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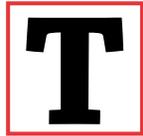
CANADA AS A 21ST CENTURY PACIFIC POWER

TOWARD 'BROAD
DIVERSIFICATION'
IN ASIA

JANUARY 2020

*This policy brief is a part of the Asia Pacific Foundation of Canada's **Strategic Asia** series, which examines security and geopolitical issues in the Asia Pacific with reference to Canada's national security interests. The authors identify what they agree are the region's most pressing geopolitical and geo-economic issues and outline the parameters within which policy-makers can act. The brief is non-partisan and, as such, avoids prescribing specific policy measures. Rather, the authors have provided regional situational awareness for those in government to craft informed policy in line with their respective political mandates.*

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 and we would be pleased to work with you to meet your business intelligence needs.

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EXECUTIVE SUMMARY

Canada must prioritize the advancement of its national interests in the Asia Pacific when developing a regional grand strategy. Specifically, Canada must develop an approach to Asia that allows it to ensure its security, demonstrate its autonomy, continue its economic development, and grow its stature and prestige.

Most immediately, Canada must develop a strategic approach to manage its position between the United States and China as the two superpowers' relations are conflictual and Canada finds itself under pressure to 'choose sides.'

Central to this approach is the need to demonstrate to Asia Pacific countries that Canada is an independent actor. Canada must articulate its autonomy in Asia, particularly as regional countries are increasingly concerned over the U.S.'s influence on regional security and stability and tend to view Canada as aligned with the U.S.

Canada needs to demonstrate strategic commitment to Asia through bilateral engagement and multilateral dialogue. Canada, in particular, must strengthen its non-economic links to Asia, particularly those addressing strategic issues.

Central to developing a strategy to achieve ‘broad diversification’ is greater understanding of the region’s institutions and trends. Canadian policy-makers must invest in developing a domestic capacity to monitor and respond to regional developments in ways that demonstrate Canadian leadership and Canadian values.

Canada can also engage with other regional ‘middle powers,’ many of which are looking to expand bilateral relations with other Asian countries to balance against U.S. and Chinese influence. Australia, Japan, New Zealand, and Singapore, in particular, are natural partners.

Canada should particularly look to ASEAN and ASEAN member states for opportunities for engagement with a clear understanding that ASEAN is growing in regional centrality and importance.

INTRODUCTION

In the three years since the Asia Pacific Foundation of Canada (APF Canada) published its *2016 Building Blocks for a Canada-Asia Strategy*, the Asian region has grown in importance and in complexity for Canada. Opportunities for diplomatic and commercial engagement within the region have expanded, for example, around areas including middle power diplomacy and economic regionalism. Concurrently, uncertainty and instability in the Asia Pacific – whether in the form of trade tensions between the United States and China, a deterioration in bilateral relations between Canada and China, or a creeping militarization of issues ranging from the South China Sea to India-controlled Kashmir – have grown and continue to expand.

‘An immediate priority of any Canadian government must be the formulation and implementation of a comprehensive Asian strategy that draws on Canadian strengths and values to demonstrate its strategic commitment to the region.’

It is APF Canada’s position that an immediate priority of any Canadian government must be the formulation and implementation of a comprehensive Asian strategy that draws on Canadian strengths and values to demonstrate its strategic commitment to the region. While certain issue areas

will require more ad hoc policy approaches, development of an Asian ‘grand strategy’ is not only possible but critical for Canadian engagement in the region. Failing its development, Canada will find itself increasingly on the outside of regional developments as Asian countries move forward without consideration of its position or interests. Succeeding in its formulation and implementation, conversely, Canada can position itself as an important regional actor, one that leads with its values and shapes regional developments as a participant rather than an observer.

In this policy briefing, APF Canada offers a blueprint for a Canada-Asia strategy based on dominant regional trends and institutions, Canada’s regional comparative advantage and value-add, and Canadian national interests. In so doing, APF Canada provides a strategic formula based on relatively fixed inputs, many of which are non-partisan to the extent that they will inform any Canadian government’s policy making process.

