disruptions to the manufacture and distribution of key inputs (e.g. seeds, fertilizer, petrol, pesticides) in 2020 could also contribute to lower production in 2021 and 2022. It is also of concern that various points within agri-food value chains are also at risk of disruption; epidemiologists, medical professionals and engineers have learned that conditions where employees work in close quarters (e.g. processing plants), where people gather (e.g. wet markets), and where employees work in tandem (e.g. where consolidation, packaging, transport and shipping take place) may also be vulnerable to disease spread and covid-19 based disruption unless appropriate precautions are taken.

There have been large impacts on GDP, incomes, demand, and consumption and nutrition in 2020. Agri-food production, for the most part, has not yet been seriously impacted thus far, although bottlenecks have arisen in transportation, distribution, value-added processing, and retail locations due to COVID-19 containment measures. This is because production decisions and capacity were already determined earlier in the year.

However, if value-chain disruptions and constraints on inputs, credit and labour are left unresolved, contractions on the supply side could occur in 2021 and possibly in 2022. Just as health professionals try to “short circuit” the virus’s spread, the agri-food sector needs to explore ways of limiting the adverse consequences of COVID-19 containment measures. Just as each sub-sector and component within value chains has their own unique nature, the

ways and means of moderating adverse impacts arising from the coronavirus may be equally unique.

Staple crops like rice, wheat, corn, and soybeans are typically grown under extensive conditions and farmers can adjust their production decisions on an annual basis. Poultry production, although typically capital intensive, has a short production cycle so farmers and commercial enterprises can adjust their production plans and feed input mix to adapt to changes in market conditions. Many horticulture crops are perennials, are labour intensive, and involve a fair amount of fixed capital investment. Dairy, beef and hog production and marketing cycles are longer because of the nature of their gestation cycles. These wide-ranging underlying characteristics determine how rapidly and the extent to which farmers and commercial firms can respond to external shocks. As a result of such considerations, livestock production and marketing are likely to be more severely impacted by COVID-19 containment strategies than the cropping sector. Dairy and pork production will be more disrupted than poultry production. In the crop sector, fruits and vegetables will be more adversely impacted because of their labour intensity, perishability, degree of capital fixity, and lags in production for perennial crops.^{38 39}

With new COVID-19 precautions, movements of product and people through ports and other points of entry have also been restricted, creating bottlenecks; these kinds of delays result in quality reduction and waste of perishable foods. How damaging and sustained these impacts turn out to be for the livelihoods of farmers, fishermen and women and others working along the food supply chain depends in large part on health policy, agri-food policy and trade policy responses over the short, medium and long term. ASEAN faces the challenge of managing multiple demands – responding to the health crisis, managing the consequences of the economic shock, and ensuring the agri-food system can function.

38 OECD & FAO. (2020). *OECD-FAO Agricultural Outlook 2020-2029*. doi.org/10.1787/1112c23b-en

39 OECD & FAO. (2020). The Aglink-Cosimo Model. <http://www.agri-outlook.org/about/>

3.1. Staple Crops: Towards a Knowledge-Based, Transparency First Approach

ASEAN members are significant players in the world's grain and oilseed markets. Rice production occurs throughout ASEAN, and Thailand, Vietnam and Myanmar all rank among the top 10 rice exporters, while the Philippines and Malaysia rank among the top importers. The Philippines, Indonesia, Thailand and Vietnam are all significant wheat importers. Most ASEAN members import quantities of maize and soybeans for both human consumption and livestock feed. While the focus here is on the ASEAN region, these staple crops are traded globally.

In the initial period following the global spread of the COVID-19 outbreak, there were a number of instances of panic-buying and hoarding behaviour for these staple foods, particularly when lockdowns were first announced and implemented. Staple foods like rice, wheat flour and noodles were hoarded because of their longer shelf life and because people were anticipating shortages. This contributed to rising prices for some food staples, rice in particular. Among the contributing factors to rising prices was the suspension of new export contracts in Vietnam, the world's third-largest rice exporter, as well as in Myanmar, combined with an export ban on rice by Cambodia. Compounding this, the national lockdown in India, the world's largest rice exporter, and quarantine measures in Pakistan resulted in logistical constraints and uncertainty, which also pushed prices upwards. However, as knowledge of actual availabilities became more widespread, most export restrictions were removed by May 2020.⁴⁰

Transparency about market conditions, combined with transparency in policy decisions, kept the situation from escalating

⁴⁰ Vietnam, Cambodia, and Myanmar all ceased such interventions by the end of May.

and halted any tendency to respond with tit-for-tat export restrictions. To halt panic buying and prevent artificial shortages, some countries (including Vietnam and Thailand) started publishing reports on supply and demand balances. Several countries with public stocks of grains announced the levels of grains stored to reassure citizens that there were sufficient stocks to meet domestic demand. Some countries distributed supplies from their public stocks to prevent panic buying that could lead to artificial shortages and rising prices.

Since these events, value chains for staple grains have been impacted by COVID-19 containment measures but have largely adjusted to the new realities by altering the way that staples are provided to consumers rather than ceasing to function. Prices for food staples now appear to reflect normal market conditions. OECD and FAO estimates for this year’s global wheat production have also been raised in recent months – 2020 wheat production will reach an all-time high, mostly on improved yield prospects in many countries (Table 3.1). Wheat prices increased slightly in September and October, largely as a result of elevated trade activity and some concerns over production prospects in the global south and dry conditions in parts of Europe, but unrelated to COVID-19 measures. Global food prices remain within acceptable levels and reflect normal market behaviour (Figure 3.4)

FIGURE 3.4
Global Price Indices for Selected Food Categories

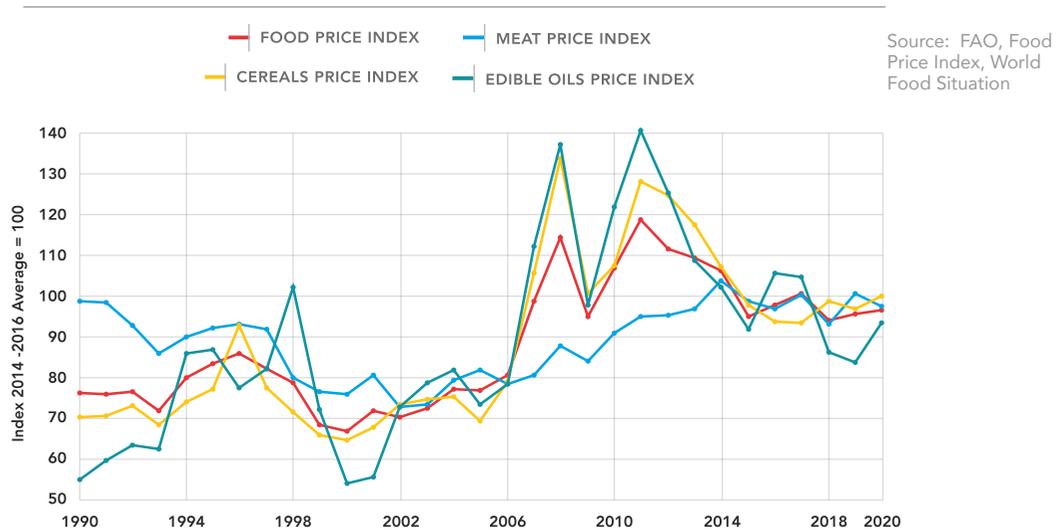


TABLE 3.1.
World Production and Stocks of Key Staples are Adequate

RICE			
in million tonnes	2018/19	2019/20 estimate	2020/21 forecast
Opening Stocks	176.42	185.08	181.81
Production	506.51	500.69	508.43
Supply	682.92	685.77	690.24
Food Use	407.95	413.82	421.26
Feed Use	17.1	16.12	16.24
Other Uses	74.74	72.78	72.76
Domestic Utilization	499.8	502.71	510.26
Trade	44.14	44.51	47.6
Closing Stocks	185.08	181.81	181.02
WHEAT			
in million tonnes	2018/19	2019/20 estimate	2020/21 forecast
Opening Stocks	287.08	271.76	276.6
Production	732.52	761.98	761.72
Supply	1,019.60	1,033.74	1,038.32
Food Use	515.18	520.53	527.56
Feed Use	141.17	136.79	136.75
Other Uses	93.98	92.17	93.28
Domestic Utilization	750.33	749.49	757.58
Trade	168.99	184.55	184.5
Closing Stocks	271.76	276.6	282.87
MAIZE			
in million tonnes	2018/19	2019/20 estimate	2020/21 forecast
Opening Stocks	366.31	361.28	354.77
Production	1,117.58	1,138.25	1,154.85
Supply	1,483.90	1,499.53	1,509.62
Food Use	139.6	142.03	143.45
Feed Use	651.84	674.91	686.5
Other Uses	344.89	326.26	339.21
Domestic Utilization	1,136.33	1,143.20	1,169.16
Trade	166.63	173.98	182.55
Closing Stocks	361.28	354.77	335.54
SOYBEANS			
in million tonnes	2018/19	2019/20 estimate	2020/21 forecast
Opening Stocks	51.69	63.26	56.63
Production	364.59	339.35	366.37
Supply	416.28	402.61	422.99
Domestic Utilization	350.69	360.26	372.96
Trade	149.9	169.06	168.24
Closing Stocks	63.26	56.93	49.42

Sources: International Grains Council (IGC) and Agricultural Market Information System (AMIS), amis-outlook.org

As for rice, the latest figures confirm expectations of larger plantings translating into an annual production recovery this coming season. Global rice production in 2020-21 will remain relatively unchanged due to a downgrade in Thailand and an offsetting upward revision in the production estimate for India. Global utilization in 2020-21 is expected to expand by 1.5%, despite a slight downward revision largely attributable to lower anticipated uses in Indonesia. The global rice trade will be relatively unchanged in 2021, as subdued export prospects for Pakistan, Thailand and Vietnam will be compensated for by increases in India's shipments. Carryover stocks will be roughly on par with their year-opening levels due to recent revisions upward in key exporters.

Within ASEAN, domestic rice prices exhibited mixed trends in September but generally remained slightly above year-earlier levels in most member states.⁴¹ In the main exporters (like Vietnam), prices of rice showed signs of softening in September, after increases in July and August. Similarly, prices decreased marginally in Thailand, ahead of the 2020 main harvest, responding also to slow export demand. Adequate market availabilities from the 2020 harvests kept prices stable in Cambodia, which is also expected to harvest an above-average 2020 main crop. In contrast, rice prices increased sharply in Myanmar and were at high levels in September, supported by tightening supplies ahead of the 2020 main crop and steady exports in previous months. Prices changed little in the Philippines, amid adequate market availabilities from the 2020 harvest and imports.

International maize prices also climbed slightly, responding to cuts in production prospects, especially in the EU, and the expectation of a decline in supplies in the U.S., as the country reduces its previous season maize carryovers. Still, world maize output in 2020 is expected to exceed the high 2019 level, reaching a new record.⁴² In

41 Analysis informed by government trade and statistics databases in Thailand, Cambodia, Philippines, and Viet Nam, and relevant CGIAR and IFPRI reports for ASEAN price trends.

42 OECD & FAO. (2020). The Aglink-Cosimo Model. www.agri-outlook.org/about/

the case of soybeans, OECD and FAO anticipate increased global production in 2020-2021, despite some recent weather challenges.⁴³

Although production, stocks and utilization for most staple crops are adequate, past experience suggests that vigilance be maintained. An examination of the situation for different staple crops reveals that, while global wheat, maize and soybean markets were stable, the rice market is more thinly traded and more sensitive to changes in production and stocks and, therefore, more subject to extreme swings. Therefore, there is an even greater need for transparency in the rice market and among rice traders, importers, and exporters. As noted above, international rice prices started to rise significantly in March, driven in part by hoarding; by April, the FAO's rice price index reached its highest level since December 2011, even though production and stocks were adequate.

While food staples for this crop year are reasonably secure, the situation for the coming two crop years is a little less apparent. As mentioned earlier, abnormal stockpiling behaviour and impediments to the movements of key inputs across borders could pose problems. A key challenge will be how to alleviate COVID-19-related breaks within the value chain before they have serious impacts on market operations and market signals, food security or nutritional outcomes. Transparency and timely reporting regarding production intentions and stock levels will be important to address the challenge.

⁴³ OECD & FAO. (2020). *OECD-FAO Agricultural Outlook 2020-2029*. <https://doi.org/10.1787/1112c23b-en>

3.2. Inputs, Agri-Food Services and Infrastructure: Maintaining Agriculture Capacity

The COVID-19 pandemic poses a risk to agricultural input supply chains.⁴⁴ It can detrimentally affect access to and availability of inputs, including petrol, seeds, fertilizers, and pesticides, as well as labour. As such, disruptions to the supply and demand of inputs will have diverse impacts across and within countries and will need to be reflected in different policy responses depending on the context. However, it remains the case that primary agricultural activities depend on the season and weather. Activities need to follow a particular schedule and sequence, with some flexibility reflecting conditions suitable for planting, fertilizing and harvesting, etc. Since all processes and stages in the supply chain are strongly interconnected, delays or disruptions can trigger knock-on effects, resulting in large yield and output losses. Unless COVID-19-related disruptions to labour markets and input markets are addressed, ASEAN's agri-food sector may contract by three to five per cent in the coming years.^{45 46}

With the aim of maintaining domestic production and supporting farmers' incomes, some member states may be tempted to subsidize input procurement and use.^{47 48} However, OECD and FAO assessments of such programs using their Policy Evaluation

44 For both decision-making processes and policy design, we recommend reading: OECD. (2020). How can governments leverage policy evaluation to improve evidence informed policy making?

45 Gregorio & Ancog. (2020). Assessing the Impact of the COVID-19 Pandemic on Agricultural Production in Southeast Asia. *Asian Journal of Agriculture and Development*, 17(1).

46 FAO. (June 2020). *Impacts of coronavirus on food security and nutrition in Asia and the Pacific: building more resilient food systems*. Rome, Italy.

47 Doguiles, D.E. (May 2020). Rice farmers to receive seed, fertilizer subsidy. *Philippine Information Agency*.

48 Ikhsan, M., & Yulius. (November 2020). Analysis: Moving Indonesia's fertilizer subsidies to direct model efficiently. *Jakarta Post*.

Model⁴⁹ indicate that interventions can be highly production and trade distorting, often contributing to environmental degradation (e.g. through over-application, nutrient and pesticide loading) and are extremely inefficient in terms of actually supporting farmers' incomes and well-being.

As an example, some nations subsidize both the manufacture of fertilizers and pesticides as well as their use, ostensibly in an effort to stimulate production and protect farmer incomes. This two-fold form of subsidies often leads to over-application and environmental deterioration in the form of soil and water, nutrient loading, chemical run-off, leaching, and biodiversity or wildlife habitats. Such subsidies that are tied to specific inputs or particular outputs are also less helpful to farming households as they tie the households to specific production and consumption options rather than allowing them to make choices reflecting their own needs and judgement.

If income support to farmers is thought to be necessary, it is preferable to provide it via direct transfers or general vouchers if at all possible, rather than tying it to the procurement of a specific input or the production of a particular output. Besides the previously mentioned adverse environmental impacts, OECD, FAO, and International Food Policy Research Institute (IFPRI) research has shown that the transfer efficiency of tied input subsidies is low in terms of improving farmers' well-being while typically distorting production and trade.⁵⁰

If transfers are warranted, it is best if delivered as broadly based income support unrelated to specific production decisions. Or, if such an approach is a challenge in some of ASEAN's transitional economies, support is better provided via investments which do not

49 The Policy Evaluation Model is a partial equilibrium model of agricultural production that is designed to connect the data in the Producer Support Estimate database with economic outcomes in terms of production, trade and welfare. Review: OECD. (2011). Annex D. The OECD Policy Evaluation Model, in *Evaluation of Agricultural Policy Reforms in the United States*.

50 Dewbre et al. (2001). The Transfer Efficiency and Trade Effects of Direct Payments. *American Journal of Agricultural Economics*, 5, 1204-1213.

prejudice or prejudge farmers' production and consumption choices going forward. In the current context, such investment might be directed towards improvements in enabling infrastructure or to address gaps in logistics. Such investments would not tie farmers' hands in terms of their production, marketing or consumption choices. Given the realities of COVID-19, additional effort could be made to accelerate movements toward digital marketing and other mechanisms which provide greater scope for physical distancing in production and marketing activities.

Timely access to inputs and infrastructure services is critical, especially where perishable, time-sensitive crops and livestock products are concerned. Investments in ways and means of improving timeliness and limiting the loss of perishable products (e.g. planting, harvesting, storage, chilled handling for fruits, vegetables, livestock and fishery products) should be a priority both in terms of improving both income and nutritional outcomes. Initiatives that reduce post-harvest losses and prevent deterioration in nutritional value while in storage or being handled and transported would also be helpful.

3.3. Vegetable and Fruit Crops: Enabling Primary Production in a Post-COVID World

In the survey undertaken for this study, fruit and vegetable production was considered second most susceptible to potential disease spread, after livestock production. Fruit and vegetable farms are typically very labour-intensive worldwide, but especially so in ASEAN economies. In a number of instances, migrant workers not only work on the farm in close proximity, they often share accommodation facilities. Some of these working and living arrangements correspond to the conditions for "cluster" spreading events identified in Chapter 1. In most ASEAN member states, migrant workers have had restrictions placed on their movements. In this regard, the survey indicated that quarantine requirements

and constraints on labour movements were problematic for ASEAN members.⁵¹ On the flip side, many migrant workers are reluctant to work if they believe working and living conditions are putting them at risk.

Firms and farms engaged in the production of horticulture crops are critical to the agri-food economy and to the provision of foods with higher nutritional value. Reduction in their productive capacity could seriously undermine ASEAN members' ability to maintain access to "nutrition adequate" diets.⁵² Yet, the nature of some of these operation's work environment and living conditions are conducive to the disease's spread. Fortunately, more is known now about the virus, how it spreads, and basic hygiene measures to adopt than was known a few months ago: physical distancing, mask wearing, hand washing, frequent cleaning and alterations to air flow and accommodation environments to reduce the risk of disease spread.

Vessel Dynamics Laboratory (VDL) has provided an online simulation tool to see how simple changes in shared housing and worker behaviours affect COVID-19 spread.⁵³ The simulator assumes that someone who is infected with coronavirus may be asymptomatic yet contagious for between 2-14 days before showing signs that they are sick. It also assumes that, once a worker shows symptoms, the worker is identified as sick and is relocated to quarantine housing the next workday. If a worker is not removed after being identified as COVID positive, the spread of infection would be far worse.

VDL's simulation is run for a one-week period and employs a mathematical infectious disease model known as S-I-R.⁵⁴ A S-I-R

51 Asia Pacific Foundation of Canada.(2021).COVID-19 Pandemic Implications on Agriculture and Food Trade in ASEAN: Study Methodology

52 Aday & Aday. (2020). Impact of COVID-19 on the food supply chain. *Food Quality and Safety*, 4(4), 167-180.

53 VDL. (2020). Room for Improvement: An Online Tool for Reducing the Spread of COVID-19 in Farmworker Housing. <https://vesseldynamics.com/research/farmworker-housing-simulator/>

54 The mathematical details of the S-I-R modeling framework are explained by Smith and Moore (2004).

(Susceptible-Infected-Recovered). It is an epidemiological model that computes the theoretical number of people infected with a contagious illness in a closed population over time. The VDL S-I-R simulation results are meant to show how simple changes in shared housing and farmworker behaviours can reduce or increase the spread of infection and should not be viewed as an exact prediction. Such modeling frameworks might also be helpful in informing decisions in other situations where workers are in close quarters.

Collaborative interdisciplinary work between medical professionals, epidemiologists and engineers could significantly improve the physical design and safety of work spaces, work flows, and living arrangements for agri-food enterprises and their workforces. Failure to embrace such improvements could adversely impact on workers' health, lead to a decline in workers' willingness to work in such environments, and erode the productive capacity of horticulture production, thereby contributing to a decline in the availability of nutritious fruits and vegetables that might otherwise improve ASEAN citizens' diets and nutrition outcomes.

3.4. Livestock and Meat Production Challenges

Total global meat production is forecast to decline somewhat in 2020, depressed by COVID-19-related market disruptions,^{55, 56} animal diseases (particularly in China's swine herd), and the lingering effects of droughts. Much of the contraction is expected to be attributable to a drop in global production of pork, largely concentrated in China

⁵⁵ While the greatest risk for Covid-19 transmission remain person-to-person, some nations have used the ostensive threat of Covid-19 transmission to constrain trade in higher value seafood and livestock products.

⁵⁶ This discussion draws extensively from the following sources:

- 1) FAO. (June 2020). *Food Outlook - Biannual Report on Global Food Markets: June 2020*. Rome, Italy.
- 2) OECD & FAO. (2020). *OECD-FAO Agricultural Outlook 2020-2029*.
- 3) Schmidhuber & Qiao. (2020). *Comparing crises: Great lockdown versus great recession*. FAO: Rome, Italy.
- 4) FAO. (April 2020). *Agri-Food Markets and Trade Policy in the Time of COVID-19*. FAO: Rome, Italy.
- 5) Glauber et al. (2020). COVID-19: Trade restrictions are worst possible response to safeguard food security. In *COVID-19 and global food security*, J Swinnen and J McDermott (eds.).

and Southeast Asian countries affected by the African Swine Fever (ASF) viral disease; within ASEAN, swine herds in the Philippines, Indonesia, Vietnam, Cambodia, Lao PDR and Myanmar have all been adversely affected. However, there will also be a decline in beef production in North America and Australia.

In contrast, global poultry meat production is forecast to expand, but at a more subdued rate. With Indonesia as the world's second-largest producer and Thailand as the world's fourth-largest exporter, ASEAN's poultry sector may be part of this expansion if it deals constructively with migrant agri-food labour issues and other supply-side challenges.⁵⁷ However, the expansion has been dampened somewhat by COVID-19 and related containment efforts, including limits on migrant worker movements and intermittent value-chain lockdowns.

Within ASEAN, COVID-19-related economic challenges, logistical bottlenecks and a sharp decline in volumes needed by the food services sector due to lockdowns have proven problematic, with declines in restaurant and food service sales resulting in meat stock accumulation. Challenges remain in terms of managing COVID-19 health and sanitary challenges in slaughterhouses, processing and packing facilities.

The international meat trade was originally projected to grow at almost seven per cent in 2020. However, a combination of stresses related to the U.S. – China trade dispute, COVID-19 restrictions, and subdued consumption levels also mean that the meat trade is likely to be static or perhaps up very slightly for the year.

Logistical bottlenecks, limitations in shipping, port backlogs, and obstructions arising from the treatment of shipping vessel crews are also likely to restrain the world meat trade going forward. However, China's economic resurgence in recent quarters may help to buoy

⁵⁷ Indonesia is ASEAN's largest poultry producer, ranking second world-wide ... trailing China and ahead of the United States. Thailand is the world's fourth largest poultry exporter, after Brazil, the United States and the European Union (FAOSTAT).

livestock product markets slightly, if its recent economic recovery can be sustained.

3.5. Seafood, Fish, and Aquaculture Markets Have Been Particularly Disrupted

Indonesia, Vietnam, the Philippines, Thailand, Malaysia and Myanmar are among the world's top 20 producers of catch fishery.⁵⁸ ASEAN member states capture each of the most highly valuable groups – tunas, cephalopods, shrimps and lobsters – but tunas are arguably the most important among these. Indonesia and the Philippines rank among the top five tuna producers in the world. Indonesia's share of global tuna production hovers around 18 per cent, while Philippines comes in at just over six per cent. Thailand is the world's biggest exporter of prepared or preserved tuna, accounting for almost 30 per cent of the world's exports. The Philippines, Indonesia and Vietnam also export processed or canned tuna to major brands in key markets. ASEAN's tuna industry provides thousands of jobs in the areas of catching, consolidating, marketing, processing and trading.

Besides its catch fishery, ASEAN is also an important aquaculture region, with ASEAN members Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, Singapore and Vietnam together producing roughly 20 per cent of the world total. The ASEAN region has a diverse mix of aquaculture systems and species, including shrimps and prawns, catfish, carp, tilapia, crabs, lobsters and seaweed. Ponds and off-bottom culture rank as the most common production systems. Aquaculture is not only a significant part of the economy, it also contributes significantly to rural livelihoods and improved nutrition within ASEAN.

⁵⁸ This section relies on excerpts from: FAO. (2020). *The State of World Fisheries and Aquaculture*. Rome, Italy.

Fish and fish products are among the most traded food items in the world. In 2018, roughly 67 million tonnes of seafood was traded internationally for a total export value of US\$164B. This equates to almost 38 per cent of all fish caught or farmed worldwide. However, trade contracted by about two per cent in 2019. Initially, 2020 was forecast to be a year of recovery for seafood and fish markets, but this prospectus has been upended by the emergence of the COVID-19 pandemic. It continues to inflict considerable damage on seafood markets, particularly for fresh products and species popular in the restaurant and hospitality sector. This is partially due to the restaurant and hospitality sector being adversely impacted by periodic lockdowns and partially due to misinformation regarding virus transmission that has dampened demand. On the supply side, many fishing fleets are laying idle and the deteriorating outlook has seen aquaculture producers reduce their stocking targets.

Disruptions to labour markets, health-related challenges in processing facilities and other business challenges appear likely to continue exerting a negative impact on seafood production across the world. Aquaculture harvests are being delayed and stocking targets reduced, affecting production of heavily traded commodities like shrimp, salmon, tilapia, and seabass.

Trade in seafood and fishery products is expected to fall by between five and ten per cent in 2020. The general outlook for fish and seafood markets in the coming few years remains uncertain. Less perishable processed, canned tuna trade volumes have strengthened, but higher value perishable seafood and fish product exports are in decline due to rising trade costs and border friction. Perishable high-end products and popular restaurant items will likely be the most adversely affected, including lobster, fresh tuna, fresh salmon, cephalopods and bivalves.⁵⁹ The depressed state of the market and disruptions along fisheries and aquaculture value chains will be particularly frustrating for all ASEAN member

⁵⁹ FAO. (June 2020). *Food Outlook - Biannual Report on Global Food Markets: June 2020*; OECD & FAO. (2020). *OECD-FAO Agricultural Outlook 2020-2029*.

states, but most notably for Vietnam, Thailand, Indonesia, and the Philippines. Like livestock products, challenges also arise when managing COVID-19-related health and sanitary challenges in processing facilities.

Fishing is dependent on vessel mobility. But immobilization is a key tool for virus containment; mobility is associated with a risk of virus spread. Many fishing vessels, as currently configured, correspond to the conditions considered ripe for disease spread: tight working and living quarters; limited opportunities to change clothing and masks; vessels that can spread disease to multiple locations as they move through the sea. Typically, when fishing vessels arrive into port they offload catch, resupply and rotate crew, and quickly return to sea. Today, such mobility is constrained in the interest of public health. Many ports now either ban shore leave and crew changes, or require 14-day quarantine either at sea or in designated onshore accommodations.⁶⁰ Such limits on mobility create costs for vessel owners and workers alike, and has greatly impacted the flow of raw material into supply chains.

Labour protections are already a challenge in the capture fishery sector, given its mobile nature and the fact that fleet ownership may differ from the nationality of the fishermen and women manning the vessel. Now, difficult challenges have become even more complex. To date, many commercial interests and fishing exporters have been hesitant to engage in discussions with the International Labour Organization (ILO) and international health authorities to resolve these emerging challenges. Yet, unless reasonable protocols for access to port facilities can be negotiated that concurrently allow commercial seafood production, capture and trade to continue while safeguarding human health, COVID-19 precautions could inadvertently undermine both economic well-being and nutritional

⁶⁰ ITF Seafarers. (2020). COVID-19 Information for Seafarers. <https://www.itfseafarers.org/en/embed/covid-19-country-information-seafarers>; BIMCO. (2020). Coronavirus (COVID-19) Crew Challenges. <https://www.bimco.org/ships-ports-and-voyage-planning/crew-support/health-and-medical-support/novel-coronavirus---crew-challenges>

outcomes. Because of COVID-19 containment strategies placing limits on mobility,⁶¹ movement away from capture fisheries to aquaculture fish farming is likely to accelerate.

3.6 Meat, Fish and Seafood Processing Plants

Workers involved in meat, poultry, fish and seafood processing face COVID-19 risk through the nature of the enterprise they work in.⁶² Their work environment — processing lines and other areas in busy plants and enclosed spaces where they have close contact with coworkers and supervisors — may contribute somewhat to their potential exposures. The risk of occupational transmission of COVID-19 depends on several factors. Distinctive factors that affect workers' risk for exposure to COVID-19 in meat, fish and seafood processing workplaces include:

Distance between workers – processing workers often work close to one another on processing lines. Workers may also be near one another at other times, such as when clocking in or out, during breaks, or in locker/changing rooms.

Duration of contact – processing workers often have prolonged closeness to coworkers (e.g., seven to 10 hours per shift). Continued proximity to potentially infectious individuals increases the risk of COVID-19 transmission.

Type of contact – meat and poultry processing workers may be exposed to the infectious virus through respiratory droplets in the air – for example, when workers in the plant who have the virus cough or sneeze. It is conceivable,

⁶¹ For an overview of each seaport or country, and the restrictions on vessels and crew, Wilhelmsen's has provided an interactive COVID-19 Global Port Restrictions Map, together with supporting documentation: <https://www.wilhelmsen.com/ships-agency/campaigns/coronavirus/coronavirus-map/>

⁶² This section draws on published guidance from the OIE, Canadian Food Inspection Agency, the CDC and USDA.

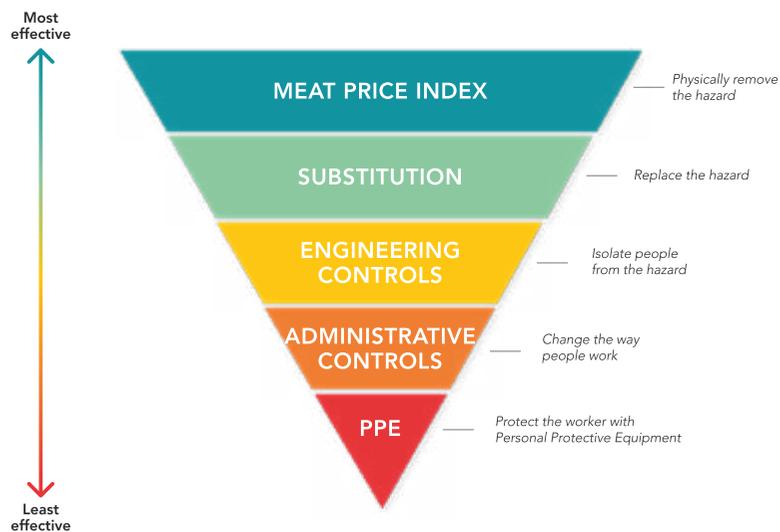
although less likely, in such cases that exposure could also occur from contact with contaminated surfaces or objects, such as tools, workstations, or break room tables.

Pooled transport - a common practice at some workplaces of sharing transportation such as ride-share vans or shuttle vehicles, car-pools, and public transportation.

Frequent contact - with fellow workers in community settings in areas where there is ongoing community transmission and the enterprise is a significant local employer.

The Center for Disease Control has noted that controlling exposures to occupational hazards is a fundamental method of protecting workers. Traditionally, a hierarchy of controls has been used as a means of determining how to implement feasible and effective control solutions. One representation of this Hierarchy of Controls is as follows: Elimination, Substitution, Engineering Controls, Administrative Controls, Personal Protective Equipment (PPE). This is typically represented as an upside-down triangle as seen in Figure 3.5 below.

FIGURE 3.5
Heirarchy of Controls



Source: Center for Disease Control

The idea behind this hierarchy is that the control methods at the top of the graphic are potentially more effective and protective than those at the bottom. Following this hierarchy normally leads to the implementation of inherently safer systems, where the risk of illness is substantially less.

3.7. Improving Pre-emptive Engineering Controls

Engineering controls are favored over administrative guidance and PPE for controlling existing worker exposures. This is because they are designed to automatically remove the hazard at the source, before it comes in contact with the worker. They also require less of a thought process by workers under conditions where they might be stressed or fatigued. Well-designed engineering controls can be highly effective in protecting workers and will largely be independent of worker interactions to provide a high level of protection.

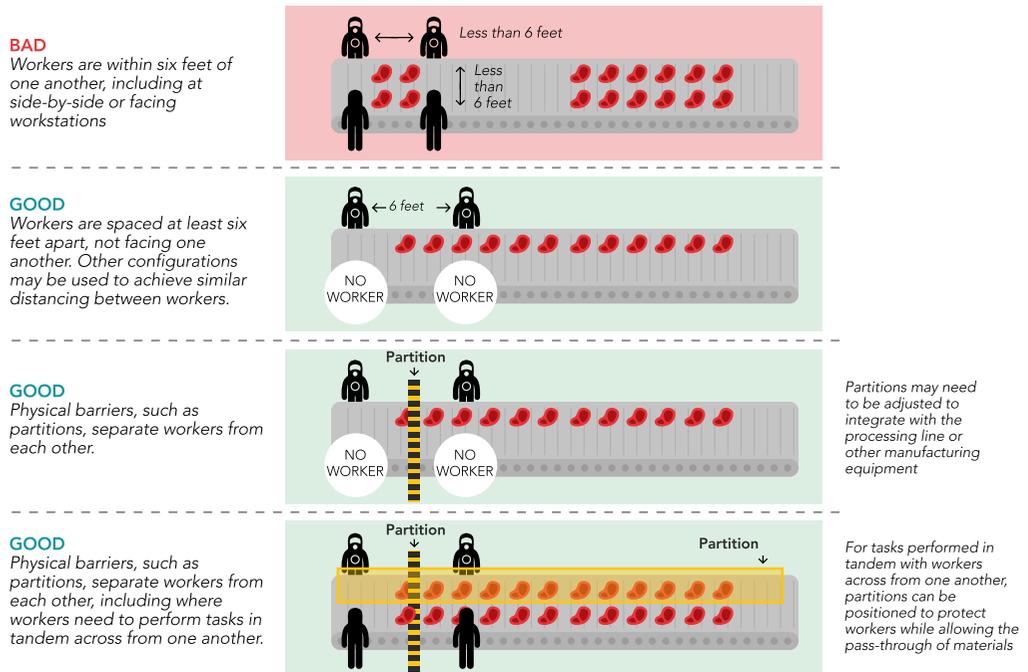
The initial cost of engineering controls may be higher than the cost of administrative guidance or PPE, but over the longer term, operating costs are frequently lower, and in some instances, can provide a cost savings in other areas of the process. The use of PPE is helpful but it does not eliminate all risks and it relies on workers to remember and adhere strictly to all safety protocols at all times. This sounds straightforward but may be a challenge over the course of a long working day.

With regard to “Engineering Controls,” it is advisable to configure communal work environments so that workers are spaced at least six feet apart, if possible. Current information about the asymptomatic spread of COVID-19 supports the need for physical distancing (discussed in Chapter 1) and other protective measures within a processing plant environment. Changes in production practices may be necessary in order to maintain appropriate distances among workers.

Figure 3.6 below shows one bad alignment option to avoid for processing workstations and three good options that provide adequate protection for workers. Commercial processors should modify the alignment of workstations, including along processing lines, if feasible, so that workers are two metres or more apart in all directions (e.g., side-to-side and when facing one another), when possible. Ideally, modify the alignment of workstations so that workers do not directly face one another. It is best to use markings and signs to remind workers to maintain their location at their station away from each other and practice physical distancing on breaks.

Physical barriers, such as strip curtains, plexiglass or similar materials, or other impermeable dividers or partitions, can be used to separate processing workers from each other, if feasible. Given what we have learned thus far regarding the conditions the virus thrives in, facilities should consider consulting with heating, ventilation, and air-conditioning specialists to ensure adequate ventilation in work areas to help minimize workers' potential exposures. If fans are used, take steps to minimize air from fans blowing from one worker directly at another worker.

FIGURE 3.6
Altering Redesigning and Re-engineering Processing Facilities and Work Flow



Source: CDC / Guidance for Meat, Poultry, Fish and Seafood Processing Plants and Workers

Handwashing stations or hand sanitizers with at least 75 % alcohol should be placed in multiple convenient locations to encourage hand hygiene. Touch-free stations are preferable.

Reconsider and reconfigure clock-in/out stations to ensure that they are well spaced and designed to reduce crowding. Consider touch-free alternatives and staggering shifts to reduce bottlenecks and crowding.

Stagger break times. Reflect on and reconfigure the arrangement of tables and chairs and partitions in break rooms and other areas workers may frequent to increase worker separation. If migrant workers are present, ensure safety signage is in all languages used in the workplace.

3.8. Improving Conditions in Wet Markets

The WHO has recently called for stricter safety and hygiene standards when wet markets reopen in China and elsewhere. It has also strongly suggested that governments and oversight agencies must more rigorously scrutinize the sale and trade of wildlife for food.

The WHO is working with other UN bodies to develop guidance on the safe operation of wet markets, which remain an important source of affordable food and a livelihood for millions of people, particularly in poorer nations. However, these markets have not always been well regulated and well maintained. The WHO strongly suggests that these markets should only be allowed to reopen if and when they conform to stringent food safety and hygiene standards.

Because roughly 70 per cent of all new viruses originate with animals, the WHO has also been encouraged to work more closely with the World Organization for Animal Health (OIE), the Consultative Group on International Agriculture Research (CGIAR), and the Food and Agricultural Organization (FAO) to more proactively understand, anticipate and, if possible, prevent pathogens crossing from animals to humans. Markets which engage in the sale of wildlife and exotic livestock are considered a particular challenge.

Many food vendors in Southeast Asia (and other parts of the world) are not well educated about public health or food safety standards, nor are they trained to maintain good hygiene while distributing food to help prevent the spread of foodborne diseases. However, it may be possible to address such problems with a combination of regulations and proper training, to allow local food to be safely and abundantly available to the public.

Most ASEAN members have a number of wet markets, depended on by small and modest sized food producers as their main channel of distribution, and by consumers for access to fresh food. There may be benefits from renewed efforts to apply a simplified version of the Hazard Analysis Critical Control Point (HACCP) management system to wet markets and affiliate activities and agents. Through a HACCP approach, food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. With the collaboration of the FAO and OIE, significant such efforts were made in China and Southeast Asian economies in the late 1990s and early 2000s, but may not have been pursued as diligently recently as the perceived threats subsided from the public's memory and imagination.

Continued efforts to enhance food safety and hygiene in wet markets will also strengthen food security by generating greater accessibility to local food. Initiatives to improve food safety in developing countries are especially important because they create opportunities for local food producers and consumers to conduct trade in a clean and safe environment.

Wet markets have little if any packaging and the products usually come without certifications to indicate that they comply with food safety standards. Some observers view wet markets and farmers markets as somehow riskier than modern value chains and a few have even advocated for their closure.⁶³ However, such all-encompassing remarks don't necessarily hold. It depends on how wet markets are managed and operated.⁶⁴

Wet markets in Southeast Asia can be hygienic when they are managed well, with local authorities (randomly) checking on the

⁶³ For more on this issue, see the discussion in Reardon et al. (2020). How COVID-19 may disrupt food supply chains in developing countries. *International Food Policy Research Institute (IFPRI)*.

⁶⁴ ACIAR. (2020). Wet markets – close down or keep? *The Pig Site*.

conditions. Regardless of products' origins, a key is safe handling, transportation and storage. One advantage with wet markets is that value chains are relatively short and the food moves quickly to prevent it spoiling.⁶⁵

Key considerations for a clean and safe operating wet market:

- Is the wet market in question fastidious regarding the clean-up of fecal contamination of roads and surrounding areas?
- Has the wet market established facilities for the disposal of fecal matter and for disinfecting transport cages before they are returned to farms?
- Does the wet market allow sick or dead stock to be sold on its premises?
- Does the wet market allow wild or exotic animals to be sold on its premises? Is it possible to track and trace the origins of such livestock and related products?
- Does the wet market implement regular disinfection and upgrade procedures of all wet market vendor spaces and equipment to prevent the buildup of pathogens and pests?
- Does the wet market enforce legal limits on the number of animals allowed in each cage or pen to prevent overcrowding, which otherwise can lead to poor animal health?
- Is it possible to trace livestock products back the distribution chain to track infections?
- Are hygienic, humane slaughtering and processing facilities and processes employed?

⁶⁵ In many ASEAN wet markets, livestock might be slaughtered in the early morning hours, sold by breakfast, and in the pot by midday, with leftovers eaten at night, leaving little time for contamination to occur. With modern value chains, while everything may look more hygienic, products have often travelled much further and longer.

- What precautions are in place to protect vendors, distributors and customers from the spread of disease or illness? Have barriers been erected to encourage distancing and reduce droplet travel? Are vendors and clients alike required to wear masks?
- Are livestock products sold in a physically distant, distinctly separate location from fruits, vegetables, cereals and dry goods?

Recently appointed as a Lancet “One Health” Commissioner, Dr Anna Okello indicates that a holistic approach is warranted and will ultimately improve our understanding, management and prevention of future disease spillover events. This is not to deny the risks or that the disease could have emerged from a wet market or farmers’ market scenario, but also argues for ongoing assessment of food safety risks with research-based evidence to quantify claims.

Dr John McDermott, director of CGIAR-IFPRI’s Program on Agriculture for Nutrition and Health, has emphasized that upgrading wet market safety involves helping those who use them – vendors and clients - to better understand and manage the risks. Efforts to ramp up exchanges between human health and veterinary disciplines are overdue and commendable as they coexist and inform each other, especially on zoonotic diseases. The value of researchers and health officials working together to reshape food systems to deal with COVID-19 and other health risks needs to be recognized. Open and timely information sharing is critical.⁶⁶

⁶⁶ See also, 1) de Garine-Wichatitsky et al. (2020). Will the COVID-19 crisis trigger a One Health coming-of-age? *The Lancet – Planetary Health*, 4(9), E377-E378, 2) Amuasi et al. (2020). Calling for a COVID-19 One Health Research Coalition. *Lancet*, 395, 1543-1544, and 3) Wilcox et al. (2019). Operationalizing One Health employing socio-ecological systems theory: lessons from the Greater Mekong Sub-region. *Frontier Public Health*, 7, 85.

3.9. Informal and Migrant Workers and Their Turnkey Roles in ASEAN Value Chains

Roughly 75 per cent of ASEAN's workforce can be considered informal labour. We should note, however, that ASEAN does not officially include workers in primary agriculture in its official informal labour statistics.⁶⁷ Migrant workers and informal workers working in agriculture have few benefits, if any. Although their labour efforts are critical to both agri-food production and, ultimately, food security and nutrition outcomes, informal workers typically have no access to sick leave or unemployment benefits. Their access to health benefits is often precarious. For many of them, savings are extremely limited if not non-existent. If these workers cannot work for periods of time, their family's income is at risk.

These workers will not be paid if they do not work, even if they are ill. Inadvertently, this provides incentives for these workers to work while they are ill. If informal labourers and migrant workers work while they are ill, the risk of disease spread rises. On the flip side, many migrant workers and informal labourers are faced with tough choices: they may be reluctant to work if they believe working and living conditions are putting them at risk; yet, their resources are such that their family's income and even its food security may be at risk if they can't work. From both a broader welfare perspective, an agri-food productivity perspective, and an epidemiological control perspective, these choices and dilemma are not ideal.

Quarantine provisions and restrictions on their movements place additional burdens on migrant workers working in ASEAN's agri-food sector. They can ill afford the downtime required to self-isolate or quarantine in place. But it must be recognized that, unless steps are taken to protect migrant workers and informal labour, COVID-

⁶⁷ ASEAN Secretariat. (2019). *Regional Study on Informal Employment Statistics to Support Decent Work Promotion in ASEAN*.

19-related disruptions to labour markets could further undermine the productivity and throughput of ASEAN's agri-food value chain – through both the absence of their labour and delays in the ability to apply other inputs such as fertilizer – adversely impacting both economic and food security prospects.

Working with employers, ASEAN may wish to monitor and respond to illness and absenteeism at the workplace. As mentioned earlier, physical alterations and changes in workflow could be made to better protect workers while maintaining productive capacity.

Employers could also develop contingency plans to continue essential business functions in cases of higher than usual absenteeism as precautions against disease spread. CDC Health practitioners and epidemiologists recommend reviewing incentives within attendance policies:

- Analyze sick leave policies and consider modifying them to ensure that sick workers are not in the workplace. Make sure that employees understand these policies and do not feel compelled to come to work if they are unwell.
- Analyze any incentive programs and consider modifying them, if warranted, so that employees are not penalized for taking sick leave if they fall ill.
- Consider grouping cohorts of workers together. This can increase the effectiveness of altering the plant's normal shift schedules by ensuring that groups of workers are always assigned to the same shifts with the same coworkers. Such cohorting may also reduce COVID-19 transmission by minimizing the number of different individuals who come into close contact with each other over the course of a week.
- Establish a system for employees to alert managers if they are experiencing symptoms of COVID-19 or if they have had recent close contact with a suspected COVID-19 case.

If sick leave, medical insurance and unemployment benefits are insufficient, workers have strong incentives to continue to work even if they are ill. This is unfortunate even in the best of times but can be catastrophic when faced with a pandemic. If the disease were to spread widely within agri-food value chains due to poorly aligned incentives, there would be adverse health impacts, adverse economic consequences, and adverse food security and nutrition outcomes.

It is for this reason that FAO, WFP and others advocate for better working conditions and benefits for agri-food sector workers, expedited visa approvals, and recognition on par with frontline healthcare workers. The IMF also suggests that ASEAN may now wish to consider a wider, more aspirational post-pandemic “New Deal” for the region, particularly its workforce.⁶⁸

Getting the basics right. If international assistance and internal financing can be found, countries in developing Asia should use this to mount an effective public health response, shoring up public health infrastructures and expanding coverage, and correcting deficiencies in clean water, and sanitation.

Setting up more expansive and inclusive safety nets.

Governments could use citizen identification systems and digital technologies so that social protection programs can reach the people most at risk more quickly and efficiently, with the ability to scale up in times of crisis.

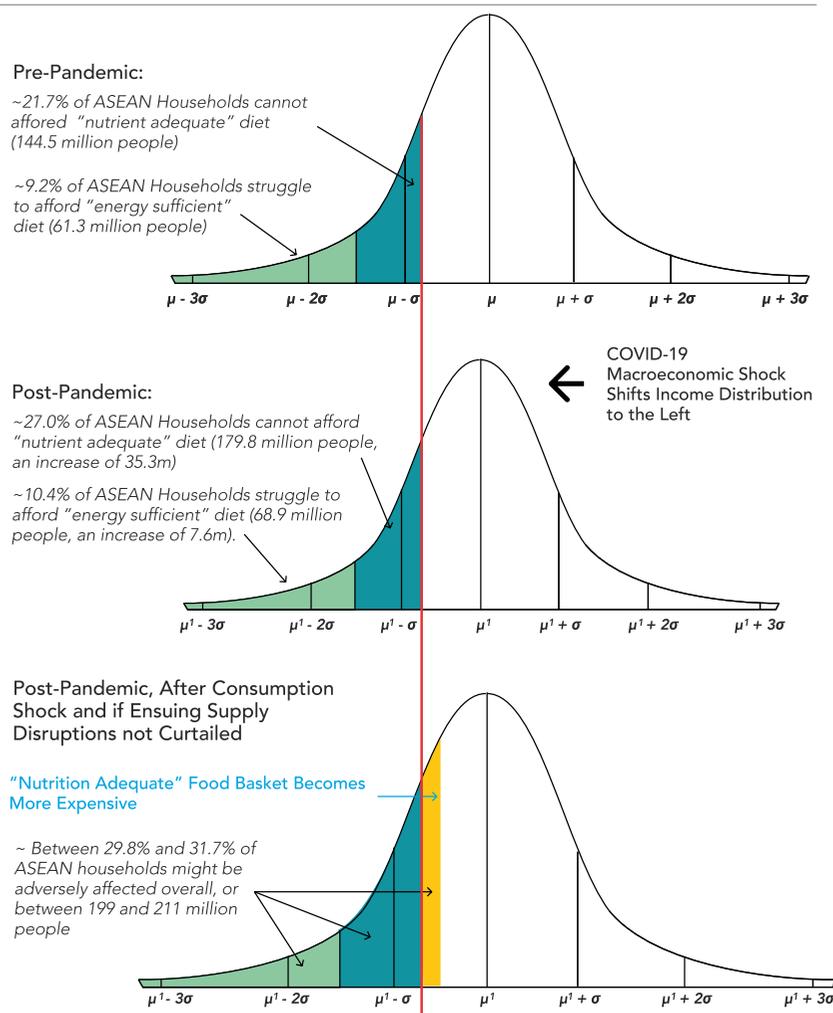
Investing in digital capacity and bandwidth. Across the developing world, expanding the availability of digital platforms for e-commerce, education and financial services would help to ensure greater and more equitable access for all. We understand that a number of ASEAN nations and both local and global commercial firms are already moving quickly in this area.

⁶⁸ IMF. (2020). A “New Deal” for Informal Workers in Asia. *IMF*. <https://blogs.imf.org/2020/04/30/a-new-deal-for-informal-workers-in-asia/>

3.10. The Need to “Short-Circuit” ASEAN Value Chain Disruptions

Without taking pre-emptive steps to short-circuit value chain disruptions, the adverse consequences of the pandemic on agri-food systems, food security and nutrition levels within ASEAN could linger well into 2021 and even 2022. Unless such pre-emptive steps are taken, supply could contract as illustrated in Figure 2.5 above, raising the cost of healthier food and “nutrition adequate” diets in the region. Such cost increases mean that almost one-third of ASEAN’s population – perhaps 211 million people - would struggle to afford “nutrition adequate” diets, significantly undermining future potentials in the region (Figure 3.7).