In developing a regional ‘grand strategy,’ Canada must:

- Develop a strategic approach to manage its position between the United States and China.
- Demonstrate to Asia Pacific countries that Canada is an independent actor and not one beholden to U.S. interests.
- Demonstrate strategic commitment to Asia through bilateral engagement and multilateral dialogue.
- Invest in developing a domestic capacity to monitor and respond to regional developments in ways that demonstrate Canadian leadership and Canadian values.
- Engage with other regional ‘middle powers’ and in particular look to ASEAN and ASEAN member states for opportunities for engagement.

CHAPTER 1

INSTITUTIONS AND TRENDS



CHALLENGES



With regard to the Asia Pacific's predominant institutions – those most influential on regional order and development – APF Canada believes the following are the most relevant with respect to Canada's policy formulation. First and foremost are the **ongoing tensions between the United States and People's Republic of China (PRC)**, which suggest the Asia Pacific is moving toward a future of increased competition (if not conflict) and bifurcation. While ostensibly the result of trade disputes, such tensions are increasingly structural, based on China's growing economic centrality in Asia, the interconnected nature of Asian trade, investment, and finance, and the United States' reliance on its military to maintain regional 'pre-eminence.' As most forecasts suggest China's dominant position in Asia will grow with the PRC potentially becoming the world's largest economy in real gross domestic product (GDP) terms by 2030 and as more Americans come to view China's growth as a 'critical threat' to U.S. interests, it is highly unlikely that tensions between the two countries will ameliorate with a trade agreement, even one seen as beneficial by both governments.¹ Rather, there is a likelihood that U.S.-China tensions will extend beyond the Trump and Xi administrations to infect the two countries' next-generation leaders, regardless of their political affiliations and/or proclivities. At the time of writing, for instance, all the U.S. Democratic candidates for president have expressed opposition to China's development model and criticism of its internal politics.

'There is a likelihood that U.S.-China tensions will extend beyond the Trump and Xi administrations to infect the two countries' next-generation leaders.'

As U.S.-China tensions deepen, there is an increased likelihood that regional states, including Canada, will be forced to choose which of the two countries is a priority partner. While Asian countries have long sought to avoid this outcome, which they universally agree would lead to increased strategic instability and decreased economic development, any 'decoupling' between the U.S. and China will result in parallel institutions within Asia that would result in competing **spheres of influence**.¹ One of the most prominent examples of this type of development is already underway with regard to **telecommunications and 5G**, with Asian countries such as Thailand, Malaysia, the Philippines, Cambodia, Laos, and Myanmar all working with the Chinese company Huawei while others, including Japan, Australia, and Taiwan, limiting and/or restricting Huawei's involvement in their internal communication network systems. The division between those countries that work with Huawei and those that do not is not simply a choice between companies, but rather a choice with implications that extend to **competing rules, regulations, and systems** that are mutually exclusive.

Closely related to U.S.-China tensions is the increase in bellicosity and unilateralism coming from **both the United States and China** toward issues in the Asia Pacific. With regard to the United States, the Trump administration's 'America First' foreign

policy approach is undermining the U.S.' traditional alliance relationships with South Korea and Japan while creating tension within Asia over their relations with China. Senior Trump administration officials including Vice President Pence and Secretary of State Pompeo have repeatedly used international and regional multilateral fora to demand that U.S. allies pay more for U.S. 'protection' and to pressure Asian countries to reject economic engagement with China, advancing the controversial assertion that Beijing uses 'debt trap diplomacy' to undermine Asian countries' sovereignty. The Trump administration has also shown a willingness to use economic coercion to shape Asian countries' foreign and trade policy, the most relevant example for Canada being steel and aluminum tariffs and threats of further trade control measures.

'The Trump administration's 'America First' foreign policy approach is undermining the U.S.' traditional alliance relationships with South Korea and Japan while creating tension within Asia over their relations with China.'

The Trump administration is also **militarizing Asia** through its plans to deploy land-based, medium range ballistic missiles off the Chinese mainland, its 'fire and fury' approach to North Korea, its continued freedom of navigation operations (FONOPs) in the South China Sea, and its drawdown of diplomats and increase in military officials through the region. While the prioritization of a U.S. 'forward presence' in Asia has been a staple in U.S. foreign

policy going back decades, the Trump administration's publication of its *Indo-Pacific Strategy Report* marks a significant increase in U.S. securitization of the Asian region with specific reference to China as a near-peer adversary and an existential threat.² Notably, the Trump administration's militarization of Asia is occurring in parallel with broader **U.S. disengagement from Asia**, whether in terms of its alliance networks or economic relations. These concurrent developments suggest the U.S.'s future role in Asia will be one predicated on security issues, not on the economic and political concerns Asian states prioritize.