FIGURE 3.7
Ramifications if COVID-19 Induced Supply Shocks are not Curtailed



Source: Authors’ calculations based on FAO and WFP data and OECD-FAO AGLINK-COSIMO Supply Elasticities

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CHAPTER 4

AGRI-FOOD TRADE, REGIONAL INTERDEPENDENCE, DISRUPTIONS & OPPORTUNITIES

This chapter explores a wide range of trade-related issues. Impediments which needlessly raise the costs of trade and contribute unnecessarily to waste are scrutinized closely. Movements toward regulatory convergence or mutual recognition are examined, discussing how consumers' health and well-being can be safeguarded without contributing significantly to transaction costs. Assessments of the relative merits of recognizing and building upon mutual interdependence vis-à-vis a more localised “go it alone” approach provide significant food for thought; leveraging resources, achieving (complementary) scale economies, and building on each AMS's strengths suggests that a focused “better together” approach will lead to superior outcomes.

4.1. ASEAN'S REGIONAL AND GLOBAL AGRI-FOOD TRADE INTERDEPENDENCE

4.2. EXAMINING TECHNICAL TRADE DISRUPTIONS AND CHALLENGES WITHIN ASEAN

4.3. TRADE AND GLOBAL VALUE CHAINS' PROSPECTIVE ROLES IN MODERATING COVID-19 IMPACTS

4.4. SELF-SUFFICIENCY: REGIONAL OR NATIONAL?

4.5. IMPORTANCE OF KEEPING TRADE OPEN

4.1. ASEAN's Regional and Global Agri-Food Trade Interdependence

ASEAN members have become increasingly involved in international agri-food markets as their economies continue to develop.^{69 70} The strong increase in production and income growth has led to an equally strong increase in both agri-food exports and agri-food imports, with the result that ASEAN has become increasingly influential in international agri-food markets for several products. In addition, ASEAN's involvement in international markets has influenced the development of those sectors in ASEAN that are involved in and exposed to trade.

Trade is an increasingly important source of income for producers and a wider range of food choices for consumers in ASEAN, with direct links to both sector development and to food security and nutrition levels for a wide range of households. Getting the most from international markets is important for ASEAN to leverage the benefits of trade for both producers and consumers, as well as improve food security and nutrition.

ASEAN member states collectively export about USD\$141B in agri-food products (Table 4.1), roughly equivalent to one-third of their combined agri-food GDP. Key agri-food exports include palm oil, fish products, forest products, rubbers and gums, fruit, and rice. Roughly one-third of ASEAN agri-food trade is intra-ASEAN trade, but there is considerable extra-ASEAN trade with partners in China, the United States, the European Union, and East Asia (Figure 4.1).

⁶⁹ Figures in this sub-section are 2019 estimates from the ASEAN Secretariat, Comtrade and OECD.

⁷⁰ OECD (2017). *Building Food Security and Managing Risk in Southeast Asia*. Paris. dx.doi.org/10.1787/9789264272392-en

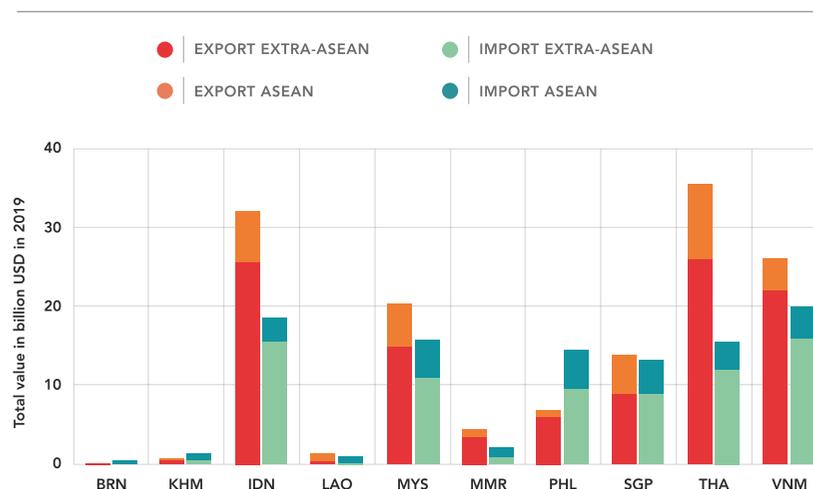
TABLE 4.1.
ASEAN commodity trade with all partners in billion USD, annual value

Year	All commodities			Agri-food commodities		
	Export	Import	Net	Export	Import	Net
2015	1,171.73	1,101.13	70.60	123.01	81.67	41.34
2016	1,153.61	1,086.29	67.32	125.94	87.38	38.56
2017	1,324.78	1,246.51	78.27	141.09	92.46	48.63
2018	1,436.05	1,388.87	47.18	142.17	101.19	40.98
2019	1,423.15	1,392.05	31.10	141.03	102.55	38.48

Note: Agri-food commodities values added from harmonized system codes (1-24) in the ASEAN International Trade Statistics. Source: Data from ASEAN Secretariat (2020)

ASEAN member states import around US\$103B in agri-food products, with soybean products, fish products, wheat products, dairy products and fruit included among the key imports. Intra-ASEAN trade is the largest component of imports, followed by significant imports from the United States, the European Union, China, Oceania, and Brazil.

FIGURE 4.1
Intra- and extra-ASEAN trade of agri-food commodities in 2019



Note: Country names abbreviated as: BRN = Brunei Darussalam, KHM = Cambodia, IDN = Indonesia, LAO = Lao People’s Democratic Republic, MYS = Malaysia, MMR = Myanmar, PHL = Philippines, SGP = Singapore, THA = Thailand, VNM = Viet Nam. Agri-food commodities values added from harmonized system codes (1-24) in the ASEAN International Trade Statistics.

Source: Data from ASEAN Secretariat (2020).

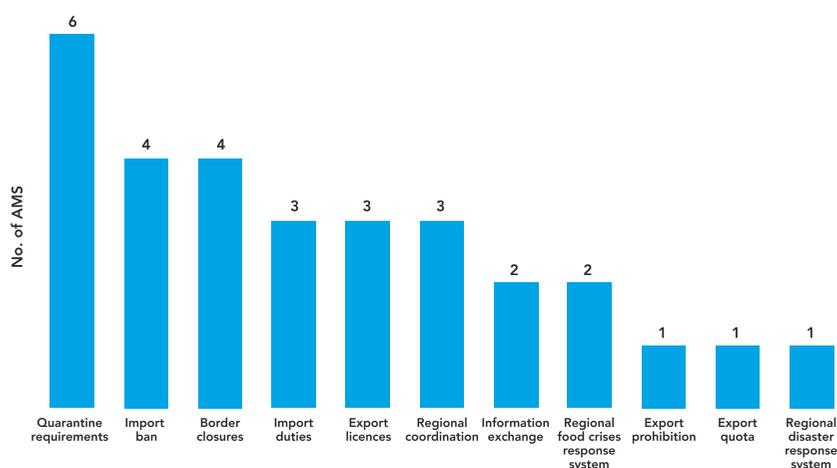
For agri-food exports, within-ASEAN trade represented about 30% of the national value of all agri-food products exported in 2019; 70% of ASEAN agri-food exports were for destinations outside the region. For agri-food imports, within-ASEAN trade represented a larger share of the average national value of all agri-food products imported at about 43%; 57% of agri-food imports came from origins outside the region. Such trade relations between member states can assist in anticipating how COVID-19 might have different impacts on different trading partners and agri-food sub-sectors, potentially requiring different strategic responses to improve the resiliency and robustness of supply chains.

ASEAN members have expressed concern that COVID-19 containment measures and some forms of protectionism may inadvertently be undermining the benefits of the regional and international trading systems and the gains from reciprocal trade. More importantly, they are concerned that such measures will contribute to declines in their collective ability to meet food security and nutrition goals due to adverse impacts on domestic agri-food production, disruptions to agri-food value chains, and disruptions to movements and trade in agri-food inputs and products.

4.2. Examining Technical Trade Disruptions and Challenges Within ASEAN

To identify some of the specific challenges and disruptions faced by the food and agriculture sector of the ASEAN member states, APF Canada conducted a survey of ASEAN member states as part of this research project. The analysis of challenges encountered has been derived through a combination of survey responses and literature review from secondary sources. In the survey, member states were asked to select the top five intra-regional challenges to agriculture and food trade (Figure 4.2).

FIGURE 4.2
ASEAN Intra-regional Trade Challenges



4.2.1. QUARANTINE REQUIREMENTS FOR PERSONNEL

This is not the typical type of border restriction involved in constraining movements in agri-food products. Here, it refers mostly to the mobility restrictions placed on personnel acquiring goods outside the country rather than the restrictions on products themselves (which is the more typical quarantine concern in “normal” times). Such quarantine requirements are a challenge worldwide as governments are responsible for the well-being of their citizens. In the face of a global pandemic, governments need to constrain or even prevent entry through perceived avenues by which the virus can enter and spread through their country.

However, ASEAN members have also recognized that there are critical trade-offs between efforts to contain virus spread and trade facilitation efforts to meet food security and nutrition requirements. Obstructions or extensive delays to people transporting agri-food products across borders will result in quality deterioration and waste for perishable horticulture and livestock and fishery products in particular, undermining food security objectives. Acknowledging such trade-offs, Malaysia and the Philippines facilitated the safe entry of foreign workers

transporting live animals and perishable agri-food products who would otherwise be subject to national lockdowns barring people from going abroad.

In many ASEAN countries, policies on intra-country travel have yet to be addressed with accounts of growing food delivery delays due to testing and quarantine requirements of personnel. In Myanmar, food transport workers have to be tested for COVID-19 in townships flagged by the government and may be quarantined for 14 days before continuing onto their delivery destination.⁷¹ Barriers to domestic supply and distribution of food are concerning for communities living in remote areas of the country, where access to fresh produce and markets is more limited. These communities also typically have greater incidences of poverty and malnutrition. Thus, disruptions to national transport create bottlenecks that undermine food and nutrition security for the most disadvantaged groups.

Moreover, the COVID-19 pandemic has put in the spotlight the vital role migrants play in agriculture and food systems. FAO chief economist Maximo Torero Cullen has observed that, just as frontline medical professionals are critical to our health, workers throughout our agri-food value chains and transportation systems do not get sufficient recognition and consideration for their contributions to our collective food security.

The precarious working conditions of migrant workers within ASEAN's agri-food sector require a regional approach to guarantee the well-being of workers and families of all classes, which is fundamental to national and regional progress. In the APF Canada survey, Vietnam indicated that it undertook sanitary and phytosanitary standards and policy measures to support the livestock sector and migrant workers. The governments of the Philippines and Indonesia also implemented sectoral agri-food

⁷¹ Issue raised by Myanmar representative in validation meeting of our report held on 10 December 2020.

measures, which were extended to help informal and migrant workers. These national initiatives are a good start.

It would be worthwhile for ASEAN members to consider shared protocols for expediting quarantine procedures and implementing a fast-track visa approval process for intra-ASEAN migrants working in agriculture and agri-food value chains to ensure that the critical productive capacity of the sector is maintained. Without such workers, knock-on impacts of quarantine and other COVID-19 containment policies could significantly reduce productive capacity in labour-intensive agri-food sub-sectors (e.g. horticulture, livestock) by three to seven per cent, possibly even more.^{72, 73} When combined with the initial macroeconomic contraction which contributed to income shortfalls and job losses, such a contraction in available supplies could seriously undermine households' abilities to procure a "nutrition adequate" diet.

4.2.2. IMPORT CONSTRAINTS

Post COVID-19 increases in impediments to imports were reported in a number of ASEAN members. Increases in tariffs and import duties were reported in the Philippines, Indonesia and Vietnam. Import restrictions and outright import bans were reported by the Philippines, Malaysia, Indonesia and Vietnam. The rationale behind these tariff increases, import duties, import restrictions and import bans is difficult to ascertain as they do little in the way of retarding COVID-19's spread or addressing food security and nutrition concerns. In fact, depending on the sector to which they are applied, such interventions are likely to work counter to food security objectives.

⁷² Gregorio & Ancog. (2020). Assessing the Impact of the COVID-19 Pandemic on Agricultural Production in Southeast Asia. *Asian Journal of Agriculture and Development*, 17(1).

⁷³ OECD. (June 2020). *Shocks, risks and global value chains: insights from the OECD METRO model*. <http://www.oecd.org/trade/documents/shocks-risks-gvc-insights-oecd-metro-model.pdf>

4.2.3. EXPORT IMPEDIMENTS (LICENSES, PROHIBITIONS, QUOTAS)

In the APF Canada survey, the Philippines, Malaysia, Indonesia, and Vietnam reported challenges related to both export and import measures. These measures include export restrictions on food such as rice, eggs and on medical supply products and import restrictions on poultry meat and wild animal products.⁷⁴ While most restrictions on food exports put in place earlier in 2020 were later rescinded, supply and distribution challenges for import-dependent countries were exacerbated.⁷⁵

Export restrictions are problematic in a number of ways. First, export restrictions typically result in lower domestic prices, harming farmers and reducing incentives to produce more and invest in the sector for the future. Consequently, while it may make more local stocks available in the near term, such restrictions likely reduce long-term prospects. These effects will be larger for countries where exports account for a large share of domestic production. Within ASEAN, for rice production and exports, these observations apply to countries like Thailand and Vietnam.

Second, restrictions on exports inadvertently benefit competitors on international markets. When Thailand indirectly restricted rice exports beginning in late 2011 by stockpiling a large share of domestic output, it subsequently lost market share to Vietnam, India, Australia and others. Thailand was the world's leading rice exporter for three decades, but India has now taken top spot.

Third, export restrictions undermine the exporter's reputation as a reliable supplier and encourages importers to reduce reliance on the world market. In turn, this reduces confidence in international trade, and seriously undermines future business prospects.

⁷⁴ ITC. (2020). COVID-19 Temporary Trade Measures. <https://www.macmap.org/covid19>

⁷⁵ Chandra et al. (July 2020). Trade Measures in the Time of COVID-19: The Case of ASEAN. ASEAN Policy Brief. https://asean.org/storage/2020/07/ASEAN-Policy-Brief-3_FINAL_.pdf

Finally, in the current context, rice export restrictions could prove contagious and spread to other types of food, driving up demand and prices of alternative foodstuffs needlessly. As all countries import food of one kind or another, all countries would suffer in such a scenario. Thus, export restrictions can backfire by creating panic and jeopardizing food security for all countries.

While export restrictions can benefit consumers in exporting countries in the short term, those benefits come with a wide range of costs. Those costs include lower prices for farmers, reduced domestic production and investment in future years, loss of global market share to competitors, reputational damage, and sowing seeds of contagion that could easily backfire by affecting availability and prices of other foods. They also distort the allocation of resources and effort both at home and abroad, contributing to inefficiency in both markets.

After some disruption earlier in the pandemic, a number of countries realized the problematic nature of food export restrictions and responded accordingly. Commendably, AMS agreed in the final declaration from their recent online summit to “remain committed to keeping ASEAN’s markets open for trade and investment, and enhance cooperation among ASEAN Member States and also with ASEAN’s external partners with a view to ensuring food security ... and strengthening the resiliency and sustainability of regional supply chains, especially for food and ... essential supplies.”⁷⁶

76 ASEAN. 2020. Declaration of the Special ASEAN Summit on Coronavirus Disease 2019 (COVID-19). <https://asean.org/storage/2020/04/FINAL-Declaration-of-the-Special-ASEAN-Summit-on-COVID-19.pdf>

4.2.4. AIR FREIGHT CHALLENGES, BOTTLENECKS AND COSTS FOR PERISHABLES

Prior to COVID-19, vegetable and fruit production, trade and consumption rose markedly in developing countries over the 30 years prior to COVID-19, particularly in China, ASEAN and Latin America.⁷⁷ Moreover, considerable untapped production potential still exists in these countries, where improving the quantity, quality and distribution of fresh produce remains a challenge. Post-harvest losses keep many farmers from entering local and international markets, largely on account of a lack of enabling infrastructure for product transport and processing. An estimated 30-40 per cent of the vegetables and fruits grown can be lost post harvest, particularly when there are delays at the border and bottlenecks in their transport.⁷⁸

Since the COVID-19 crisis began, international logistics and border measures have increased transaction costs, making trade less efficient and more expensive. Getting products to export destinations has become more challenging. Trade in fresh fruit and vegetables (both intra-ASEAN and extra-ASEAN), like other perishables, has been facing serious difficulties due to flight restrictions and constraints on transportation in many countries. Traditionally, large volumes of fruit and vegetables have been transported in the hold of passenger aircraft. As passenger flights have been seriously curtailed, air cargo transport via those routes has declined proportionally. This has had knock-on effects as firms then try to get their products on the specialist cargo freighters still available. As a result, airfreight costs increased sharply in the first

⁷⁷ FAOSTAT. (2020). Food and agriculture data. <http://www.fao.org/faostat/en/>

⁷⁸ Mitra et al. (2011). Postharvest technology of tropical export produce: recent developments and challenges of a future free-trade world market. *Acta Horticulturae*, 906, 115-23.

half of 2020, while many fewer routes are available.^{79 80} Rates have started to decline recently.

4.2.5 SEA FREIGHT BOTTLENECKS AND A GROWING SEAFARER HUMANITARIAN CRISIS

Products that are slightly less time-sensitive that can be shipped by sea in refrigerated containers and/or in vacuum-packs are also feeling the impact of the crisis. Security measures to stop the spread of COVID-19 have also resulted in schedule changes and capacity issues.⁸¹ As roughly four-fifths of trade is carried by sea, it is evident that disruptions to sea transport, ocean cargo and crew movements can damage trade flows and disrupt supply chains. COVID-19 containment policies have impacted sea transport, particularly port restrictions.

The COVID-19 crisis has shone the light on problems in the “business as usual” approach, emphasizing linkages, risks, strengths and weaknesses. It is clear that the way we produce, trade and organize supply chains must evolve if we are to reduce short-term consequences and better prepare for a post-crisis environment, especially where time-sensitive perishable agri-food products are concerned. Many key ports have imposed restrictions on movements of cargos, vessels and crew, including prohibitions that have stopped crew changes. For an overview of each port or country, and the restrictions on vessels and crew, Wilhelmsen’s has provided an interactive COVID-19 Global Port Restrictions Map, together with supporting documentation.⁸²

⁷⁹ The International Air Transport Association (IATA) indicates that air cargo volumes fell from 61.3 million tonnes to 54.3 million tonnes, a drop of over 11 percent. IATA figures show that overall cargo capacity was down by around 24 percent last year while air cargo charges rose 30 percent. IATA expects a near full recovery of capacity in 2021.

⁸⁰ Accenture. (December 2020). COVID-19: Impact on air cargo capacity. <https://www.accenture.com/ca-en/insights/travel/coronavirus-air-cargo-capacity>

⁸¹ See Heiland & Ulltveit-Moe. (May 2020). An unintended crisis: COVID-19 restrictions hit sea transportation.

⁸² Wilhelmsen. (2020). COVID-19 port restrictions. <https://www.wilhelmsen.com/ships-agency/campaigns/coronavirus/coronavirus-map/>

Satellite data for ships show that sailings to destinations with crew-change restrictions are down significantly in 2020 for container ships compared to previous years.⁸³ More flexible regulations based on screening of crews, vessels and their cargo are needed to ensure the continuity of freight distribution in order to secure that supply chains do not get a double hit. This is particularly true for perishable agri-food products critical to providing ASEAN citizens with balanced, nutritious consumption options.

Screening of vessel crews and assuring their health while also controlling for the conceivable spread of COVID-19, is a problematic issue. The International Maritime Organization (IMO) estimates that some 400,000 seafarers and port workers are currently stranded at sea. Incidents where crews are denied the opportunity for shore leave or to change ships are rising as a result of different countries' and ports-of-call precautions against COVID-19. It is of concern that such new obstructions to trade are rising in the name of COVID-19 just as disciplines on protectionist tariffs and quotas start to bind.⁸⁴

Whether deliberately or inadvertently, many countries are now making international trade more of a challenge as they delay or even deny vessels the opportunity to dock out of concerns that crew members may be carrying COVID-19.⁸⁵ This raises both costs and uncertainties in relation to international trade. It is particularly problematic when the product being shipped is perishable in nature. For this reason, it is important that countries like ASEAN member

83 FleetMon. (2020). Agricultural Commodities Trading Database. <https://www.fleetmon.com/services/agricultural-commodities/>; FleetMon. (2020). Complete Global Coverage through Satellite AIS and Terrestrial AIS. <https://www.fleetmon.com/global-vessel-coverage/>

84 Devadason, E.S. (2020). New Protectionism in ASEAN. *Journal of Asia-Pacific Business*, 21(1), 57-76; There is an emerging and somewhat vexing scenario of "new protectionism", especially with the rise of protectionist non-tariff measures (NTMs). This largely refers to standard-like NTMs (sanitary and phytosanitary measures and technical barriers to trade, known as SPS and TBTs respectively) with a dual purpose of legitimate non-trade policy objectives mixed with less legitimate concealed protectionism.

85 Wilhelmsen. (2020). COVID-19 port restrictions. <https://www.wilhelmsen.com/ships-agency/campaigns/coronavirus/coronavirus-map/>

states work together to develop protocols for customs clearance not only for products but also for critical personnel on ships and in ports. Otherwise, the benefits to be had through trade will be undermined, resulting in wasted products, reduced economic activity, lost jobs, fewer choices and lower nutrition for consumers.

Governments around the world have created significant hurdles to crew changes and the repatriation of seafarers, which has led to a growing humanitarian crisis as well as significant concerns for the safety of seafarers and shipping.⁸⁶ The International Maritime Organisation has now intervened, urging countries to designate seafarers as key workers, so they can travel between the ships that constitute their workplace and their countries of residence. Seafarers have been collateral victims of the pandemic as travel restrictions have left tens of thousands of them either stranded on ships, or unable to join ships. The IMO established a Seafarer Crisis Action Team to help them out of a variety of critical situations.⁸⁷

Disruptions in distribution – especially of agri-food products – can potentially be as damaging as the pandemic itself. However, the health and well-being of the people who enable such movements is being compromised. The ILO indicates that Filipinos make up almost one-third of the world’s working seafarers. Indonesian, Thai, Vietnamese and other ASEAN nationals are also well-represented among seafarers. Because of fears regarding virus spread, these workers are being denied shore leave and other basic entitlements. ASEAN may wish to take a lead role with IMO in advocating for protocols for expediting trade while improving working conditions and protections for these seafarers (many of whom are ASEAN nationals).

⁸⁶ See also, ITF Maritime Safety Committee. (September 2020). Beyond the Limit: How COVID-19 Corner-Cutting Places Too Much Risk in the International Shipping System.

⁸⁷ For more on this and possible remedies: IMO. (2020). Coronavirus disease (COVID-19) Pandemic. <https://www.imo.org/en/MediaCentre/HotTopics/Pages/Coronavirus.aspx>

4.2.6. TRADE FACILITATION MEASURES, NON-TARIFF MEASURES AND OPPORTUNITIES FOR GROWTH

Trade regulatory measures such as quality standards, information regulations, customs procedures and food safety standards all can be considered trade facilitation measures. If well designed, such border measures improve the efficiency of trade by reducing the costs incurred by ASEAN citizens in ascertaining the safety, quality and value of products. If they are less well designed, they also can be inadvertent trade barriers. While some technical border measures are desirable and necessary to protect ASEAN citizens, excessive or inappropriate services may create inefficiencies or be counter to their well-being, impinging on trade and reducing the degree of choice open to ASEAN citizens.

Non-Tariff Measures (NTMs) can serve as disguised protection to some sectors. Recent work undertaken using the GTAP model illustrated the benefits to ASEAN members and their trading partners from the partial liberalisation by ASEAN members of their most trade-distorting types of NTMs. Liberalization increased GDP and welfare in all countries, with the effect being particularly pronounced for the ASEAN economies themselves, especially the Philippines and Vietnam. As trade in perishable plant products and livestock products is particularly affected by these NTMs, these sectors would show the largest expansion in trade.⁸⁸

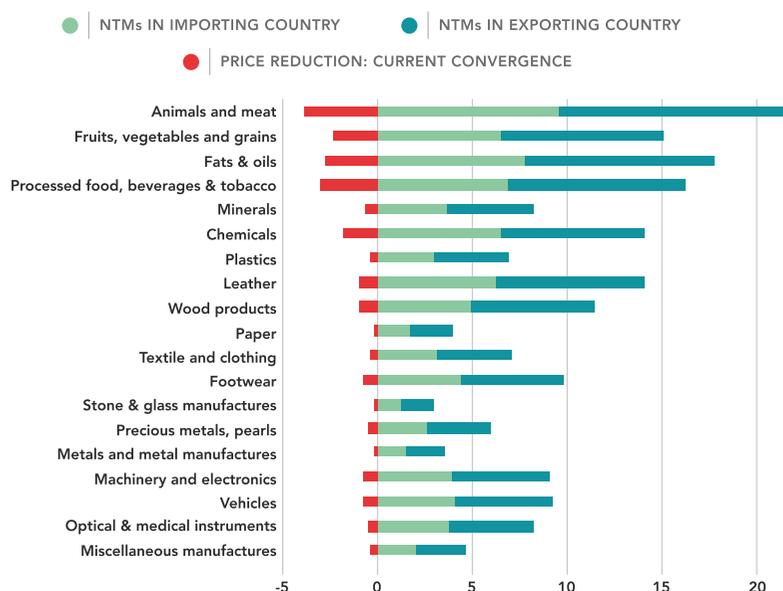
The use of NTMs, and in particular the differences in those applied among trading partners, increases trade costs for both ASEAN and non-ASEAN exporters. One way to view these is to examine the extent to which NTMs raise the unit cost of products traded and to use this information to calculate an ad valorem tariff equivalent. The estimates suggest that the combined effects of NTMs, on average across ASEAN, are akin to an equivalent tariff of 22 per

⁸⁸ Webb et al. (2020). Modelling the Impact of Non-Tariff Measures on Supply Chains in ASEAN. *The World Economy*, 43(8).

cent, or almost twice the actual applied tariffs on agri-food trade. The largest effects of these measures are seen in the Philippines and Myanmar.⁸⁹

Figure 4.3 below illustrates that the four largest price impacts of NTMs within ASEAN all pertain to agri-food products: i) animals and meat; ii) fruits, vegetables and grains; iii) fats and oils; iv) processed food. Figure 4.3 illustrates the total “gross” price-increasing impacts of domestic exporter’s and foreign NTMs on the right of the axis, and the respective price-reducing effects of current regulatory overlap on the left of the axis. Taking the sum of domestic and foreign NTMs, they range between 17 per cent and 22 per cent for ASEAN agri-food sectors.⁹⁰ To date, regulatory overlap or regulatory convergence has had only a modest impact, ranging between three and four per cent in the agri-food sector. Efforts to reduce the “regulatory distance” and promote regulatory convergence through harmonization or mutual recognition agreements have the potential to significantly reduce transaction costs, improving trade flows and consumer wellbeing.

FIGURE 4.3
Regional Average Price Impact of NTMs and Regulatory Convergence



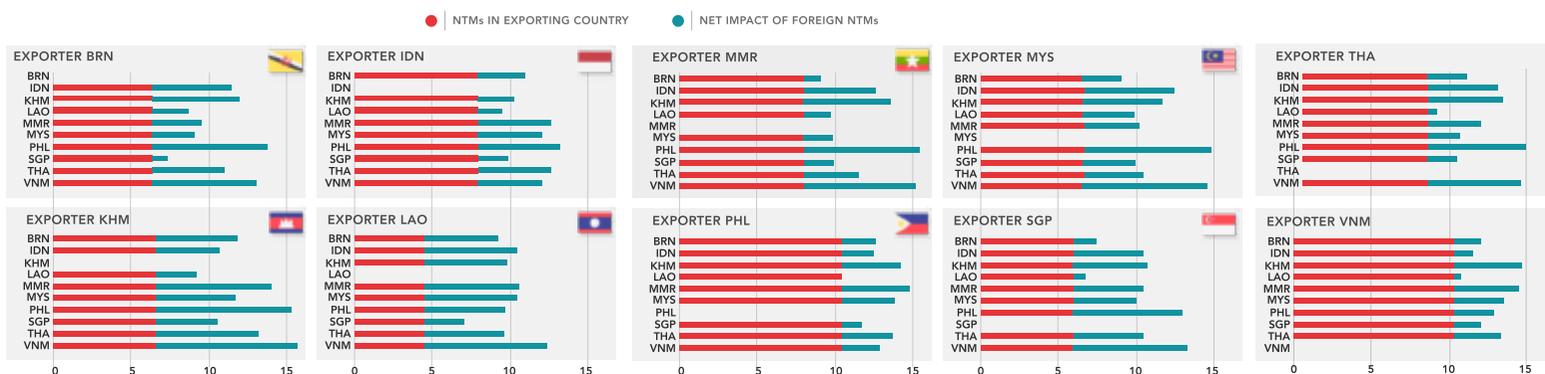
89 Greenville & Kawasaki. (2018). *Agri-food trade, GVCs and agricultural development in ASEAN*. OECD Food, Agriculture and Fisheries Papers, No. 116.

90 Vanzetti et al. (June 2018). *Non-tariff Measures and Regional Integration in ASEAN*. GTAP GEA.

In Figure 4.4 below, each ASEAN exporter’s domestic measures are the same for all export destinations. The “net effect” is then calculated by assessing the impact of each ASEAN importing partner’s NTMs minus the price reductions achieved through regulatory overlap or regulatory convergence. The impact of regulatory overlap can be illustrated with a couple of examples.

Thailand has a relatively moderate regulatory intensity for agri-food products at about eight per cent of gross value when exporting. In addition, regulations in importing market destinations raise unit values by between one and six per cent, depending on the regulatory intensity of the destination market and after deducting the price-reducing effect of regulatory overlap or complementarity. For Thailand, Lao PDR is a relatively easy trading partner to access, with only a one per cent premium to adapt Thailand’s products to the requirements of Lao PDR. However, to access the markets of the Philippines or Vietnam, unit costs increase by around six per cent of gross export value when preparing a product for those market destinations.

FIGURE 4.4
Average Cost Reductions in Agri-Food Sector of Technical Measures Through Regulatory Convergence



Source: Vanzetti et al. (June 2018). Non-tariff Measures and Regional Integration in ASEAN. GTAP GEA.

Relative to Thailand, Cambodia’s agri-food sector is less regulated domestically. Domestic regulation costs raise trade unit values by about 6% in comparison to Thailand’s 8%. However, when competing with Thailand for the Malaysian market, regulatory

overlap becomes more important. Because of regulatory complementarity, Malaysia's NTMs have a net effect of only 2% for Thailand's exporters. But Cambodia's exporters face a 5% net effect. This is because Malaysian regulations overlap more with Thailand than with Cambodia. Consequently, Thai exports entering the Malaysian market are lower priced (8% plus 2%) than exports originating in Cambodia (6% plus 5%) because the impacts of regulatory overlap between Thailand and Malaysia more than offset the benefits of lower regulatory costs in Cambodia; the "regulatory distance" between Cambodia and its neighbours placed it at a disadvantage even though its regulatory costs were low.

Regulatory overlap can reduce the price-increasing effects of NTMs and even enhance competitiveness, if undertaken in complementary fashion between trading partners. On the import side, regulatory convergence can help reduce consumer prices while still maintaining consumer confidence in the quality and safety of the products they are purchasing. On the export side, regulatory overlap would effectively lower the "net" export price and create a competitive edge. If embraced widely throughout ASEAN, such regulatory overlap and convergence could allow the region's agri-food sub-sectors to lower transaction costs, and realize greater complementarities and economies of scale in agri-food value chains. In Figure 4.4, the Philippines' and Vietnam's NTMs most often appear to add most significantly to net trade costs in the agri-food sector.

Ongoing collaborative work within ASEAN to harmonize regulatory standards or undertake regulatory Mutual Recognition Agreements can help to protect ASEAN citizens from unnecessary risks while concurrently lowering costs of trade between ASEAN nations. In the specific context of COVID-19 and related containment measures, collaborative efforts within ASEAN and between ASEAN and its largest trading partners to expedite trade in perishable agri-food goods would do much to improve food security and nutrition outcomes. Issues that might benefit from an ASEAN collaborative approach include:

Pre-approval release: “Pre-approval” of a range of low-risk but perishable goods eliminates the necessity for business to provide repetitive information on shipments. Within ASEAN movements of vegetables and fruit products might benefit from such an expedited approach, provided protocols for the control of insects and pests are in place.

Pre-arrival release: Through the transmission of shipment information while the goods are in transit, customs decides whether to examine or release the shipment prior to its arrival. This type of customs pre-clearance could greatly reduce time-related economic losses and health concerns associated with delays for some perishable products.

Harmonizing Risk Management Approaches for Poultry and Seafood in ASEAN: Working with OIE to harmonize Risk Management Approaches across ASEAN borders for high-volume, high-value products like seafood and poultry. This would allow ASEAN member states and their commercial firms to reduce transaction costs, reduce border delays and develop even greater complementarity within regional value chains. Targeting high-value, high-volume livestock and fishery products in which ASEAN has some comparative advantage could also serve as a growth area for the agri-food economy while also meeting regional demands for higher quality protein foodstuffs.

4.3 Trade and Global Value Chains’ Prospective Roles in Moderating COVID-19 Impacts

The economic effects of the COVID-19 pandemic have contributed to renewed discussions on the benefits and costs of intra-regional and global value chains. For this enquiry, some questions have been raised as to whether integrated regional and global value

chains increase risks and vulnerabilities to shocks from a food security and nutrition perspective. These questions revolve around whether localised production can provide greater security against disruptions which lead to supply shortages and uncertainty for consumers and businesses.

Analysis by a number of international organizations and think tanks, notably the ADB, FAO, IFPRI, World Bank and OECD, all arrive at the same conclusion: increasing delays and costs of border movements and interfering with trade movements of agri-food products in particular compounds problems relating to food security and nutrition rather than addressing them.^{91 92}

Recent research undertaken with the OECD Metro model is instructive.⁹³ The OECD explored the consequences of stylized versions of the global economy, one with production taking place largely within slightly fragmented global value chains, much as we see today, and another where production is more localised and businesses and consumers rely less on foreign suppliers. Then, as unforeseeable shocks can occur under both approaches to engaging with the rest of the world, the OECD analysts explored which approach to engaging the global economy offers better performance, in terms of both the level and the stability of activity in the face of shocks. Their scenarios were constructed in the context of COVID-19.

The simulations explore the consequences of moving toward a more localised regime on trade, production and incomes. In addition, the simulations also explored the impact on the stability of production, incomes and supply of goods and services (security of supply) in the face of risks in the more open and in the more local regimes. The OECD simulations' findings are clear:

91 Greenville & Kawasaki. (2018). *Agri-food trade, GVCs and agricultural development in ASEAN*. OECD Food, Agriculture and Fisheries Papers, No. 116.

92 Baldwin & Evenett (eds). (April 2020). *COVID-19 and Trade Policy: Why Turning Inward Won't Work*.

93 OECD. (June 2020). *Shocks, risks and global value chains: insights from the OECD METRO model*. <http://www.oecd.org/trade/documents/shocks-risks-gvc-insights-oecd-metro-model.pdf>

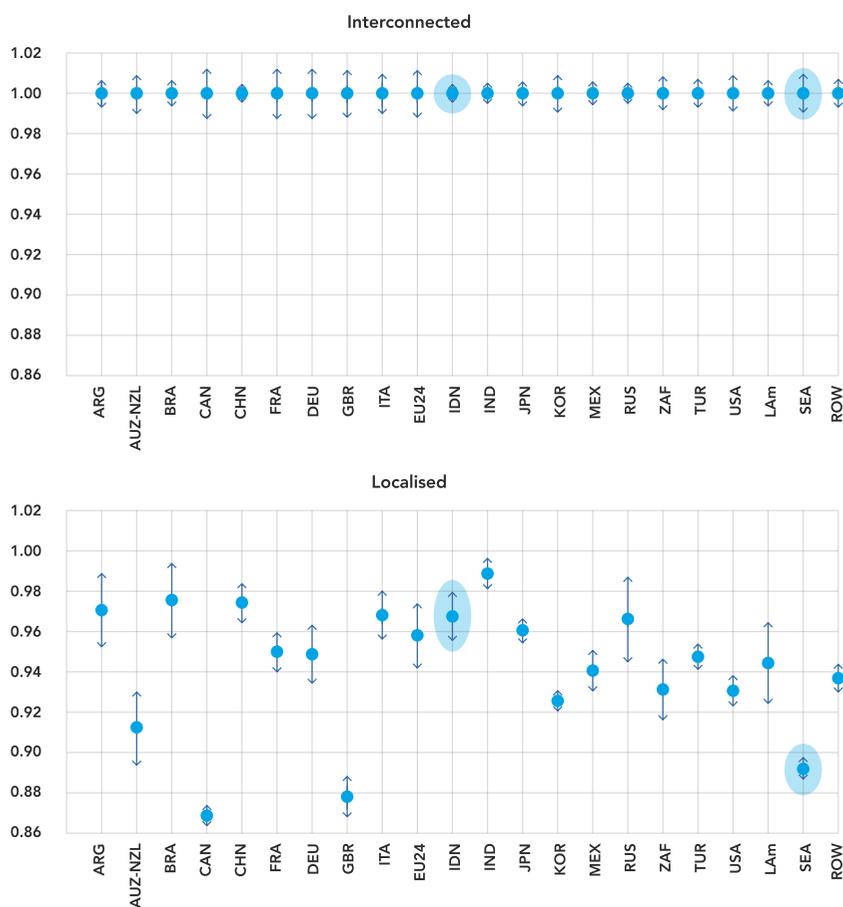
- A localised regime, where economies are less interconnected via global value chains (GVCs), has significantly lower levels of economic activity and lower incomes. Increased localization would thus add further GDP losses to the economic slowdown caused by an event analogous to the COVID-19 pandemic.
- A localised regime has less trade and less geographic diversification of production stages in supply chains. Because of this, a localised regime was found to be more - not less - vulnerable to shocks.
- While external shocks (those that originate abroad) have fewer and narrower trade channels to grow, the localised regime also provides fewer opportunities for adjustment to these shocks. This lack of options for adjustment leads to increased instability in trade, incomes, prices, and ultimately household incomes, expenditures and consumption.
- Domestic shocks (those that originate inside the local economy) generally have bigger effects on the home economy than external shocks. These shocks are also magnified in the localised regime, where there are fewer options to cushion impacts through trade. Output, household incomes, expenditures and consumption also become less stable in the localised regime.
- Moreover, even under a localised regime, not all stages of production can be undertaken in the home country, and trade in intermediate inputs and raw materials continues to play an important role in domestic production. Yet more localization also means more concentration in terms of reliance on fewer sources of - often more expensive - inputs. In this regime, when a disruption occurs somewhere in the supply chain, it is harder, and more costly, to find ready substitutes, giving rise to greater risk of insecurity in supply.

The OECD Metro model simulations contained representations for Indonesia’s economy on its own and for the rest of Southeast Asia in aggregate. Moving away from current levels of integration with regional and global value chains would result in 3.2% drop in Indonesia’s GDP and a 10.8% drop in the rest of Southeast Asia’s GDP. Indonesia’s aggregate domestic production would also fall by 3.8% while Southeast Asia’s aggregate production would drop by 15.2%. Production of agri-food products would fall by around 7% in Indonesia and 10% elsewhere in Southeast Asia due to an inability to procure critical intermediate inputs under the more localised regime, undermining nutrition-related objectives.

Because of greater reliance on local sources for intermediate inputs and an inability to engage in trade in buffer shocks, GDP and incomes are also more volatile in a localised regime (Figure 4.5). This can affect investment and consumption decisions. Moreover, in strategic sectors like primary agriculture and food production, production levels were both lower and slightly more volatile under a localised regime; average production drops in agriculture were ~ 7% in the localised regime while food production was seen to fall by ~ 10% (Figure 4.5).⁹⁴ This demonstrates that a move toward a more localised regime is likely to compound problems in meeting food security and nutrition goals. In Figures 4.5 and 4.6 below, the “Interconnected” scenarios are normalized such that each national average is 1.00. This allows comparison with the results of the “Localised” scenarios, which typically result in lower levels of economic activity accompanied by wider range of volatility when subjected to external shocks.

⁹⁴ High-value livestock products, orchard crops, fruit and vegetable crops with high levels of fixed capital and palm oil will be more affected over time than annual crops.

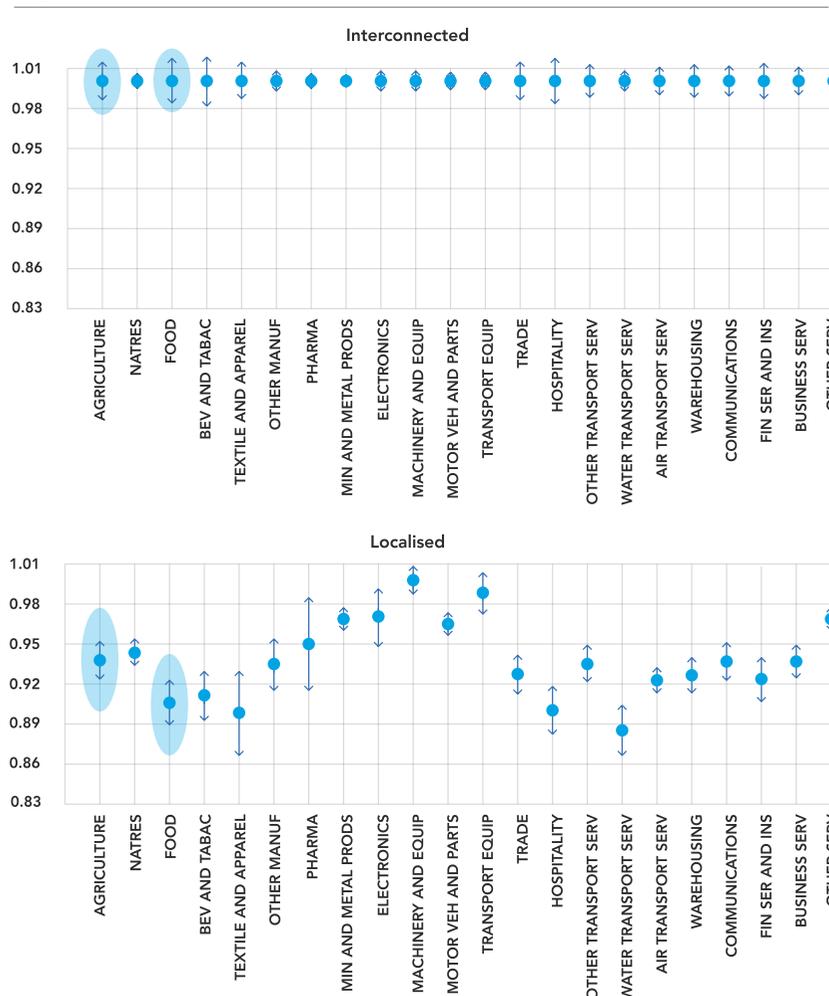
FIGURE 4.5
GDP and Income Volatility is Much Greater in a Localised Regime



Note: ARG = Argentina, AUSNZL = Australia and New Zealand, BRA = Brazil, CAN = Canada, CHN = China, FRA = France, DEU = Germany, GBR = Great Britain, ITA = Italy, IDN = Indonesia, IND = India, JPN = Japan, KOR = Republic of Korea, MEX = Mexico, RUS = Russia, ZAF = South Africa, TRU = Turkey, USA = United States, LAm= Latin America (without Argentina, Brazil, Mexico), SEA = South East Asia, ROW = Rest of the World, EU24 = European Union, less France, Germany, Great Britain and Italy.

Source: OECD Metro database and simulations

FIGURE 4.6
Production levels decline and volatility increases in agri-food sectors in Localised Regimes



One of the reasons that the “Interconnected” approach dominates the “Localised” approach is the effect that global value chains have in decreasing costs to producers of their intermediate inputs. Increased access to more competitive inputs and access to better information about how to use these inputs in the production process improves their productive performance. This fall in the relative cost of these factors (or growth in value at a given cost) and improvements in efficiency increases the returns to other factors of production as well – land, labour, and capital.⁹⁵

95 Greenville & Kawasaki. (2018). *Agri-food trade, GVCs and agricultural development in ASEAN*. OECD Food, Agriculture and Fisheries Papers, No. 116.

4.4. Self-Sufficiency: Regional or National?

Several ASEAN members have put in place self-sufficiency policies targeted at a range of different commodities. In most, rice is a key part of the product mix, with a range of targets between full self-sufficiency or some set proportion of total annual consumption.

The general aim of such policies is to reduce the reliance on imports based on the assumption that domestically-sourced production is more stable and secure than that sourced from international markets. In this way, ASEAN member states have linked self-sufficiency and food security policies.

However, where self-sufficiency targets are supported by market interventions, the impacts on food security have been most often negative in aggregate, due to higher domestic prices and risks to supplies from greater exposure to more frequent domestically-based risks.

Another consideration is that one goal of ASEAN is to create a common production base which includes agricultural production. When viewed from a regional perspective, ASEAN is self-sufficient in rice and is in fact a significant exporter of rice. With different climatic and agronomic zones across members, regional production is less variable than in any one ASEAN member state.

In this light, further embracing the goals of ASEAN and the ASEAN Economic Community Blueprint mean that national targets for self-sufficiency are not required. However, for this to be fully achieved, both exporters and importers in the region need to have confidence in each other, suggesting that greater trust and additional disciplines may need to be included in the regional architecture.

4.5. Importance of Keeping Trade Open

Trade allows market forces to equilibrate markets, convey signals regarding scarcity and surplus, and improve the efficiency of resource allocation and use. For agri-food markets, trade is also fundamental to ensuring international food security and improving nutritional outcomes.⁹⁶ COVID-19 containment measures are absolutely necessary. However, it is important to explore different ways of achieving containment objectives with minimal disruption to the agri-food sector, which is also critical to human health. For this reason, interventions which add significantly to “border frictions,” border delays, and costs and delays relating to logistics, transportation and distribution must be closely scrutinized. Recent outreach efforts by ASEAN to engage in larger regional trade agreements like the RCEP and CPTPP are commendable as they provide new impetus to mutually beneficial reductions in trade barriers.

Food is fundamental to survival. Viewing food in this way requires that farmers and agricultural workers be regarded in the same manner as health workers engaged in fighting COVID-19. Likewise, national, regional and global food systems must be considered as components of societies’ health systems, geared to addressing food scarcity, hunger and malnutrition and improving the human condition. Governments must therefore recognize the importance of ensuring that trade and exchange, whether domestic or international, remains open and as frictionless as possible, free from unnecessary restrictions. This also implies speedy clearances at customs, borders and ports, particularly for time-sensitive perishable products. Such approaches will provide both producers and consumers with a wider slate of choices and lead to superior economic and dietary outcomes.

⁹⁶ Schmidhuber & Qiao. (2020). *Comparing crises: Great lockdown versus great recession*. FAO: Rome, Italy; Glauber et al. (2020). COVID-19: Trade restrictions are worst possible response to safeguard food security. In *COVID-19 and global food security*, J Swinnen and J McDermott (eds.).

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ADDITIONAL MATERIALS

Heiland, A., & Ulltveit-Moe, K. (May 2020). An unintended crisis: COVID-19 restrictions hit sea transportation. <https://voxeu.org/article/covid-19-restrictions-hit-sea-transportation> .

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A person wearing a red and white checkered shirt and a white hat is bent over, working in a lush green field. The background shows rolling green hills under a clear sky.

CHAPTER 5

COVID-19 GENDER IMPACTS IN AGRICULTURE AND FOOD TRADE

This chapter uses sex-aggregated data to identify the impacts of COVID-19 on women and men in the agri-food system. Although women constitute over one-third of the agricultural workforce, they possess only 13% of all farm landholdings in the region. Due to limited financial freedom and asset control, women are highly vulnerable to COVID-19 threats to food and nutrition security. The chapter argues the need for member states to increase women's access to resources, such as land, so that both men and women have independence in household decision-making. Migrant workers' experiences and workers' mental health are also examined alongside an analysis of member states' financial support to women and low-income households during COVID-19.

5.1. AGRICULTURAL EMPLOYMENT

5.2. EXPERIENCES OF MIGRANT WORKERS AND MENTAL HEALTH

5.3. DISTRIBUTION OF ASSETS

5.4. HOUSEHOLD PURCHASING POWER AND NUTRITION

5.5. FINANCIAL SUPPORT MEASURES

5.1. Agricultural Employment

While sex-disaggregated data on agricultural employment is not systematically collected, statistics and modelled estimates from the ILO indicate the large role of women in the ASEAN agri-food sectors (Figure 5.1 and Figure 5.2). About 37% of the agricultural labour in the ASEAN region are women, with proportions similar between men and women in Lao PDR, Vietnam, and Cambodia (Figure 5.1). The aggregate sum is 34 million for female workers and 56 million for male workers in agriculture.⁹⁷

Based on the percentage of total employment in 2020, 64% of all women employed in Lao PDR work in agriculture (Figure 5.2). This percentage is slightly higher than male agricultural employment (60%). Likewise, female agricultural employment is higher in Vietnam and Cambodia than male agricultural employment. In Myanmar, a greater percentage of male labour (52%) is employed in agriculture than female labour (43%). Nonetheless, in these countries where agriculture constitutes at least one-third of total employment, women are critical drivers in the value-added agricultural contribution to the GDP.

In the other AMS with robust primary and secondary agricultural sectors,⁹⁸ women also hold important agricultural positions alongside men. The percentage of female agricultural employment in these countries range from 6% to 34% (Figure 5.2). Specifically, women facilitate most transactions as traders and food processors along the agri-food value chain. For example, in Thailand, women are predominantly involved in post-harvest operations of small-scale fisheries.⁹⁹ The informality of these positions often results in the underestimation of the role of women as suggested by FAO's recent report on the state of world fisheries and aquaculture.¹⁰⁰

97 FAOSTAT. (2020). Food and agriculture data. <http://www.fao.org/faostat/en/>

98 Primary sector refers to the raw extraction and production of goods and secondary sector refers to processing and packaging for final consumption.

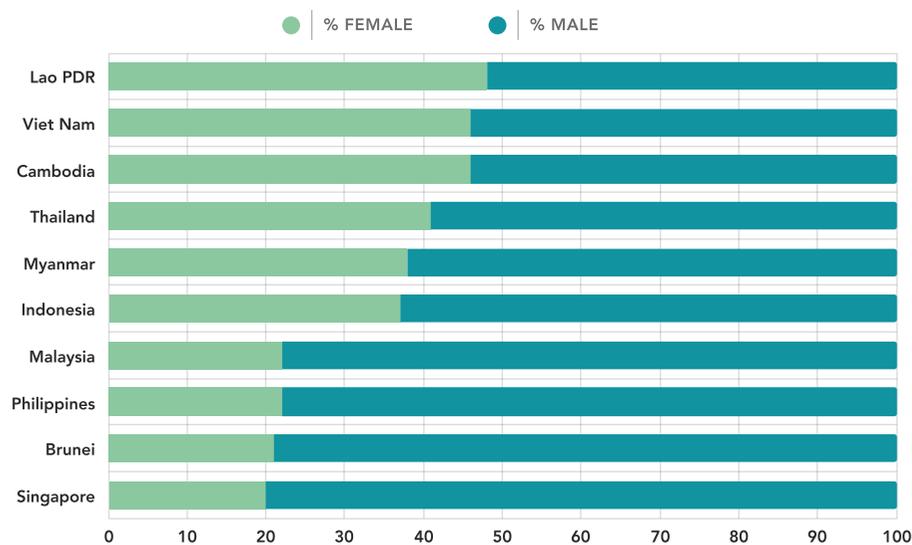
99 Chanrankij et al. (July 2020). Preliminary study on acute impacts of COVID-19 pandemic to small-scale fisheries in Thailand.

100 FAO. (2020). *The State of World Fisheries and Aquaculture*. Rome, Italy.

When both primary and secondary seafood sectors are considered, 50% of all seafood workers are reported to be women.¹⁰¹ However, this finding is overshadowed by official data showing that the proportion of women in the world’s primary aquaculture and fisheries sectors is only 19% and 12%, respectively.¹⁰²

Thus far, ASEAN and related agencies have not reported on employment in the secondary sector nor informal sector, leading to difficulties in assessing the full-scale impacts of COVID-19. However, given the close physical proximity of processing and selling agri-food goods and recent accounts of COVID-19 outbreak clusters in these sectors, this might indicate that the gender impacts of COVID-19 and related containment measures are not fully captured in reporting and monitoring databases.

FIGURE 5.1
Gender distribution of agricultural employment in the ASEAN region



Note: The latest years with male and female employment data were used where possible: 2019 in Viet Nam; 2018 in Brunei Darussalam, Indonesia, Malaysia, Myanmar, Philippines, and Thailand; 2017 in Lao PDR; 2012 in Cambodia; 2004 in Singapore.

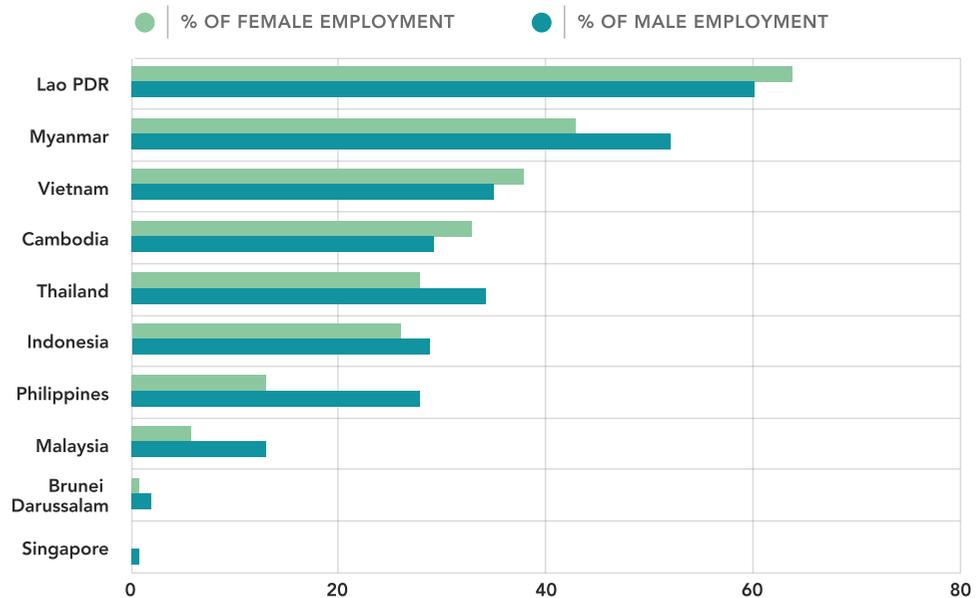
Source: ILO statistics in the FAOSTAT.¹⁰³

101 Ibid.

102 Ibid.

103 FAOSTAT. (2020). Food and agriculture data. <http://www.fao.org/faostat/en/>

FIGURE 5.2
Female and male agricultural employment as total employment, 2020



Note: Agriculture consists of activities in agriculture, hunting, forestry and fishing
 Source: Data from modeled ILO estimates in the World Bank database.¹⁰⁴

5.2. Experiences of Migrant Workers and Mental Health

At the onset of COVID-19, numerous migrant workers were left stranded in their host country, with limited means to return home or practice precautionary measures to reduce their exposure. In 2019, there were an estimated 10 million international migrants in ASEAN of whom nearly half were women.¹⁰⁵ In a recent survey on migrant workers’ experiences in ASEAN, the ILO found that most returnees’ short-term plans were to stay at home and find a job at home, open their own business, or work on the family farm.¹⁰⁶

¹⁰⁴ World Bank. (2020). World Bank Open Data. <https://data.worldbank.org>

¹⁰⁵ UN DESA. (2019). International Migrant Stock 2019 (United Nations database, POP/DB/MIG/Stock/Rev.2019).

¹⁰⁶ ILO. (Jun 2020). *Experiences of ASEAN migrant workers during COVID-19*. ILO Brief.

For their long-term plan, more male migrant workers in Myanmar intended to re-migrate compared to female migrant workers.¹⁰⁷ This insight suggests that women will carry more of the responsibilities in looking over family health and needs, which requires adequate social protection to counter the added burden of COVID-19. Gender imbalances also arise through the greater responsibilities of women in household and domestic care, which are mostly unpaid.

The strain placed on families is well captured in the findings of household surveys conducted with forest users by the Center for People and Forests.¹⁰⁸ From a sample of 59 male and 40 female respondents living in forest communities across Thailand, men and women had similar ratings on the impact of COVID-19 on their lives but men ranked stress and anxiety 10% higher than women. On the other hand, women ranked loss or suspension of work nearly 9% higher than men. Male forest users rated their capacity to handle COVID-19 slightly higher compared to female forest users. Differences may be due to women being more often employed in temporary positions and men being the primary income provider in many households, requiring them to exercise control to develop coping strategies. Further investigation into the household roles and labour dynamics will help highlight the differentiated gender impacts of COVID-19 on mental health and well-being.

5.3. Distribution of Assets

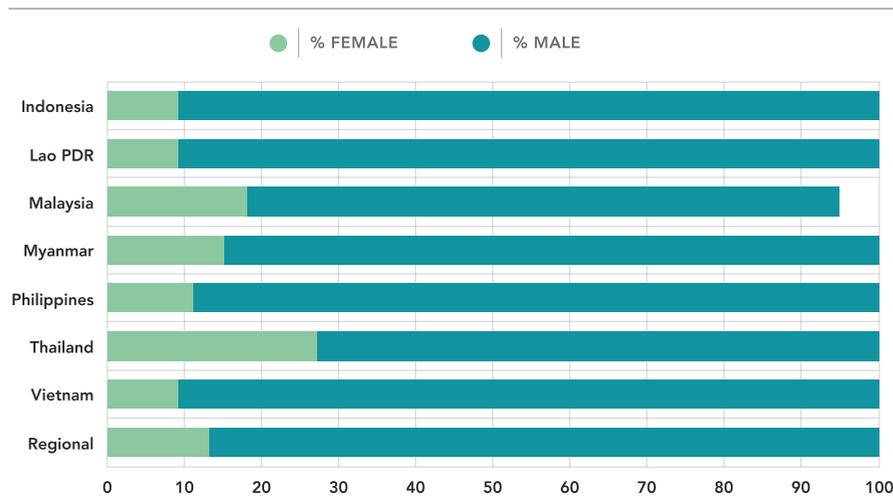
Women officially comprise over one-third of the agricultural labour force in the ASEAN region (Figure 5.1). However, the actual number is likely higher if one includes employment in informal and secondary sectors. Yet only 13% of agricultural title holders are women (Figure 5.3). Agricultural holders exercise management control over landholdings and are typically identified as the head

¹⁰⁷ Ibid.

¹⁰⁸ RECOFTC. (2020). *Impact of COVID-19 on forest communities in Thailand*. Bangkok, Thailand.

of the household. Accordingly, while shared management and economic responsibilities may exist between male and female household members, the cultural tradition of assigning men as the landholders often reduces the assets of women through the loss of land ownership. From experiences of female and male migrant workers returning home during COVID-19, this situation is concerning given that women may be highly dependent on men to weather the external shocks of COVID-19.

FIGURE 5.3
Gender distribution of agricultural land holding among the ASEAN Member States



Note: Data missing for Cambodia, Singapore, and Brunei Darussalam. Year for latest available data vary by country: 2005 in Malaysia; 2003 in Myanmar and Thailand; 2002 in the Philippines; 2001 in Vietnam; 1999 in Lao PDR; 1993 in Indonesia. About 5% of landholding for Malaysia was not accounted for in the database.

Source: FAO Gender and Land Rights Database.¹⁰⁹

With women often responsible for household finances and the food and nutritional security of children in Southeast Asia, the reliance on their husband or male family member may increase their vulnerability to COVID-19-related shocks. This may be pronounced in places where large-scale rural-to-rural migration occurs.¹¹⁰ Along with the limited control of assets and unpaid household labour of women, the challenges of mitigating the triple burden

¹⁰⁹ FAO Gender and Land Rights Database. (2020). <http://www.fao.org/gender-landrights-database/en/>

¹¹⁰ Robins et al. (2020). *COVID-19 and food systems in the Indo-Pacific: An assessment of vulnerabilities, impacts and opportunities for action*. ACIAR technical report.

of undernutrition, including underweight, stunting, and wasting, heighten women's exposure to food system shocks and fluctuations in agricultural prices.¹¹¹ Underlying socioeconomic conditions result in gender inequalities during and after natural disasters as women are more disproportionately affected than men.¹¹²

In communities with long-term migrants, women take up the work typically done by men. Accordingly, women's ability to access finances without their male counterpart is essential in ensuring the health of children and the elderly who are left behind. Addressing the gender inequalities of control over land and natural resources and access to credit will help minimize the impacts of shortfalls in remittances due to COVID-19, as more women are able to establish their own businesses to meet household budgets.

Empowering women through greater access to resources, such as land, needs to coincide with COVID-19 relief efforts so that both men and women have independence in household decision-making. Joint land ownership and recognition of customary practices through national policies can embolden the statutory rights of female household members in managing the land and accessing finance for agricultural production. In countries such as Vietnam, national governments have promoted joint land ownership in recent years, but progress remains slow. Similarly, the government of Myanmar has included customary land tenure rights in its 2016 Land Use Policy to recognize indigenous land-use practices, but a law codifying this policy has yet to be enacted. Actions on this front will help alleviate the added burden experienced by women, indigenous groups, and poor households during COVID-19. The results can also be linked to ASEAN Ministers of Agriculture and Forestry's commitment to mainstream gender issues in the agri-food sector, as expressed in the 40th AMAF meeting in October 2018.¹¹³

111 Ibid.

112 FAO. (2019). *Country gender assessment of agriculture and the rural sector in Indonesia*.

113 ATWGARD. (2018). *AMAF's approach to gender mainstreaming in the food, agriculture and forestry sectors*.

5.4. Household Purchasing Power and Nutrition

Women in agribusiness face specific difficulties in absorbing the economic shock of COVID-19. The predominance of women in the processing and marketing of agri-food products as traders and food vendors have led many of them to significantly reduce their prices and operating capacity to obtain sufficient cash flow to cover household necessities.¹¹⁴ In Indonesia, for example, cattle prices have fallen by 50% in some areas, indicating the desperation of families to stay afloat.¹¹⁵ Furthermore, female-headed households are among the groups most vulnerable to price shocks and labour market shrinkage because they possess fewer resources.¹¹⁶ The cumulative impacts of COVID-19 in the agri-food sector result in greater indebtedness for both female and male agricultural workers, with the impacts percolating into the nutrition and well-being of children and the elderly.

COVID-19 has reduced consumption of resources for nearly 50% of households in eight ASEAN economies, according to an ADB Institute report.¹¹⁷ These households barely managed less than one month's supply of basic necessities.¹¹⁸ About 87% of households in Indonesia and 52% of households in the Philippines had enough resources to meet less than two weeks of basic necessities. Common coping strategies included reducing consumption and expenditures, withdrawing cash and savings, and borrowing from friends and relatives. Due to higher prices of nutritious foods and reduced purchasing power, people residing in urban areas may have experienced greater difficulty maintaining healthy diets, especially

114 Robins et al. (2020). COVID-19 and food systems in the Indo-Pacific: An assessment of vulnerabilities, impacts and opportunities for action. ACIAR technical report.

115 Ibid.

116 Ibid.

117 ADBI. (September 2020). Impacts of COVID-19 Pandemic on Households in ASEAN economies.

118 ADBI conducted surveys via telephone to examine the household-level impacts of COVID-19 in eight ASEAN Member States, which included Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand and Viet Nam. The target sample was 1,000 surveys per country. In total, 8,416 surveys were completed between May and July 2020.

women and men with casual jobs and no social guarantees (FAO et al., 2020).¹¹⁹ The rapid urbanization and the informalization of employment in Southeast Asia require an inclusive post-COVID-19 recovery plan to ensure a healthy and productive population.

5.5. Financial Support Measures

All ASEAN Member States have implemented financial support measures during COVID-19, with some in more promising directions than others (Table 5.1). Overall, economic stimulus measures taken by member states represent over 12 billion USD.¹²⁰ In March 2020, the Government of Cambodia allocated between US\$800M to \$2B to support legally registered small- and medium-sized enterprises.¹²¹ Despite the positive response, this program excluded 95% of informal enterprises.¹²² While this problem remains unaddressed, progress has been made in assisting low-income families through the national poverty identification programme.¹²³ Excluding Lao PDR, all countries allocated funds in financial aid or cash payments to low-income households affected by COVID-19.

However, disbursement of funds has been slow in many contexts, as witnessed in the Philippines where the Department of Labour and Employment confirmed that only a small portion of unemployed Filipinos was helped thus far.¹²⁴ However, despite these challenges, initiatives are heading toward an optimistic direction in targeting the informal sector for COVID-19 relief, with the government of

119 FAO et al. (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO.

120 OECD. (May 2020). COVID-19 crisis response in ASEAN Member States.

121 White, H. (Apr 2020). Only 'legal' SMEs to benefit from aid package: Ministry. *Khmer Times*.

122 Ibid.

123 Chanvirak, K. (Oct 2020). Government allocates over \$31 million more for IDPoor scheme. *Khmer Times*.

124 Gonzales, C. (Sep 2020). DOLE official admits only small portion of unemployed Filipinos received aid so far. *Inquirer.net*.

Myanmar providing payments to more than 680,000 unregistered workers as an example.¹²⁵

These developments in the trajectory and scope of support measures assert the need to apply context-specific measures that accommodate the most vulnerable segments of the population so that AMS and ASEAN can move forward as a collective entity in the COVID-19 recovery. Through their provision of financial support to 8.4 million households registered as farmers, the government of Thailand is leading the ASEAN Member States on financial support measures taken in the agri-food sector.¹²⁶ This provision includes subsistence support to fisher farmers and small-scale fishers, whose activities have largely been curtailed due to COVID-19.¹²⁷ The government of Myanmar has also provided targeted loans for businesses in agriculture, livestock, fisheries, and food industries.¹²⁸ Among the few countries to take gender-specific measures, Indonesia has established a micro-loan program for female-entrepreneurs from low-income families to assist with COVID-19 recovery.¹²⁹

The varied dynamics of each country addressing the same overarching problem requires a strengthening of regional information - and resource-sharing procedures so that best practices are implemented with minimal costs and disruption to the affected women, men, and children in the agri-food system.

125 Hlaing, T. (Oct 2020). Yangon Begins Cash Payments to Pandemic-Affected Workers Not Covered by Welfare. *The Irrawaddy*.

126 Center for Strategic & International Studies (CSIS). (2020). Southeast Asia Covid-19 Tracker. <https://www.csis.org/programs/southeast-asia-program/southeast-asia-covid-19-tracker-0>

127 Chanrankij et al. (July 2020). Preliminary study on acute impacts of COVID-19 pandemic to small-scale fisheries in Thailand.

128 Hein, Z. (Aug 2020). Second COVID-19 loan tranche in Myanmar closed. *Myanmar Times*.

129 Yulisman, L. (Oct 2020). Indonesia extends interest-free loans to women, including housewives, to sustain low-income families. *The Strait Times*.

TABLE 5.1.
 Selected COVID-19 financial support measures taken by ASEAN
 Member States

Country	Description of financial support
Brunei Darussalam	<ul style="list-style-type: none"> • US\$400 monthly allowance for healthcare workers • Deferment of principal/loan payment to aim small- and medium-sized enterprises (SMEs)
Cambodia	<ul style="list-style-type: none"> • Allocated US\$800 to \$2.2B to support small- and medium-sized enterprises that are legally registered and verified • US\$22M in loans under its SMEs co-financing scheme • Designated US\$350M in aid for vulnerable groups and wage subsidies • Fund to support low-income families through the poverty identification programme • US\$100M for job training for suspended workers • US\$1M initiative to support migrant returnees
Indonesia	<ul style="list-style-type: none"> • Allocated US\$324M for low-income households • Subsidized loan repayments for 60 million borrowers • Disbursed US\$160M to one million small businesses • Disbursed US\$76M through a regular cash-for-work program • Disbursed US\$67.5M in microloans for female entrepreneurs from low-income families • Monthly payment of US\$40 given to workers earning less than US\$340 per month
Lao PDR	<ul style="list-style-type: none"> • Exempted SMEs from paying income tax for three months
Malaysia	<ul style="list-style-type: none"> • Nationwide electricity discounts for two per cent of users and monetary assistance scheme for employees • Allocated US\$23B for businesses and US\$2.3 billion in direct cash payments for four million low-income households • Wage subsidies, grants, and loans for SMEs • Wage subsidies amounted to US\$2.9B, benefitting more than 2.6 million employees and 300,000 employers

<p>Myanmar</p>	<ul style="list-style-type: none"> • Allocated US\$70 million in a fund to provide soft loans to affected businesses including the SMEs and those in the garment and tourism sectors • Provided targeted loans for agriculture, livestock, fisheries and food industries • Extended deadlines for paying income and commercial taxes for SMEs and the garment, textile, and tourism industries • Disbursed cash payments to workers not registered with government’s social safety net • US\$31 cash handout to households facing hardships due to COVID-19
<p>Philippines</p>	<ul style="list-style-type: none"> • US\$3.9B social protection program for low-income families and health workers • US\$1B wage subsidy package to support 3.4 million small business workers • Provided US\$340 for two months to workers qualifying for financial assistance • Legislate programmes to create 4.5 million jobs and provide assistance to more than 5.5 million SMEs
<p>Singapore</p>	<ul style="list-style-type: none"> • US\$4.4B of relief funding to co-fund business costs and provide tax relief for workers • Allocated US\$33B in the stimulus package to assist hard-hit sectors, self-employed individuals, and provide cash payments to eligible citizens • Allocated US\$23.2B to support workers and businesses affected by COVID-19 • Launched traineeship schemes for new graduates and mid-career job seekers • Allocated US\$364M to help citizens and businesses adapt to the digital working environment • Allocated US\$2.9B to support households affected by COVID-19-related job losses, with each household to receive a one-time payment of US\$370

<p>Thailand</p>	<ul style="list-style-type: none"> • Provided monthly payment of US\$145 for three months to 8.4 million households registered as farmers • Earmarked US\$18B for financial aid to workers, US\$15B for soft loans to SMEs • Allocated US\$28.5M stimulus package to supporting farming and tourism sectors • US\$100 handout to 10 million people • Provided a tax reduction of up to US\$960 on purchases good and services from December to November for 3.7 million taxpayers
<p>Viet Nam</p>	<ul style="list-style-type: none"> • Allocated US\$1.16B for a fiscal package that included tax breaks, delayed tax payments • Provided monthly payment of US\$76 to individuals displaced from their jobs and US\$42 to household • Allocated US\$26M in financial support to over 500,000 individuals impacted by COVID-19

Note: This table is not meant to be an exhaustive list of measures taken during COVID-19 but rather than the prominent ones to summarize the key activities in each country. The data is updated as of 23 November 2020. Source: Data from CSIS.¹³⁰

130 Center for Strategic & International Studies (CSIS). (2020). Southeast Asia Covid-19 Tracker. <https://www.csis.org/programs/southeast-asia-program/southeast-asia-covid-19-tracker-0>

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CHAPTER 6

RECOMMENDED ACTIONS AND POLICY GUIDANCE

In this chapter, we discuss actions that can be taken immediately, in the short term, and in the longer term to expedite recovery from the COVID-19 pandemic and mitigate adverse consequences for society in general and for poorer households in particular. Informed by discussion and observations from ASEAN commentators, we also discuss pressing issues and conceivable actions for each ASEAN

6.1. IMMEDIATE ACTIONS

6.2. SHORT TERM ACTIONS

6.3. LONG TERM ACTIONS

6.4. SOME COUNTRY-SPECIFIC OBSERVATIONS AND SUGGESTIONS

6.5. CONCLUSION

In this chapter, we draw on insights derived from preceding chapters to provide policy guidance which might help to:

- contain the pandemic's spread within the sector
- limit the pandemic's adverse impact on food security and nutrition
- where needed, assist with the redesign of agri-food enterprise work flows to improve safety so they can continue to function without undue risks to workers and clients
- expedite movements of people and products, facilitating trade so that markets and enterprises operate more efficiently and responsively, with lower waste
- improve governance structures relating to migrant worker and transport worker movements to sustain (and possibly enhance) sector productivity, enable trade, and contribute to superior health and safety outcomes

Three broad categories of actions were identified - immediate action, short-term action, and for sustained, long-term effort. Activities for immediate action should be resolved post haste, as delays may cause further deterioration in one or more of the following: health, food security outcomes, economic scarring and a decline in agri-food production prospects for 2021. The following discussion elaborates on the immediate, short-term and sustained long-term actions.

6.1. Immediate Actions

Continue with and improve upon effective measures to contain the pandemic

ASEAN member states and the region as a whole must all have “find, test, trace, isolate, and support” systems in place. Limiting disease spread is the first step to mitigating both the health and the economic impacts. Face masks, physical distancing, frequent hand washing and avoiding crowded indoor spaces are key components of this until vaccines are widely available.

Expedite movements of key agri-food inputs, products and people

Priority should be placed on enabling movements of inputs, horticulture crops and meat products so that 2021 production prospects are not undermined. While we know that fruit that goes unpicked or unsold will go bad, similar concerns apply in all value chains. Farmers won't grow what will spoil or what people can't buy, impacting availability, affordability, and accessibility. Expedite the movements of migrants involved in agri-food production and transporting and distributing agri-food products. Otherwise, output may fall in 2021 because of labour shortages and an inability to cultivate, plant, fertilize, weed, and harvest on a timely basis. Likewise, without timely distribution, waste levels will rise and quality of agri-food products will deteriorate. Intervention measures need to be applied for intra- as well as inter-country travel to ensure adequate food supply among national populations.

Remove remaining export bans and import barriers

Remove remaining export bans and technical import barriers to agri-food product movements within ASEAN, other than those sanitary and phytosanitary measures (SPS) controls that protect human health and the environment. The removal of these trade

irritants will reduce waste arising from border delays and lower the cost of “nutrient adequate” diets in ASEAN.

Expedite cash transfers to farming households

Grants and favourable loans will assist farming households in maintaining household consumption and sustaining production. However, such assistance should not be tied to the production of particular crops or the purchase of specific inputs as this prejudices households’ needs and priorities, distorting both production and consumption choices. It may be worthwhile partnering with the regional offices of the WFP and FAO to leverage their experience in targeting and operationalizing such transfers through the WFP’s Empowering People, Markets & Governments initiative. WFP has found that, when vulnerable households are provided with purchasing power, they make choices that improve their overall well-being and are less likely to sacrifice food security to meet other needs (e.g. rent, medical bills). Such an approach strengthens market operations and doesn’t rely on the presumed omniscience of administrators.

Take pre-emptive steps to reduce foodborne illnesses in agri-food value chains

In collaboration with commercial enterprises, ensure livestock and livestock products are physically distanced from other wet market sections. With guidance and assistance from CGIAR- International Livestock Research Institute (ILRI), FAO and OIE, undertake public-private outreach and training to improve handling and hygiene practices in wet markets and SME value chain locations. Such efforts could leverage ILRI’s experience with food safety and hygiene in Southeast Asia’s pork sector that deployed a participatory guarantee approach for SMEs.

Collaborate in assessing how existing commercial operations can lower COVID-19 risks

In partnership with commercial firms and farms, utilize the expertise of medical personnel, epidemiologists and engineers to either physically restructure processing and packaging operations or workflows to minimize transmission risks. Such assessments could also include examining possible alterations to existing dormitory and accommodations for migrant and resident workers. Such restructuring may be eligible for grants under the ADB's projects relating to "Improved Sanitary and Phytosanitary Handling in Greater Mekong Subregion." This effort could also link to and leverage the efforts and networks of the ASEAN Coordinating Central for Animal Health and Zoonosis and the ASEAN Sanitary and Phyto-Sanitary Contact points.

In addition to the physical and workflow-related parameters, effort should be made to examine whether commercial farming and processing operations inadvertently have incentives for employees to work while ill. If workers do not have sick leave or medical benefits that can be relied upon, incentives exist for them to work when they are ill. This is contrary to their well-being and could result in greater contagion. The ASEAN Secretariat could work with host countries as well as the ILO to assist in this effort. Such an initiative may actually improve commercial enterprises' performance as there may be lower infection rates arising when workers do not have built-in incentives to be in the workplace when they might be contagious.

6.2. Short Term Actions

Expedite visa protocols for migrant workers in agri-food value chains and for workers engaged in transporting and distributing agri-food products

In ASEAN, much farm work is done by migrants. To avoid labour shortages at critical times in the cropping cycle and in livestock production and pre-empt production shortfalls in coming years, visa protocols should be expedited for migrant workers in the farm sector and agri-food chains. Likewise, visa protocols should be expedited for workers transporting and distributing agri-food products. ASEAN senior officials and the ASEAN Secretariat could broker such an initiative among AMS, while working collaboratively with firms and farms employing these migrants.

Such initiatives could draw upon the shared experience and insights of entities such as the ILO's Task Force on ASEAN Migrant Workers and the Labour Rights Promotion Network Foundation (LPN). The LPN and Charoen Pokphand Foods (CPF) recently teamed up to promote labour rights protection and encourage the workforce, including migrant workers, to report instances of wrongdoing. Improvements to regional legal and policy frameworks for labour migration governance and the protection of the rights of both male and female migrant workers can help to ensure the agri-food sector's continuity and productivity in 2021 and beyond.

Facilitate, broaden, and accelerate movements to digital transactions in wholesale and retail operations and at the border for both products and people

The private sector and commercial enterprises throughout ASEAN are already embracing movements toward digital transactions. Expediting the movement of perishable agri-food commodities within the ASEAN region make the perfect test case for ASEAN's

Digital Integration Framework Action Plan (DIFAP). DIFAP's aim is to facilitate seamless trade. Digital-enabled trade of goods and digital integration can jumpstart investments in physical infrastructure to accommodate new favourable turnkey trade policies which facilitate seamless trade flows across ASEAN.

Leveraging its Master Plan on ASEAN Connectivity (MPAC) digital solutions can reduce the cost and number of transactions before product reaches consumers and limit direct physical contact of actors in value chain. Through MPAC, the ASEAN Secretariat can also encourage ongoing expansion of digital platforms in such a manner that does not leave remote or resource-poor communities behind.

Digital solutions for customs clearance and pre-approvals are of particular interest and can greatly reduce the time and cost of border delays. If pre-clearance conditions can be navigated, ASEAN would experience significant reductions in handling, transport and trade costs as well as dramatic declines in wasted food products. This is of considerable benefit in terms of agri-food value chain profitability and in terms of meeting regional food security objectives. Initiatives under this umbrella could be a collaboration between the ASEAN AMAF and the ASEAN Coordinating Committee on Electronic Commerce.

Identify vulnerabilities to COVID-19 within the value chain and “short circuit” them

Working in collaboration with commercial firms, reengineer workplaces for the health and safety of the workers. Informed by health professionals, epidemiologists and engineers, work to improve the structure and work flow of commercial spaces in agri-food value chains. Prioritize the following areas, which exhibit one or more of the conditions conducive to the virus's spread and take steps to ameliorate them:

- Primary livestock production
- Primary horticulture production
- Food Processing and Packaging
- Wet Markets and Retail Locations
- Dormitories and Shared Spaces of Workers in the Above Operations

ASEAN Health Ministers and ASEAN Ministers of Agriculture and Forestry may wish to seek the cooperation of international agencies like the FAO, OIE, CGIAR-ILRI and ADB to help jumpstart efforts in this area, leveraging the networks and expertise of the ASEAN Expert Group on Communicable Diseases and the ASEAN Sectoral Working Group on Livestock. For illustrative purposes, our earlier discussion regarding the possible (re)design of commercial agri-food enterprises' premises and dormitories to reduce virus spread drew on easily accessed engineering resources from Virginia Tech University. However, we are confident that ASEAN member states' tertiary institutions and public agencies also possess similar such applied expertise that can be applied to local conditions.

Harmonize ASEAN NTMs

The Economic Research Institute for ASEAN and East Asia (ERIA) has called on ASEAN member states to harmonize regulations to improve trade performance in the Southeast Asian region. Although tariffs have been reduced somewhat over the past two decades, actual intra-ASEAN trade remains relatively low. As discussed in previous chapters, there are several reasons why intra-ASEAN trade remains low, including Non-Tariff Measure (NTMs), as well as logistics, customs procedures and other trade facilitation issues.¹³¹

Efforts to harmonize SPS and NTM measures would bring substantial benefits to ASEAN both economically and from a

131 ERIA. (January 2020). ASEAN Countries Need to Harmonise Regulations to Improve Trade Performance.

nutritional perspective. Harmonizing risk management approaches would allow ASEAN member states and their commercial firms to reduce transaction costs, reduce border delays and develop even greater complementarity within regional value chains.¹³² Targeting high-value, high-volume livestock and fishery products in which ASEAN has some comparative advantage could also serve as a growth area for the regional agri-food economy while also meeting regional demands for higher quality protein foodstuffs.

Now is the time to act, based on knowledge yielded by ASEAN's 'Seamless Trade Facilitation Indicators' project, which was developed by the ERIA in cooperation with the ASEAN Trade Facilitation Joint Consultative Committee. Seamless trade facilitation is within reach and can help to create an ASEAN Economic Community single market and production base which promotes trade competitiveness, better governance and improved development outcomes.

Replace input subsidies and output subsidies with direct income support

Work undertaken by the OECD, IFPRI, FAO and other agencies has shown such subsidies to be production and trade distorting; this is the reason why the World Trade Organization (WTO) has disciplines in place to discourage them. Direct income support has been shown to be both less distorting and less harmful to the environment while also exhibiting a higher level of transfer efficiency in terms of improving farm households' incomes and well-being. Agricultural subsidization of seed and fertilizer inputs is a major disincentive to the adoption of sustainable agriculture. The land-use sector is responsible for about a quarter of global anthropogenic greenhouse gases and so liberalizing choices of farming households may encourage the environmentally friendly behaviour needed to mitigate climate change. The WFP, FAO,

132 Vanzetti et al. (June 2018). Non-tariff Measures and Regional Integration in ASEAN. *GTAP GEA*.

CGIAR-IFPRI and OECD all could be called upon to share insights as to how to efficiently target and deliver direct income support to low-income households.

Broaden safety nets to include migrants and food system workers

Since the COVID-19 outbreak began, many nations have implemented measures to return migrants to their home countries while repatriating their own nationals. This may have inadvertently contributed to an acceleration of the virus' spread in ASEAN and worldwide. In hindsight, the provisions of medical and sick leave benefits to migrant workers in host nations might have slowed this trend.

Ensuring the safety of food-system workers is critical to ASEAN, where agriculture is at the bedrock of the many national economies. Onsite health measures, sick-leave policies, physical distancing practices and capabilities need to be assured in food production facilities to boost public confidence. The same applies to elements of the agri-food transport and delivery system through increasingly used digital platforms across Southeast Asia such as Gojek, Grab, and Food Panda. Moreover, access to paid sick leave and medical services to male and female migrant workers can also reduce the spread of COVID-19 as workers will be less encouraged to work while contagious with COVID-19-related symptoms.

Discussions regarding how to facilitate such benefits could be led jointly by the ASEAN Ministry of Agriculture and Forestry and the ASEAN Coordinating Committee on Services, working together with the Healthcare Services Sectoral Working Group and engaging with ASEAN member states. Our thinking is that these benefits would be covered by the host state and commercial enterprises as most of the economic benefits from these labour activities would accrue to them. However, we recognize that these are issues for ASEAN to resolve within its own governance structures.

Explicitly include women in pandemic stimulus and adjustment policies

Women typically carry a disproportionate burden of household-related child and elderly care and domestic work.¹³³ In Malaysia, women spend more than three times as much time on this work as men do; in Cambodia, 10 times as much.¹³⁴ What this means though is that women are critical to efforts to contain the pandemic; it is through their actions as the lead caregivers in the household and in the community that the virus will be contained. While men suffered more from COVID-19's health impacts, women have suffered more from its knock-on economic impacts.

Thus far, female-targeted stimulus measures are scarce in ASEAN. Stimulus packages and employment policies need to explicitly include the needs of women and supporting businesses and sectors where female workers are concentrated to mitigate their mental and financial burden during COVID-19. Economic stimulus packages that target women and focus on socially inclusive job creation and social investment will help enable a smooth and robust recovery. Emphasis should also be placed on resource and financial access through joint land ownership and recognition of customary land rights to strengthen women's role in agri-business and household decision-making. To this end, ASEAN policymakers can meet its stated gender mainstreaming commitment in the 40th AMAF meeting.¹³⁵

To reduce women's vulnerabilities in natural and economic disasters, ASEAN can involve women as focal points and regional leads in emergency response and recovery efforts. These efforts should be informed by gender-disaggregated data to highlight

133 Naciri, M. (April 2020). Putting women, girls at heart of COVID-19 response and recovery in ASEAN: Turning challenges into opportunities. *Jakarta Post*.

134 Yeni et al. (2020). Predictive modeling, empowering women, and COVID-19 in South Sumatra, Indonesia. *ASEAN Journal of Community Engagement*, 4(1).

135 ATWGARD. (2018). AMAF's approach to gender mainstreaming in the food, agriculture and forestry sectors.

the leadership roles that women can play in public hygiene and precautionary behaviour during disasters like the coronavirus pandemic.

Improve coverage, reliability, granularity and timeliness of agri-food and nutrition data

This will assist public and private decision-making on production, distribution, and trade. Without relevant data, it is difficult to tell whether progress is truly being made. The collection of systematic data as to which populations are experiencing the greatest hardships and which industries are failing, where, why and how is essential to the establishment of clear priorities and in designing and refining efficient, and targeted assistance. Additional areas for improved monitoring include:

- a. Achieving “calorie sufficient” diets
- b. Achieving “nutrition adequate” diets
- c. Lowering incidence and levels of anemia in women
- d. Lowering incidence and degree of stunting in children
- e. Enumerating roles and opportunities by gender in agri-food chains & elsewhere

We also recommend collecting more comprehensive data regarding COVID-19’s impacts on women and informal workers in the agri-food sector. Critical areas include the extent to which women hold titles to land, have access to credit, and engage in agri-business activities.

Intervene to Expedite Seafarers’ Movements

With the rise of COVID-19, many nations and ports restricted the movements of seafarers manning cargo ships and other sea craft. This is harmful to the health and well-being of these seafaring men and women. It also constitutes a growing impediment to

trade in general, including trade in much-needed agri-food inputs, food staples and more nutritious but time-sensitive food items in particular. As Filipinos, Indonesian, Thai and Vietnamese nationals make up a large portion of the global maritime workforce, this new disruption and personnel-based protectionism has ramifications not only for trade and economic development, food security and nutrition outcomes throughout ASEAN, it has humanitarian consequences for ASEAN nationals and disruptive impacts worldwide. Working with the ILO, the International Maritime Organization, and the WTO, ASEAN could work to ensure that obstructions to seafarer movements do not: (a) compromise seafarers' health and wellbeing; (b) emerge as new non-tariff measures, obstructing trade and causing border delays.

6.3. Long Term Actions

Expand and Extend Infrastructure in an Inclusive Manner to Under-Served Communities

Expand infrastructure that gives remote rural and fishing communities better access to roads and communication services. Such access will provide them with opportunities to make their own choices and explore different opportunities and means of improving their household's and communities' well-being. Reliable roads and reliable broadband are critical. Reliable roads are needed to convey products to market destinations. Broadband allows farmers and entrepreneurs to discern which products and markets are most advantageous for them to pursue. Amongst farming households, improved public and private transportation, storage, and processing infrastructure will also enable communities to move beyond largely cereals-based subsistence operations to the production (and consumption) of more nutritious and more lucrative perishable foods.

Increase Interdisciplinary Cooperation to Improve Knowledge, Actions and Outcomes

ASEAN senior officials could choose to re-energize regional “One Health” efforts in collaboration with CGIAR, FAO, OIE and WHO. Better and more timely exchange of information and greater cooperation between relevant agri-food agencies and the WHO is needed. Such efforts could have contributed to earlier warnings and more cohesive and comprehensive early responses across disciplines and agencies. Given the hesitancy in some countries to acknowledge and share information regarding emerging outbreaks of human and/or livestock diseases, ASEAN senior officials may wish to explore measures to coordinate with international agencies so that sound science is not sacrificed at the altar of other exigencies.

Engage in Cooperation between Governments and Private Individuals, Without Eroding Opportunities, Incentives and Responsibility

ASEAN members may wish to reflect on what has gone right and what has gone wrong in their collective responses in dealing with the pandemic and related challenges with a view to informing how to meet other shared challenges in future. Reflect on a vision for 2021 and beyond. Of what remains, what can be built upon and what should be let go? Some sample questions follow.

- Are there activities that can be handled remotely and digitally to maintain productive capacity while safeguarding the health of workers and consumers?
- Can a digital approach expedite trade and transport? Can digital platforms reduce the number of transactions products go through before reaching consumers? Can the redundant capacity be redeployed to productive uses?
- Are there processes that should be automated to reduce physical contact, improve efficiency and reduce risks?
- Which processes and commercial environments might require re-engineering and renewal to better protect workers, clients and consumers?

- How might women’s voices be heard in choosing between alternative futures?
- In the wake of COVID-19, what new skills are required of workers in agri-food value chains and how are they best acquired? Which agencies can best manage these interventions?

6.4. Some Country-Specific Observations and Suggestions

In this sub-section, we make some closing observations and suggestions regarding each ASEAN member state. Although each member state has its difficulties, Myanmar’s circumstances and challenges are particularly daunting and warrant concerted effort. Singapore and Vietnam each provide “touchstone” examples of what might be best practices that could be starting points for other nations.

Brunei. In the wake of the COVID-19 pandemic, Brunei has expressed its resolve in pursuing greater self-reliance in the production of agri-food products with a view to improving its food security and nutrition outcomes. At this time, cereals and starchy foods account for roughly 40% of the local diet, while vegetables and fruits make up 5% and fish account for 1%. While understanding Brunei’s motivation, a more nuanced approach drawing on supplies from a number of sources is likely to yield superior outcomes.

We concur with the notion that Brunei should make a concerted effort to maintain the latent productive capacity of its land and water resources. However, households’ dietary outcomes would likely suffer if too closely tied to local capacities alone. Instead, Brunei could follow Singapore’s example and broaden its diet both geographically and across food types by: a) integrating more fully with regional value chains through regulatory convergence

or mutual recognition agreements; b) improving its logistics performance¹³⁶ in general (where it underperforms relative to its income level) such that agri-food products critical to food security can be cleared expeditiously; we would suggest focusing on expediting trade in perishable vegetable products and fishery products initially. The World Trade Organization (WTO) Agreement on Trade Facilitation (TFA) may be of help in two areas: i) its standards are subject to the WTO's binding trade disciplines, unlike previous conventions; ii) to support this framework, the TFA strengthens the delivery of technical assistance and capacity-building support for developing countries.

Cambodia. As roughly half of Cambodia's population will find it a challenge to afford a "nutrition adequate" diet as a result of the COVID-19 pandemic and efforts to contain it, the key challenges are to: a) ensure that agri-food supplies and value chains continue to function, and b) with the assistance of national, regional and international agencies, expand financial and food assistance programs to poorer households, women and children.

Regarding a), Cambodia could work within the parameters for essential goods to support the effective implementation of the Hanoi Plan of Action on Strengthening ASEAN Economic Cooperation and Supply Chain Connectivity in Response to the COVID-19 Pandemic. This could involve working with the ASEAN Trade Facilitation Joint Consultative Committee to harmonize or accelerate regulatory convergence with its ASEAN neighbours to reduce costs and time delays when trading nutritious perishable products. To address choke points relating to bottlenecks relating to performance gaps related to its infrastructure and customs processes, Cambodia and Lao PDR may wish to work in tandem with the ASEAN Connectivity Coordinating Committee, the Economic Research Institute for ASEAN and East Asia, and the Singapore Logistics Association. This mix of public oversight, applied academic

136 World Bank. (2018). *Connecting to Compete: Trade Logistics in the Global Economy, the Logistics Performance Index and Its Indicators*.

insight, and practical experience might help jumpstart and more precisely target Cambodia's transport and logistics reforms.

With respect to b), the WFP has ramped up its efforts to provide households with take-home rations or cash-based transfers in Cambodia, Laos, and Myanmar, but additional national, regional and international efforts and resources will be needed in the coming year. Within Cambodia, efforts to promote greater private investment and ramp up horticulture production should pay dividends, but also depends critically on timely distribution and marketing. National objectives to increase the number and productivity of rice field fisheries should also be helpful in alleviating protein shortfalls in the diet. Along a similar vein, efforts to expedite border movements of poultry feed ingredients would also help to maintain production and consumption levels of poultry meat. Challenges with regard to post-harvest losses and timeliness issues that undermine food safety and quality might benefit from the efforts of the ASEAN Senior Transport Officials' Meeting and its Transport Facilitation Working Group.

Indonesia. The Indonesian archipelago lies on the Pacific Rim's "Ring of Fire." Because of its location, it is frequently exposed to damaging tropical storms, earthquakes, volcanic activity and tsunamis. Although it is a large country with many resources, the frequency and magnitude of these domestic shocks suggest that efforts to "go it alone" are ill-advised, especially from a food security and nutrition perspective. Rather, true food security is probably best addressed by diversifying procurement across a range of domestic, regional and international sources. This echoes the findings yielded from OECD METRO model simulations with regard to market integration versus localization discussed in Chapter 4. Efforts to improve the efficiency and efficacy of customs services¹³⁷ and harmonize or promote regulatory convergence with key trading

137 World Bank. (2018). *Connecting to Compete: Trade Logistics in the Global Economy, the Logistics Performance Index and Its Indicators*.

partners¹³⁸ will serve to improve food security over time. On the domestic front, efforts to improve cold chain management and supporting infrastructure should pay dividends both economically and from a nutrition perspective as nutritious high-value fish and vegetables will reach consumers at home and abroad rapidly and with less waste.¹³⁹

Since the COVID-19 pandemic began, the number of Indonesians who struggle to afford “nutrition adequate” diets increased to about one-third of the population, or over 91 million people. Different geographic jurisdictions have provided food baskets with different products to their local populations. Some analysts have argued for pulses, legumes and nuts (eg. mung beans, peanuts) and grains might offer a better alternative to processed food and noodles in terms of nutrition, items delivery and storage. However, others have argued that the use of cash transfers or cash vouchers is preferable as this provides households with greater flexibility in choosing items from local shops, while also supporting the local economy.

The government continues to subsidize fertilizer purchases for rice production, with only modest impacts on yields. Various studies have highlighted the need to phase out fertilizer subsidies and use these outlays instead to provide agricultural public goods with higher returns, such as irrigation infrastructure, extension services, or targeted cash transfers to small farmers.¹⁴⁰

Lao PDR. Half of Lao’s households now struggle to afford a nutrition adequate diet, a situation similar to neighbouring Cambodia. Key challenges are to: a) ensure that agri-food supplies and value chains continue to function, and b) with the assistance of national, regional and international agencies, expand financial

138 Vanzetti et al. (June 2018). Non-tariff Measures and Regional Integration in ASEAN. *GTAP GEA*.

139 Kusano, E. (ed.). (2019). *The Cold Chain for Agri-Food Products in ASEAN*.

140 Osorio et al. (2011). Who Is Benefiting from Fertilizer Subsidies in Indonesia?

and food assistance programs to poorer households, women and children.

Regarding a), Lao scores quite poorly in terms of the capacity and efficiency of its infrastructure, the efficiency and efficacy of its customs services, and its logistics and distribution performance. These deficiencies increase both costs and waste related to getting perishable products into the hands and mouths of consumers. Lao PDR could work within the parameters for essential goods to support the effective implementation of the Hanoi Plan of Action on Strengthening ASEAN Economic Cooperation and Supply Chain Connectivity in Response to the COVID-19 Pandemic. This could involve working with the ASEAN Trade Facilitation Joint Consultative Committee to harmonize or accelerate regulatory convergence with its ASEAN neighbours to reduce costs and time delays when trading nutritious perishable products. To address choke points and bottlenecks relating to performance gaps related to its infrastructure and customs processes, Lao PDR may also wish to work in tandem with the ASEAN Connectivity Coordinating Committee, the Economic Research Institute for ASEAN and East Asia, and the Singapore Logistics Association. This mix of public oversight, applied academic insight, and practical experience might help jumpstart and more precisely target Lao PDR's transport and logistics reforms.

With respect to b), the WFP has ramped up its efforts to provide households with take-home rations or cash-based transfers in Cambodia, Laos, and Myanmar, but additional national, regional and international efforts and resources will be needed in the coming year. Within Lao, efforts to promote greater private investment and ramp up horticulture production should pay dividends, but also depends critically on timely distribution and marketing. Challenges with regard to post-harvest losses and timeliness issues that undermine food safety and quality would benefit from insights forthcoming from the ASEAN Senior Transport Officials' Meeting and its Land Transport Working Group.

Smallholders in AMS like Lao PDR and Cambodia often operate with limited working capital and can survive only for a short time in the event of an economic shock (like the one induced by the COVID-19 pandemic). Policy makers throughout ASEAN as well as with international agencies recognize this. Given the low rates of interest prevailing internationally and the recognized need to recover and rebuild after COVID-19, domestic, regional and international policy makers and financiers could make financing for working capital more easily available for smallholders. To achieve some economies of scale and realize some production complementarities and synergies, efforts could be made to form and coordinate cooperatives among such smallholders. This could also allow them to ramp up adoption of digital technology, management and marketing systems. Although such investments would involve an upfront cost, adoption of these new technologies and systems will boost smallholder incomes, accelerate streamlining within the agri-food sector, remove duplication, contribute to value-added activities, and result in a lower carbon footprint. Potential international partners for such initiatives could include the UNDP, ADB, and CGIAR. If broadened to include coordinated activities across Northern ASEAN member states, experts from the ASEAN Secretariat, the Economic Research Institute for ASEAN and East Asia, the Singapore Food Agency, and Nanyang Technological University's S. Rajaratnam School of International Studies (RSIS) could be called upon to assess initiatives holding the most promise.

Malaysia. Although Malaysia is a significant net agri-food exporter, its exports are largely made up of plantation crops like palm oil and rubber. For daily dietary needs, Malaysia imports roughly 30 per cent of domestic requirements.

Malaysia has been forward-thinking in terms of keeping agri-food markets open, enabling domestic production and market functions, and facilitating international trade. Information regarding stocks, production, market prices and trade have been disseminated widely and on a timely basis, avoiding panic buying and hoarding

behaviours. Ongoing improvements in the capacity and efficiency of port facilities in peninsular Malaysia will help to enable efficient and competitive agri-food markets.

Movements toward e-commerce and digital technologies have been accelerated and have improved efficiency within value chains while concurrently reducing the number of contacts and transactions before products reach consumers. E-commerce will increasingly be used to facilitate trade, reduce transportation risks and enable market access. The Malaysian government has allocated RM40 million to help SMEs in the agriculture sector sell their products on e-commerce platforms and reach a larger pool of consumers.

A challenge for Malaysia going forward will be determining how to enable smallholder households and SMEs within the agri-food sector and ensure their ongoing viability without resorting to protectionism. Complementary initiatives could include encouraging cooperatives that allow such households and SMEs to secure financing and achieve economies of scale and respond more effectively to evolving consumer needs and demands; through digitalization and automation, public-private partnerships in this area could accelerate this process. Malaysia is also in the process of developing a list of essential food items and strategically locking in supplies for several months in advance. Efforts are also being made to formulate needs-based and health-based systems for allocating vouchers to needy households that could be redeemable for higher-value foodstuffs like fruits and vegetables. Malaysia is exploring ways of securing feed inputs for its livestock industries to ensure ongoing supplies of high-value proteins.

Myanmar. Myanmar is still feeling the after effects of a second wave of high virus reproduction rates that prevailed until the first half of October. Official rural income poverty rates among farming households have risen from one in five in January 2020, to over half in June, to almost two in three in November. Those most at risk of falling into poverty are smallholders farming five acres or less.

Constraints to movements of agri-food products, inputs and the people involved in their transportation and distribution within Myanmar are ill-advised. In areas of surplus, such constraints result in higher levels of waste and lower prices. These, in turn, further reduce the incomes, resources and incentives of the farmers in areas of surplus such that they may not produce at the same level in the coming year. Concurrently, areas of shortage are already experiencing serious increases in the proportion of households that are confronted by food insecurity. To avoid further escalation of food insecurity levels and a dampening of agri-food production incentives, Myanmar should establish within-country transportation corridors whereby agri-food products, inputs and the people transporting and distributing them are exempted from COVID-19 containment provisions. Masking, physical distancing and good hygiene practices should continue to be followed, but additional constraints on agri-food production and distribution related activities could further contribute to a humanitarian crisis.

In cooperation with bordering countries China, Thailand, Lao PDR, and nearby Singapore, Myanmar should ramp up efforts to re-invigorate trade in agri-food products. *Transportation corridors with these neighbours and trading partners* for essential agri-food inputs and products will be instrumental in avoiding serious supply-side contractions in the coming year; developing shared protocols for approving movements of products and people involved in agri-food product transport and distribution will be particularly critical. As the vast majority of overseas freight comes through the Yangon port, increasing infrastructure capacity to move foods beyond the Yangon region is critical. If financing can be secured, elements of the National Logistics Master Plan and development strategy could be accelerated in the coming year, including major transport and cargo systems such as roads and rivers to link industrial clusters to hinterlands, border regions, and ports.¹⁴¹ Such corridors could comprise the north-south corridor linking Yangon to China; the

¹⁴¹ PwC. (2018). Myanmar Business Guide; World Bank Group. (2018). Myanmar Economic Monitor.

southeast corridor linking Myanmar to Thailand and Lao PDR, as well as the Main River and Coastal Marine Logistics Corridors.

Myanmar should scale up its COVID-19 Comprehensive Economic Recovery Program (CERP), particularly for the agri-food sector. Transfers to agriculture to date have been insufficient to offset serious economic harm to households in Myanmar's agri-food system or to prevent food insecurity from increasing. While CERP provides loans for commercial agribusinesses, an expanded CERP should include provisions that sustain smallholder farming households, giving them sufficient confidence to purchase inputs, and offsets pandemic containment measures that threaten to undermine their economic well-being, food security and their productivity. Short-term income subsidies, flexible loan repayment conditions, freezing of interest payments on loans, and debt forgiveness for smallholder farming households would go some way toward ensuring that 2021's prospects improve over 2020's; this will also ensure that agri-food production and value chains continue to function going forward.

Given the degree to which maternal and child health and nutrition have been undermined due to the pandemic and associated containment measures, cash transfer programs and food assistance should be ramped up. Otherwise, these households will suffer the consequences of food insecurity and malnutrition in terms of future shortfalls in physical and mental well-being and productivity.

Philippines. Like neighbouring Indonesia, the Philippine archipelago lies on the Pacific Rim's "Ring of Fire." Because of the country's location, it is frequently exposed to damaging tropical storms, earthquakes, volcanic activity and tsunamis. The frequency and magnitude of these domestic shocks suggest that efforts to "go it alone" are ill-advised, especially from a food security and nutrition perspective. True food security is best addressed by diversifying procurement across a range of domestic, regional and international sources.

Restrictive trade policies in rice motivated by the government's pursuit of rice self-reliance has led to domestic prices well above prevailing world prices and substantially over levels paid by consumers in nearby ASEAN countries. Although it is ASEAN's largest net importer, its sanitary and phytosanitary measures, technical standards, border control measures and quantitative restrictions are the highest in the region, amounting to an ad valorem equivalent of around 14 per cent and constraining movements of agri-food products at the border.¹⁴² This raises the costs and lowers the availability of nutritious foodstuffs to a population that is already struggling to afford a "nutrition adequate" diet; at least one-third of Filipino families are in that position and the proportion is growing. Consequently, efforts to improve the efficiency and efficacy of customs services and promote regulatory convergence with key trading partners will serve to improve food security over time.

On the domestic front, efforts to improve cold chain management and supporting infrastructure should pay dividends both economically and from a nutrition perspective as nutritious high-value fishery and vegetable foodstuffs will reach consumers at home and abroad on a timely basis and with less waste.

Since the COVID-19 pandemic began to unfold, the number of Filipinos who struggle to afford "nutrition adequate" diets increased to over one-third of the population, or around 36 million people. The World Food Program has collaborated with the Philippines' Food and Nutrition Research Institute to assess how to improve access to low-cost but nutritionally adequate food; provision of iron-fortified rice and cash transfers for the acquisition of nutritious foodstuffs would do much to stem malnutrition among poorer households, children and women in particular. The WFP has also provided technical and financial support to the Department of Social Welfare and Development and the Department of Education

¹⁴² OECD & ERIA. (2018). *SME Policy Index: ASEAN 2018*.

in developing and Implementing the Rules and Regulations of the National School Feeding Law.

Singapore. The island city-state's experience with the COVID-19 pandemic has affirmed several elements of its strategy to maintain food security which could offer insights for other small states.¹⁴³ Overall, increasing citizen's wealth and economic well-being is important to assure access to food. The Global Food Security Index (GFSI), developed by the Economist Intelligence Unit in collaboration with UN agencies, clearly shows the strong correlation that as GDP per capita increases, so does household food security; in spite of having few natural resources of its own, Singapore ranked first worldwide in the 2019 GFSI.¹⁴⁴

Besides commercial enterprises, Singapore has several public agencies that are involved in ensuring that the city state has reliable and diverse food supplies. These agencies include the Singapore Food Agency (SFA), which oversees food safety and security, and the Ministry of Trade and Industry (MTI), Enterprise Singapore (ESG), and the Ministry of Foreign Affairs (MFA), which facilitate agri-trade and link importers with potential new suppliers overseas. In diversifying their import sources, Singapore avoids being overly-reliant on any single source and spreads the risk of food supply disruption across as many sources as possible to minimize potential disruptions. In the wake of the COVID-19, Singapore has accelerated its "30 by 30" initiative, providing grants to enterprises which can quickly ramp up the production of eggs, leafy vegetables and fish in the next six to 24 months with a view to eventually supplying 30 per cent of Singapore's dietary needs locally by 2030.

Singapore continually renews and improves upon its supply chain logistics and infrastructure to handle food importation and

¹⁴³ Caballero- Anthony et al. (June 2020). COVID-19 and food security in Asia: How prepared are we? NTS Insight, no. IN20-03.

¹⁴⁴ Corteva Agriscience. (2019). The Global Food Security Index. <https://foodsecurityindex.eiu.com/>

distribution with high-quality food safety standards.¹⁴⁵ The city-state has been pragmatic in its approach, diversifying its imports from around the world to mitigate risks and ensure food imports have geographically-disperse sources.¹⁴⁶ Foreign direct investment has been encouraged largely because of the good governance, sound intellectual property regime and tax incentives put in place; Singapore serves as regional headquarters for a number of the world's leading biotech firms, pharmaceutical firms, and agri-food firms. Its role as a transportation and logistics hub and its advanced cold chain management systems also position Singapore well from both a food security and agri-food value-added perspective. Should national and foreign commercial and public agencies in Singapore choose to do so, they could be called upon to play a catalytic and leadership role in spearheading improvements to logistics, transportation and cold chain management for high-value, perishable agri-food products in the ASEAN region.

Thailand. The kingdom is better off than many of its neighbouring countries with regard to food security and nutrition outcomes. Availability of food has not been a concern to date, as Thailand is a food surplus country and an exporter. Still, the pandemic has increased the number of households that do not have calorie sufficient diets to around 7% while around 11% of households struggle to afford nutrition adequate diets, and these numbers could rise further unless preemptive measures are taken. There are also wide inequities in outcomes among provinces and social groups. For instance, 29% of children under five in Narathiwat Province in the south were stunted and 13.3% of children under five were wasted in Pattani Province (also in the south). Minority households and households with migrants as heads also have higher levels of stunting and wasting. Without an adequate response, the COVID-19 shock and its associated economic contraction and job

145 Teng, P. (2020). Assuring food security in Singapore, a small island state facing COVID-19. *Food Security*, 12, 801–804.

146 Singapore Food Agency. (2020). Levelling up Singapore's food supply resilience. <https://www.sfa.gov.sg/food-for-thought/article/detail/levelling-up-singapore-s-food-supply-resilience>

losses will exacerbate poorer households' circumstances, halt any progress that was being made in improving nutrition outcomes, and put new groups at risk of malnutrition and food insecurity.

Authorities should ensure that school lunch programs and associated budgets are safeguarded to meet short- and medium-term needs. These programs provide the main source of nutritious food for disadvantaged children. In the event of school closures, contingency plans need to be in place to distribute food packages to households in need.

Due to disruptions in access to inputs like fertilizers, seeds and herbicides as well as constraints on the movements of migrant workers and transport personnel, Thailand's agri-food production may fall as much as three per cent in 2021. This may adversely impact consumption within Thailand as well as lower its exportable surplus, which may undermine food security elsewhere in the ASEAN region as well. Transport corridors that facilitate movements of agri-food and those involved in their production and distribution need to be established both within Thailand and between the kingdom and its near neighbours.

If farm inputs are rationed and farm labourers are constrained in their movements, production will fall. If agri-food products can't be distributed or sold at market, it will go to waste or it will be sold at a substantial discount locally, undermining incentives to produce in subsequent production periods. Without facilitating market operations and distribution channels, local production will be undermined and prospects of shortfalls will increase for both Thailand and its neighbours and trading partners.

Vietnam. The socialist republic's quick response to the COVID-19 pandemic is commendable. In spite of sharing a long border with China, the number of COVID-19 cases and deaths in Vietnam are much lower than in most countries worldwide due to early and aggressive anti-pandemic response. But Vietnam authorities recognize that on-going vigilance is key.

Vietnam's economy is expected to grow modestly in 2020 and its agri-food sector has managed to maintain much of its productive capacity to date. A key focus going forward will be to allow markets to function and prevent disruptions to movements of key inputs and agri-food products. Ensuring social order and safety, and maintaining an adequate healthcare workforce and facilities to support staff in their work, and guaranteeing community compliance with control measures and securing social security are all necessary for Vietnam to continue its successful fight against COVID-19.

6.5. Conclusion

The COVID-19 pandemic continues to threaten lives, health, livelihoods and well-being worldwide. Thus far, most ASEAN nations have had some success in containing the virus's spread. Early in the pandemic, some ASEAN nations restricted exports of staple commodities while others erected barriers to imports. Such actions unnecessarily add costs and complexity to trade and result in lower, not higher, levels of food insecurity. Fortunately, ASEAN leaders recognized that such actions were mutually destructive and removed most of these obstructions by late May 2020.

COVID-19 and measures to contain its spread have resulted in a pandemic-induced recession and considerable job losses and disruptions in labour markets. ASEAN's migrant workers and informal labour market being the most adversely impacted.

Income shortfalls and job insecurity will have caused many ASEAN households to change their consumption patterns, especially those in poorer households. Estimates from the FAO, WFP and USDA suggest that roughly one-fifth of ASEAN households (~ 125 million people) are considered food insecure. These income and resource-constrained households will increasingly consume starchy foods within "energy sufficient" diets and less "nutrition adequate" diets which include vegetables, fruit, meat and fish. Such dietary shifts can have longer-term adverse impacts on maternal and child health, with knock-on ramifications for stunting, mental health issues, and educational attainment prospects. If prevalent across wide portions of the population, a nation's long-term prospects can also be impacted.

The COVID-19 virus has impacted the well-being of both genders. In general, the disease has more drastic impacts on men's health. However, ASEAN women have suffered disproportionately from the pandemic-induced economic slowdown, with women's employment being hit almost twice as hard. Women typically are more likely to

engage in uncontracted work in sectors and vocations hardest hit by the pandemic: food preparation, food marketing, food service, hospitality, tourism, domestic work, textiles and manufacturing. This imbalance is accentuated by the uneven division of care and domestic work in the household, further limiting women's livelihood choices and opportunities. Correcting these gender imbalances, improving opportunities for women and strengthening safety nets for women and men will be a critical challenge as ASEAN adjusts to the post-COVID-19 era.

While COVID-19 has resulted in considerable damage to health, lives and livelihoods, it has also accelerated some broad trends in societies and economies and opened the doors for others. Challenged with “picking up the pieces,” ASEAN's leaders are now in the position of influencing and shaping the nature of their societies and economies to improve upon what came before.

As a catalyst and core member of the recently-signed Regional Comprehensive Economic Partnership, ASEAN has shown foresight in embracing an outward-looking future. Post-COVID-19, it now has the opportunity to influence and shape the development prospects and inclusivity of its members' economies and societies.

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ANNEX 1.

PARTICIPANTS OF VALIDATION WORKSHOP (DATE: 11 DECEMBER, 2020)

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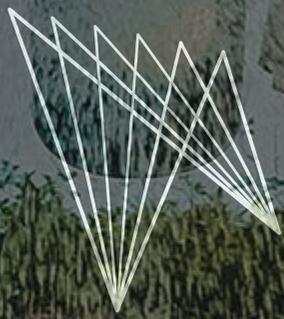
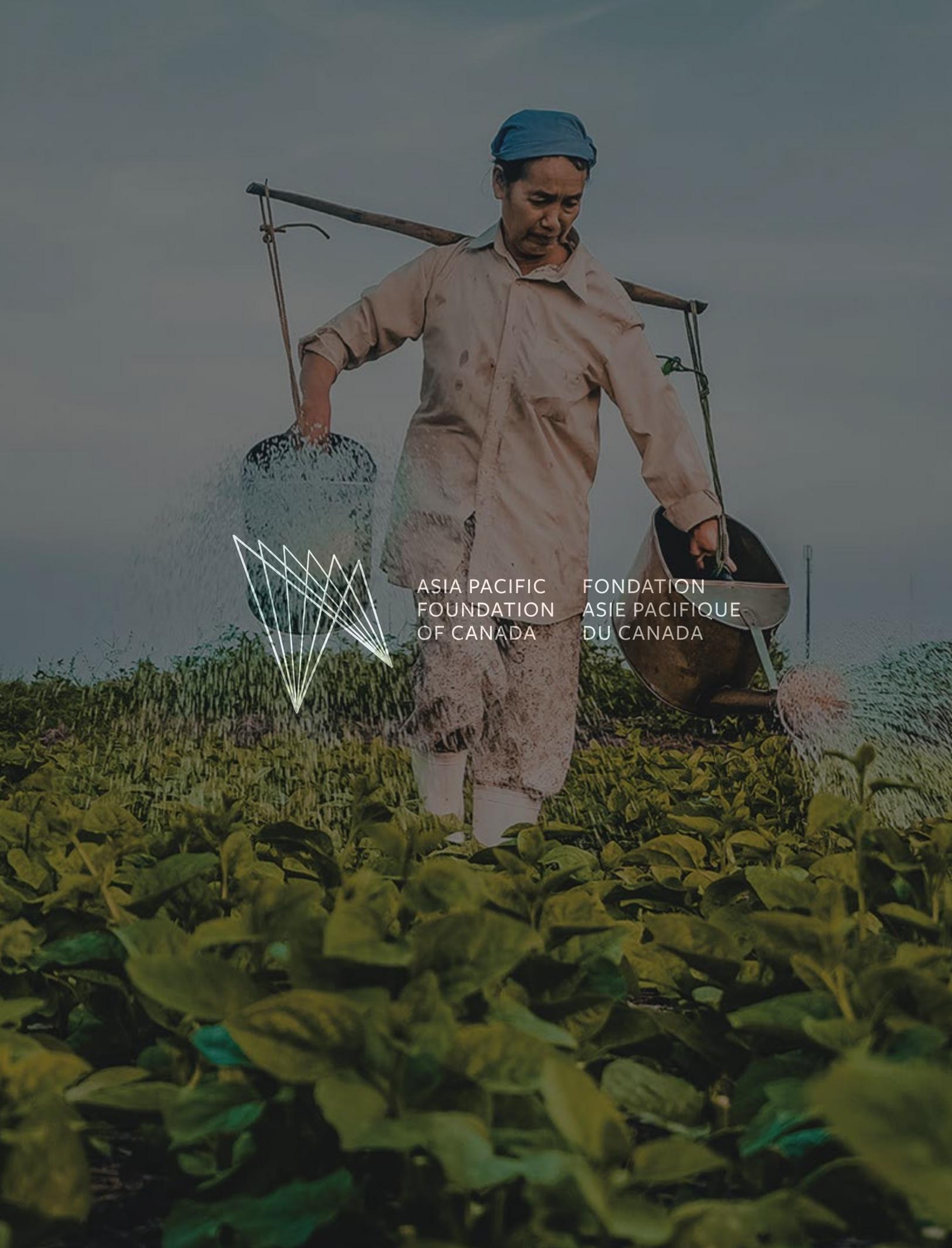
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ABOUT MOURALEA CONSULTING

Our primary focus is market, policy and economic analysis relating to trade, resource industries, the agri-food sector and environmental governance. Using a variety of data and analytical tools, we undertake analysis related to bilateral and multi-lateral trade, market behaviour, environmental and resource governance, agriculture, demographics, institutional performance and incentive systems.

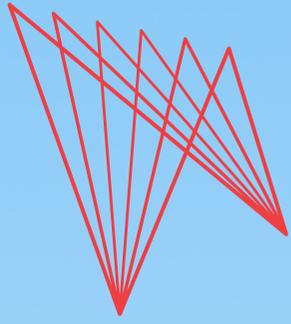
- We have extensive experience conducting and managing socio-economic & institutional research
- We bring exemplary analytical skills to bear, together with a strong results-based orientation
- We pride ourselves on handling complexity well, drawing on insights from multiple disciplines
- Proven communication, partnership and strong networking skills to draw upon

Past clients and collaborators include ADB, APEC, IFPRI, OECD, PECC, UNCTAD, UN-FAO and USDA. We have applied experience with the OECD-FAO AGLINK-COSIMO partial equilibrium modelling framework and with Purdue University's GTAP general equilibrium framework. We have extensive experience with complex issues requiring a capacity to work in an interdisciplinary and multi-cultural context to achieve balanced, holistic and evidence-based results.



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THE FREE AND OPEN INDO-PACIFIC:

Charting a Common Approach

January 22-23, 2020

CONFERENCE NOTES



WITH THANKS TO

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THE FREE AND OPEN INDO-PACIFIC AND CANADIAN FOREIGN POLICY TOWARD ASIA

The Free and Open Indo-Pacific concept has emerged over the last several years as one of the most prominent organizing concepts within the Asia Pacific. Countries including Australia, India, Japan, and the United States, and multilateral organizations including ASEAN, have articulated similar, although slightly differing, interpretations of FOIP.

On January 22nd and 23rd, the Asia Pacific Foundation of Canada (APF Canada), with government and corporate support, held a conference in Vancouver, British Columbia, to discuss various interpretations of the FOIP concept with academics, policy-makers, and the wider Canadian public.

Experts from Canada, the United States, Europe, and from across Asia came together to discuss issues around FOIP's governance, economics, and security pillars, as well as FOIP's applicability to Canada. The discussions were wideranging and informative and brought together some of the leading experts on the FOIP concept.

This conference summary report first outlines the major points of discussion then concludes with general policy guidance for Canadian policy-makers.

EXECUTIVE SUMMARY

The Asia Pacific Foundation of Canada's Free and Open Indo-Pacific conference featured four panel discussions across two days, with wide-ranging and contrasting views on the FOIP concept and its impact on governance, economic interconnectivity, and both traditional and non-traditional security issues.

Participants generally agreed that rule of law, interconnectivity and inclusivity are key principles of any aspirational vision for FOIP as a structure to promote inter-regional engagement and stability, rather than a purely strategic alignment of "like-minded states."

Currently, the FOIP concept has no clear governance structure, and not all Asian states see shared democratic values as necessary pre-conditions for state relations. Participants also agreed that ASEAN will play a central role in developing a more inclusive concept moving forward.

The economic diversity of the region and limited mechanisms for integration under FOIP pose significant challenges, participants also heard. Much of the region's existing trade architecture functions independently to further economic interconnectivity in the region and, although FOIP has the potential to provide additional co-ordinating value, there were doubts, without the necessary institutional infrastructure, that FOIP can achieve this goal.

Security issues within FOIP are wide-ranging and include sovereignty concerns in the South China Sea, the preservation of open sea lines of communication (SLOCs), and the protection of "free" and "open" maritime systems for island nations. In order for FOIP to have wide regional appeal, it was concluded that Chinese interests must be included in security considerations. Conference participants also agreed that non-traditional security issues such as piracy, terrorism, pandemics, and climate security could function as central nodes of security co-operation among FOIP states.

ESTABLISHING A BASELINE

To start, panellists outlined the differing interpretations of the FOIP concept to establish a baseline for subsequent panel discussions. Participants from Canada, Indonesia/the ASEAN region, India, Japan, and the United States provided their interpretations of their country's respective FOIP visions and outlined how (if at all) their country has worked to operationalize the concept.

While panellists identified areas where their concepts of FOIP differed, they shared an understanding that interconnectivity was an overriding theme within all regional conceptual interpretations. Connectivity within FOIP, the panellists argued, includes economic, security, political, and people-to-people ties. The panellists also agreed that connectivity would primarily occur between the economies of East, Southeast, and South Asia and those of East Africa and the Middle East. FOIP, in its most fundamental form, therefore, is about realizing a two-ocean, two-continent strategy in order to build a mega-region of inclusivity for the sake of economic development and inter-regional stability.

Importantly, a panellist from Japan argued that the Japanese administration is currently pursuing a FOIP 2.0 diplomatic strategy that focuses on inclusivity and stability, in contrast to earlier FOIP 1.0 versions that prioritized security and security alignment between "like-minded states." FOIP, from this perspective, is not a manifesto for a 'Concert of Democracies' that will work together for democratic promotion, but rather an aspirational statement for inter-regional inclusivity and engagement.

While participants took pains to articulate a version of FOIP that was not anti-Chinese in nature, they all agreed that earlier accounts of the vision, particularly those from the United States, were primarily strategies to counter China's Belt and Road Initiative (BRI) and to push back against China's expanding influence in Asia, Africa, and the Middle East. Several participants agreed that FOIP-promoting states must be more inclusive if the concept is to have wide regional appeal.

FOIP AND GOVERNANCE

On discussions of governance and FOIP, the panellists agreed that at present the vision lacks an internal governance structure and, as such, is not a direct contributor to regional governance. The FOIP concept, in this respect, is not an inter-regional organization, but rather a concept without clear structure or shared institutions. This observation was not a critique of FOIP's internal values, but rather an agreement that the concept is a work-in-progress without formal parameters. Nevertheless, as FOIP's primary advocates are all democratic states, the panellists did note the importance of democratic shared values within FOIP as currently conceptualized.

One panellist raised concerns over democracy's centrality in the FOIP concept, arguing that not all Asian states view democratic institutions, or a democratically-aligned 'rules based order,' as necessary conditions for state relations in Asia. With reference to the Pacific Islands in particular, there were questions whether South Pacific nations were amenable to the idea of a democratically-organized strategic concept that, for all intents and purposes, seeks to limit Chinese influence in the region. The majority of South Pacific nations prefer to co-operate with China and have real incentive to limit their engagement.

Some panellists stressed the importance of a rules-based order as the primary foundation for FOIP and opposed attempts to weaken this order. The issue of 'rules-based order' was the point that panellists and participants revisited many times over the course of the two-day conference. One panellist argued that there is currently no consensus around what constitutes 'rules-based order' in Asia and suggested any reference to an unspecific 'order' is problematic. Another panellist argued that the power balance in the Indo-Pacific region is changing rapidly mainly due to China's naval expansion and challenges to 'rules-based order' premised on international law, and like-minded states should work together to address the threat posed by China. Another panellist stressed the importance of the role of the United States in the region, arguing that the U.S. FOIP is not all that different from the Obama administration's Pivot/ Rebalancing.

The panellists agreed on the importance of dialogue within the region as a means to address these issues and to develop further the relationship between the FOIP concept and regional governance. They acknowledged the central role ASEAN will necessarily play in the future development of FOIP and referenced the ASEAN Outlook on the Indo-Pacific as an important joint-statement articulating a more inclusive interpretation of the FOIP vision.

Discussants also raised the issue of the South China Sea within the FOIP concept, with one panellist arguing that the concept's 'free' and 'open' aspects were primarily in reference to maritime law and security co-operation within the Asia Pacific region. Others suggested that the FOIP concept could provide an opportunity for Taiwan's further strategic integration into the Asia Pacific, although there was no consensus among panellists about the feasibility of Taiwan's involvement in FOIP noting, in particular, China's assured opposition.

FOIP AND ECONOMICS

There was widespread agreement amongst panellists that the desire for greater economic interconnectivity provides a critical rationale for state-propagation of the FOIP concept. So did the panellists agree, however, that FOIP in its current formulation lacks a mechanism to help countries achieve such integration.

One speaker identified, for instance, the tremendous amount of economic diversity in Asia, Africa, and the Middle East as a major obstacle to inter-regional economic integration. FOIP-area economies differ significantly in terms of their economic size, state of economic development, per capita gross domestic product (GDP), standards of living, and approach to government/market relations. These structural issues increase the difficulty of the FOIP concept leading to greater inter-regional economic connectivity, particularly as countries are already negotiating for increased interconnectivity through established institutions like the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

Panellists also raised concerns about which regional economies would be included in FOIP-directed economic integration. Panellists agreed, for instance, that the main FOIP economies (particularly the United States) would not likely seek Chinese involvement in any FOIP-related economic initiatives. As such, the panellists questioned FOIP's viability to effect inclusive, inter-regional economic integration.

Lastly, the panellists questioned whether the FOIP concept was necessary for Asian economic interconnectivity, which has deepened in recent years absent of any FOIP construct or institution. The region's existing economic architecture already includes Asia Pacific Economic Cooperation (APEC), the CPTPP, the BRI, and any number of free trade deals. Many Asian countries, including India, are currently negotiating conditions around a Regional Comprehensive Economic Partnership (RCEP), a multilateral free trade agreement that would result in Asia's further economic consolidation. None of these institutions is dependent on the FOIP construct for their relevance and/or durability, so it is questionable where the concept adds value to the regional situation. This is particularly true if the FOIP concept is intended to exclude China and/or limit China's economic influence in Asia.

FOIP AND SECURITY

As with economic issues, panel discussions on FOIP and security were equally wide ranging and informative. Panellists agreed on maritime security's centrality in the concept, particularly with reference to FOIP's 'free' and 'open' values. The panellists similarly referenced the South China Sea and identified FOIP's potential to act as a mediator within regional security dynamics. Panellists also identified sea lines of communication (SLOC) security as a central feature of FOIP's security rationale. One panellist noted that Japan and Australia, two of FOIP's most ardent proponents, are island nations that rely on maritime trade for their economic development, underscoring the importance of a 'free' and 'open' maritime system for those two nations.

One speaker argued that countries could unite under the FOIP construct to balance against China's growing maritime presence and influence in the Indian and Pacific oceans. The speaker pointed to Chinese naval activities in the Gulf of Aden, Chinese naval bases in Djibouti, and China's maritime claims in the South China Sea.

Conference participants also spoke about the centrality of non-traditional security issues in the FOIP concept. Panellists identified issues including illegal, unreported, and unregulated (IUU) fishing, piracy, terrorism, and climate security as key FOIP issue-areas of concern. The panellists agreed that co-operation on non-traditional security issues in Asia could help consolidate security co-operation among states under the FOIP concept.

One panellist noted that China believes the FOIP concept is inherently anti-Chinese in composition and orientation. Another panellist argued that any attempt to exclude China from the regional security architecture would only heighten regional tensions and undermine FOIP's stated intent of contributing to regional stability. Some panellists agreed that FOIP-promoting states must take Chinese concerns into account to avoid regional security schisms. There was, however, little optimism among panellists about a future China/FOIP détente or whether the United States would agree to Chinese involvement in future FOIP institutions.

Lastly, one panellist raised the issue of security in the Middle East and East Africa. The panellist made the point that while the Asia Pacific is remarkably stable, the Indian Ocean region is home to many long simmering conflicts. This security 'gap' between the two regions will complicate any attempt to integrate security activities between regional states. Further, it's not at all certain that all Middle East and Africa states share FOIP-promoting states' views of inter-regional order, particularly if such an order is hostile to China's interests.

FOIP AND CANADA: ISSUES AND POLICY GUIDANCE

As Canada has yet to articulate a national position with regard to the FOIP concept, much of the discussion around FOIP and its implications for Canadian engagement in the Asia Pacific was limited to potential opportunities and/or potential pitfalls.

With regard to governance, panellists agreed that Canada could play an important role in shaping FOIP's internal governance structures as it shares many common values with FOIP's primary architects: Australia, Japan, India, and the United States. FOIP values include democratic determination, inclusivity, interconnectivity, and security. Panellists in particular agreed that the earlier Canada becomes involved in discussions with FOIP-advocate countries around governance issues, the more Canada could influence the development of its governance institutions.

With regard to economics, panellists agreed that Canada has positioned itself well through CPTPP accession to affect greater economic interconnectivity with FOIP economies. Panellists did not agree on what such economic interconnectivity would look like, despite the wide acceptance that Canada could benefit from such integration. The applicability of a two-ocean strategy for Canada was raised as Canada is not dependent on Indian Ocean SLOCs.

With regard to security, panellists agreed that Canada could play a more proactive role within the region around security negotiations and security cooperation, particularly with respect to the South China Sea and Taiwan.

POLICY RECOMMENDATIONS: CANADA AND FOIP

While the panellists did not provide direct policy advice to the Canadian government regarding its approach to the FOIP concept, discussions involving participants and speakers tended to coalesce around a few of the following policy options:

1. Canada must understand the competing FOIP visions to determine which, if any, most directly benefit Canada's national interests in Asia. Such discussion must include governance, economics, and security implications for Canada in terms of developing a coherent 'Made in Canada' approach to the Indo-Pacific region.
2. Canada must consider what are its national interests in the region and how can they be best served through FOIP collaboration, particularly with reference to China. An inclusive approach to China will serve Canadian interests better than the earlier U.S. version, which is more focused on Chinese containment.
3. Canada must also recognize, however, that there are clear signals from some regional actors for greater Canadian involvement within an Indo-Pacific architecture. Canada can use the FOIP vision, for example, to enhance its bilateral relations with certain Asian states, as evidenced in Canada's commitment with Japan to the "vision for maintaining a free and open Indo-Pacific region based on the rule of law" and to "advance it through a range of initiatives" (PMO announcement on April 28, 2019, upon Japan's PM Shinzō Abe's visit to Ottawa).
4. Canada must take advantage of normative convergences with FOIP states and establish its own pillars for engagement to promote Canadian interests in the region, such as sustainable development, maintenance of global rules and norms, freedom of navigation, peaceful resolution of disputes, WPS agenda, climate security, and governance on digital trade, data, and cybersecurity.

5. The adoption of an Indo-Pacific geographic concept will require critical analysis and regional partner consultation as expanding the geographic reference to include the Indian Ocean is not as intuitive for Canada as it is for countries like Japan and Australia, which are both island nations with clear economic and security interests in the Indian Ocean. The benefit to Canada of including the Indian Ocean, however, enhances the already acknowledged importance on heightening Canada's relations with India.

6. Vancouver's location and its connectivity to North America and Asia make it the ideal city for continuing strategic dialogue. Support APF Canada's initiative to mount an annual Vancouver Asia Dialogue series convening international experts from government, academia, and the corporate sector with the aim of addressing key strategic issues in the Indo-Pacific.

Compiled by the



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March, 2020

ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development, and Asia Competency

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APF Canada also works with business, government, and academic stakeholders to provide custom research, data, briefings and Asia Competency training for Canadian organizations. Consulting services are available by request. We would be pleased to work with you to meet your research and business intelligence needs.

Visit APF Canada at www.asiapacific.ca.

ASIA PACIFIC CURRICULUM PROJECT

Empowering Canadian Youth to Lead and Succeed in the 'Asian Century'

An initiative of the Asia Pacific Foundation of Canada



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ASIA COMPETENCE

The Asia Pacific Foundation of Canada (APF Canada) believes that the future strength of Canada's relations with Asia is tied to enabling young Canadians to lead and succeed in the 21st century. Canadian youth are graduating into a world increasingly centred on Asia and a Canada with deepening ties to Asia. We know that a successful and globally-engaged nation is one in which young people are equipped to engage with the world's largest – and arguably most dynamic – region in a way that is informed, effective, and respectful. This is why APF Canada is dedicated to cultivating 'Asia competence' – the knowledge and skills required to engage with and in Asia.

Three primary reasons why Asia competence is a critical skill for Canada's future:

1. Asia is now and will continue to be the world's economic centre of gravity
2. A nuanced understanding of this far-reaching and diverse region is a critical aptitude for Canada's future global leaders
3. There is an urgent need to update Canada's curriculum to reflect the diversity of our population



APF Canada is poised to meet these needs. Over the past three years, APF Canada's Asia Pacific Curriculum Project has led the way in building the Asia competence of students and teachers in British Columbia. By providing thoughtful and well-designed teaching materials, APF Canada and its B.C. teacher-collaborators have introduced tens of thousands of Canadian youth (Grades 6-12) to contemporary Asia and modern Asian histories, economies, geography, politics, and cultures.

Our vision is to expand the Asia Pacific Curriculum Project from coast to coast to coast over the next five years – but we need your support.

OUR FIVE-YEAR VISION

Enabling Canadian youth to lead and succeed in the 'Asian Century'

The Asia Pacific Foundation of Canada envisions an ambitious expansion of the Asia Pacific Curriculum Project that is both national in scope and inclusive of Canadian diversity.

The Project will be tailored to meet various regional, provincial, and territorial curriculum needs; provide lessons on a broad spectrum of Asia's countries and cultures; support annual teacher professional development; and, create in-depth signature modules on major historical, economic, political, and social issues that today's youth will confront in the coming decades.

Specifically, our vision for this five-year expansion includes:

- The development of new curriculum modules covering a broad range of topics relevant to understanding contemporary society, including Asian-Canadian history
- The creation of bilingual teaching materials
- A robust consultation and awareness campaign to effectively expand and promote the initiative in alignment with teachers' needs
- Tailored professional development for teachers to introduce teaching modules and develop educators' Asia competence, especially around topics that require additional sensitivity

We are seeking the support of Canadian governments, private sector stakeholders, civil society, and philanthropists. Funding will be split equally between content development and capacity-building for Canadian teachers, with an overall budget of C\$3 million over five years.



WHY ASIA COMPETENCE? WHY NOW?

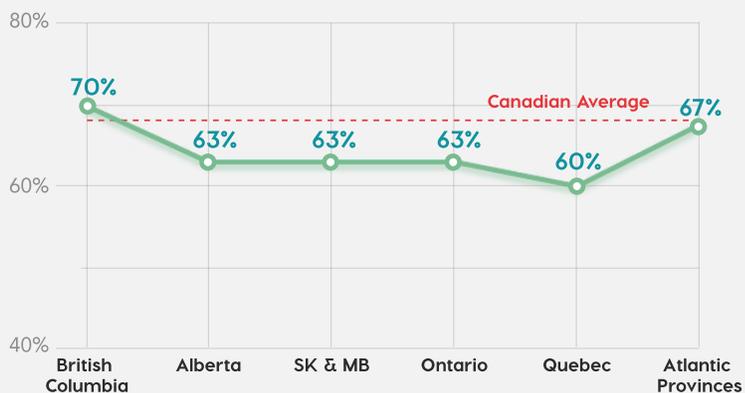


Responding to growing international and domestic imperatives

In the last few decades, the world has experienced a **significant pivot towards Asia**. By 2030, Asia will account for 53 per cent of the world's population, half of the world's GDP, 64 per cent of the global middle class, and be a **major source of innovation and creativity** in the arts, technology, science, and other areas of human endeavour.

And it is not only the world that is increasingly pivoting to Asia. **Asians represent a rapidly growing proportion of new Canadians**, especially young Canadians. This community continues to report under-representation in key aspects of Canadian society, including school curricula.

Strong Support for Increased Emphasis on Teaching about Asia





Raising awareness and replacing counter-productive narratives

In summer 2020, APF Canada conducted a series of focus groups with East Asian young adults (aged 18-30) in which participants described being subjected to “**low-frequency**” racism in Canada. They believe this **grew out of others’ – including their peers’ – lack of understanding of Asia and its diversity**. A majority of these participants specifically identified a lack of attention to Asia and Asian-Canadian history in their primary and secondary schools as an opportunity to counteract ignorance and harmful stereotypes.

Asia competence in schools can go a long way to improving the lives of our diverse community.

Closing the Asia competence gap

While Canadian education systems are laudable, their legacy focus on Europe and the United States needs to expand to make space for Asia. The regions of the world that mattered to Canada’s past are not the only ones that will matter to Canada’s future.

Peer countries such as Australia, New Zealand, and the United States began implementing Asia curriculum programming in their K-12 schools more than 20 years ago. A curriculum that does not address the growing importance of Asia and Asian Canadians to Canada’s future **puts our young people at a disadvantage**.



“

As a 20-year veteran secondary educator in the world of Social Sciences and Humanities, the need for valid, representative, and current material is something my colleagues and students are always looking for. I have witnessed the evolution of the Asia Pacific Curriculum Project from the perspective of a global education program co-ordinator, [and] I continue to value its robust, yet streamlined, offerings. The project creators consulted educators in the process, and it shows in the ease of delivery in diverse learning spaces.

Having access to global issues, voices, trends, history, and stories that better reflect Ontario's student population will foster the diversity of representation that we must embrace and embed in our curriculum.”

**Kathy Sigmund-Scheepers, Ottawa-Carleton
Teacher, Ottawa-Carleton District School Board**

Broad support

While APF Canada is the leading voice for the importance of preparing young Canadians for an increasingly Asia-centred future, we are **not the only ones emphasizing this urgent need**.

Our national opinion surveys show that a minimum of 60% of Canadians in every region across the country feel there should be more focus on Asia in schools. Canadian employers also support the development of Asia competence, which they view as an **amplifying skill** that can elevate their success. Finally, and importantly, Canadian **educators are enthusiastic and supportive**, testifying to the impact and relevance of APF Canada's Asia Pacific Curriculum Project for their classrooms, fellow teachers, and students.





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SUPPORT US

Thank you for your interest in the Asia Pacific Curriculum Project. We are excited to equip Canada's young people with the knowledge and skills to excel in the Asian Century, and we welcome you to join us in realizing this ambitious five-year vision.

We welcome all forms of support, from financial contributions and advocacy to network facilitation and more. If you, your organization, or someone you know might be interested in further discussing this opportunity, we would love to hear from you.

For more information, or to lend your support,
please contact:



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**PROJET DE PROGRAMME D'ÉTUDES
SUR L'ASIE PACIFIQUE**

**Outiller les jeunes Canadiens
pour diriger et réussir durant
le « siècle asiatique »**

Une initiative de la Fondation Asie Pacifique du Canada



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COMPÉTENCE SUR L'ASIE

La Fondation Asie Pacifique du Canada (la Fondation) estime que la force future des relations du Canada avec l'Asie consiste à outiller les jeunes Canadiens pour diriger et réussir au XXI^e siècle. Les jeunes Canadiens obtiennent leur diplôme dans un monde de plus en plus centré sur l'Asie et un Canada dont les liens avec l'Asie se resserrent. Nous savons qu'un pays qui réussit et s'engage dans le monde est un pays dont les jeunes sont équipés pour s'engager avec la plus grande région du monde — et sans doute la plus dynamique — d'une manière informée, efficace et respectueuse. C'est pourquoi la Fondation s'efforce de cultiver la « compétence sur l'Asie », c'est-à-dire les connaissances et les savoir-faire nécessaires pour s'engager en Asie et avec l'Asie.

La compétence sur l'Asie est essentielle à l'avenir du Canada pour trois raisons :

- L'Asie est le centre de gravité économique du monde et le restera.
- Une compréhension nuancée de cette vaste région diversifiée est une aptitude essentielle pour les futurs dirigeants mondiaux du Canada.
- Il est urgent d'actualiser les programmes d'études du Canada pour qu'ils tiennent compte de la diversité de notre population.



La Fondation est bien placée pour répondre à ces besoins. Au cours des trois dernières années, le *Projet de programme d'études sur l'Asie Pacifique* de la Fondation a ouvert la voie au renforcement de la compétence sur l'Asie des élèves et des enseignants de la Colombie-Britannique (C.-B.). En fournissant du matériel pédagogique judicieux et bien conçu, la Fondation et ses enseignants-collaborateurs de la C.-B. ont fait découvrir à des dizaines de milliers de jeunes Canadiens (de la 6^e à la 12^e année) l'Asie contemporaine et l'histoire, l'économie, la géographie, la politique et les cultures asiatiques modernes.

Nous avons pour vision d'étendre le *Projet de programme d'études sur l'Asie Pacifique* d'un océan à l'autre au cours des cinq prochaines années. Mais, pour y arriver, nous avons besoin de votre soutien.

NOTRE VISION QUINQUENNALE

Donner aux jeunes Canadiens les outils pour diriger et réussir durant le « siècle asiatique »

La Fondation Asie Pacifique du Canada envisage une expansion ambitieuse du *Projet de programme d'études sur l'Asie Pacifique* qui soit d'une envergure nationale tenant compte de la diversité canadienne. Le projet sera adapté pour répondre aux divers besoins des programmes d'études régionaux, provinciaux et territoriaux; fournir des leçons sur un vaste éventail de pays et de cultures asiatiques; soutenir le perfectionnement professionnel annuel des enseignants; et élaborer des modules signature d'enrichissement sur les principaux problèmes historiques, économiques, politiques et sociaux auxquels les jeunes d'aujourd'hui seront aux prises dans les prochaines décennies.

Plus précisément, notre vision pour cette expansion sur cinq ans comprend :

- L'élaboration de nouveaux modules de programme d'études couvrant un vaste éventail de sujets pertinents pour comprendre la société contemporaine, y compris l'histoire des Canadiens d'origine asiatique
- La création de matériel pédagogique bilingue
- Une solide campagne de consultation et de sensibilisation pour développer et promouvoir efficacement l'initiative en fonction des besoins des enseignants
- Un perfectionnement professionnel sur mesure pour présenter les modules d'enseignement aux enseignants et augmenter la compétence sur l'Asie, en particulier pour les sujets nécessitant une sensibilité supplémentaire

Nous recherchons le soutien des gouvernements canadiens, des acteurs du secteur privé, de la société civile et des philanthropes. Le financement sera réparti également entre l'élaboration du contenu et le renforcement des capacités des enseignants canadiens, avec un budget global de 3 millions \$ CA sur cinq ans.



POURQUOI LA COMPÉTENCE SUR L'ASIE? ET POURQUOI MAINTENANT?

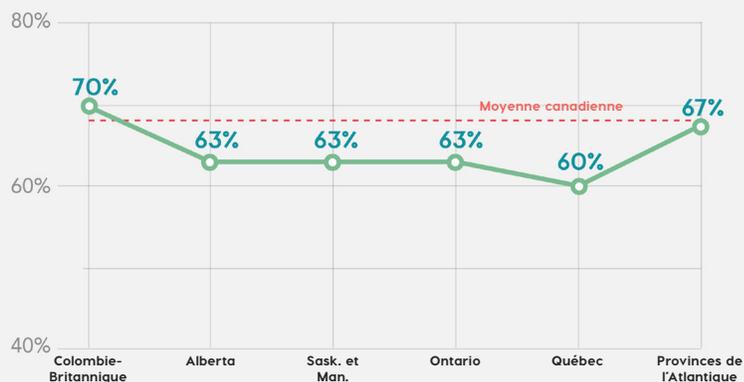


Réagir à des impératifs internationaux et nationaux croissants

Au cours des dernières décennies, le monde a connu **un tournant important vers l'Asie**. D'ici 2030, l'Asie représentera 53 % de la population mondiale, la moitié du PIB mondial, 64 % de la classe moyenne mondiale, et sera **une source majeure d'innovation et de créativité** dans les arts, la technologie, la science et d'autres domaines de l'activité humaine.

Mais il y a plus que ce tournant du monde vers l'Asie. **Les Asiatiques représentent une proportion rapidement croissante des nouveaux Canadiens**, en particulier des jeunes. Cette communauté continue de signaler une sous-représentation dans des aspects clés de la société canadienne, notamment les programmes d'études.

Soutien très favorable d'accorder plus de place à l'Asie dans l'enseignement





Comblent le déficit de la compétence sur l'Asie

Les systèmes éducatifs canadiens sont dignes de louanges, mais leur héritage centré sur l'Europe et les États-Unis doit s'étendre pour donner de la place à l'Asie. Les régions du monde qui comptaient pour le passé du Canada ne sont plus les seules à compter pour l'avenir du pays.

Des pays semblables, comme l'Australie, la Nouvelle-Zélande et les États-Unis, ont tous commencé à mettre en œuvre des programmes d'études sur l'Asie de la maternelle à la 12e année dans leurs écoles il y a plus de 20 ans. Un programme d'études qui ne tient pas compte de l'importance croissante de l'Asie et des Canadiens d'origine asiatique pour l'avenir du Canada **désavantage nos jeunes**.

Sensibilisation et remplacement des discours contre-productifs

Au cours de l'été 2020, la Fondation a organisé une série de groupes de discussion avec de jeunes adultes d'Asie de l'Est (âgés de 18 à 30 ans), lors desquels les participants ont décrit être soumis à **un racisme « de faible intensité » au Canada**. Ils l'attribuent au **manque de compréhension de la part d'autrui — y compris leurs pairs — à l'égard de l'Asie et de sa diversité**. Une majorité de ces participants ont spécifiquement mentionné le manque d'attention à l'Asie et à l'histoire des Canadiens d'origine asiatique dans leurs écoles primaires et secondaires et qu'en y remédiant, on pourrait contrecarrer l'ignorance et les stéréotypes nuisibles

L'enseignement de la compétence sur l'Asie dans les écoles peut contribuer grandement à améliorer la vie de notre communauté diversifiée.





« En tant qu'éducatrice du secondaire ayant 20 ans d'expérience dans le monde des sciences sociales et humaines, je sais que mes collègues et mes élèves sont toujours à la recherche de matériel valable, représentatif et actuel. J'ai été témoin de l'évolution du Projet de programme d'études sur l'Asie et le Pacifique en qualité de coordonnatrice de programmes sur l'éducation mondiale, [et] je continue à apprécier son contenu solide, mais rationalisé. Les créateurs du projet ont consulté les éducateurs au cours du processus, et cela se traduit par la facilité d'enseigner dans divers espaces d'apprentissage.

En prenant connaissance des questions, voix, tendances, histoire et récits mondiaux qui reflètent mieux la population étudiante de l'Ontario, nous favoriserons la diversité de la représentation que nous devons adopter et intégrer dans notre programme d'études. »

Kathy Sigmund-Scheepers, enseignante dans Ottawa-Carleton; Conseil scolaire de district d'Ottawa-Carleton

Soutien de grande étendue

Alors que la Fondation est le principal porte-parole de l'importance de préparer les jeunes Canadiens à un avenir de plus en plus centré sur l'Asie, **nous ne sommes pas les seuls à souligner ce besoin urgent**. Nos sondages d'opinion nationaux montrent qu'au moins 60 % des Canadiens de toutes les régions du pays estiment qu'il faudrait accorder plus de place à l'Asie dans les écoles. Les employeurs canadiens soutiennent également le développement de la compétence sur l'Asie, qu'ils considèrent comme une **compétence amplificatrice** susceptible d'accroître leur réussite. Enfin, et c'est important, les **éducateurs canadiens se montrent enthousiastes et favorables**, ce qui témoigne de l'impact et de la pertinence du *Projet de programme d'études sur l'Asie et le Pacifique* de la Fondation pour leurs classes, leurs collègues enseignants et leurs élèves.





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À PROPOS DE LA FONDATION

La Fondation Asie Pacifique du Canada est une organisation à but non lucratif consacrée aux relations du Canada avec l'Asie. Sa mission consiste à servir de catalyseur et de trait d'union dans les relations entre l'Asie et le Canada. La Fondation a pour rôle de renforcer les liens entre le Canada et l'Asie, en se concentrant particulièrement sur les secteurs relevant de sept thématiques : le commerce et les investissements, les enquêtes et les sondages, la sécurité régionale, les technologies numériques, les réseaux intérieurs, le développement durable et les compétences sur l'Asie.

SOUTENEZ-NOUS

Nous vous remercions de l'intérêt que vous portez au *Projet de programme d'études sur l'Asie Pacifique*. Nous sommes heureux de doter les jeunes Canadiens des connaissances et des compétences nécessaires pour exceller au cours du siècle asiatique, et nous vous invitons à vous joindre à nous pour réaliser cette ambitieuse vision quinquennale.

Nous accueillons avec plaisir toutes les formes de soutien, qu'il s'agisse de contributions financières, de représentation, d'animation de réseaux ou d'un autre ordre. Si vous, votre organisation ou une personne que vous connaissez souhaitez discuter plus avant de cette possibilité, faites-nous-en part.

Pour plus de renseignements ou pour nous
soutenir, veuillez communiquer avec :



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