As for China, Beijing under the Xi Jinping administration has shown an increased willingness to use coercion to advance its foreign and security policy goals, whether in the form of **hostage diplomacy** or **informal economic sanctions**. Canadians are well aware, for example, that Beijing has detained foreign nationals working in China to gain negotiating leverage or as a means to punish countries it feels are working against it. The case of the Canadian detainees is a stark example of this behaviour and a clear sign of the pitfalls any country faces when working closely with the PRC. Beijing has also demonstrated its willingness to use economic tools such as import controls and/or phytosanitary inspections to stop or to slow inbound exports from countries it seeks to punish.

Chinese rhetoric around issues it describes as 'core' to its national interests has become increasingly assertive, with particular reference to China's territorial claim over the **South China Sea** and its sovereignty claim to **Taiwan**. While Beijing continues to

use a dual track approach toward these issues, one predicated on negotiation and threats, the Xi administration has taken a more direct line to ‘solving’ these issues within a fixed timeframe than previous Chinese leadership, most particularly with regard to Taiwan’s status. This approach to cross-strait relations has the potential to bring China into conflict with the United States, as U.S. Congress passed the non-binding Taiwan Assurance Act in 2019 to demonstrate its political and military support for Taiwan in the face of growing pressure from Beijing.



Developments in Hong Kong will have implications for Canada’s engagement strategy in Asia

Source: Getty Images

More immediate than Taiwan, however, is the Xi administration’s approach to the situation in **Hong Kong**, which is growing more precarious. While protests in Hong Kong have decreased in size, the protestors have adopted new, more disruptive tactics, including targeting transportation hubs such as the Hong Kong airport and Hong Kong Mass Transit Railway system. Clashes between protestors and Hong Kong police have become more frequent and more violent and public opinion, as a result, has become more divided within Hong Kong and abroad among those

who support some protesters and those who support the local government and Beijing.³ Some analysts argue Hong Kong is the first ‘battleground’ in the emerging **U.S.-China ‘Cold War,’** pointing to the clash of political and economic ideology within the autonomous region and U.S. overt and (suspected) covert activity in the area challenging Beijing’s sovereignty. Whether or not this is an accurate portrayal, it is likely that developments in Hong Kong will have wider regional implications for U.S.-China relations and, consequently, for Canada’s engagement strategy in Asia. Canada will find its relations with Hong Kong complicated, for instance, if the United States revokes Hong Kong’s special trading status as members of the U.S. Congress have threatened.

Beyond U.S.-China tensions and U.S. and Chinese behaviour, there are many other significant institutions that constitute Asian order and, thereby, shape Canada’s policy options toward the region. One troubling development, for instance, is the **breakdown in state relations between South Korea and Japan,** two countries that have, despite a troubled history, developed deep political, commercial, and people-to-people ties over the past 50-plus years. While the precise nature of the downturn in South Korean-Japanese relations is beyond this paper’s scope, it is important to note the two countries’ deterioration in relations is occurring during a time of diminished engagement by the U.S. The Trump administration has repeatedly called the value of its alliance relations with South Korea and Japan into question, has left key State Department position in both countries unfilled for extended periods of time (including the U.S. ambassador to South Korea), has appointed non-career diplomats as ambassadors to

both countries, and has marginalized both states from the U.S. approach to security and trade in the region. The breakdown in South Korea-Japan relations is also taking place as both countries increase their diplomatic and economic ties to China and as China becomes more militarily engaged with Russia in Northeast Asia.

The **Democratic People's Republic of Korea (DPRK) and its ongoing nuclear program** remain a critical part of Asian order with the potential to introduce high levels of conflict, if not war, to the Asian theatre. The current U.S. administration's summit approach to U.S.-DPRK relations has not addressed any of the outstanding issues around the DPRK's nuclear program, rather it has provided time and space for its further development and consolidation. While some may see the DPRK's self-imposed moratorium on long-range ballistic missile testing as a tactical victory, that the current administration has chosen to disregard its allies' concerns over its short- and medium-range missiles is a strategic win for Kim Jong-un. That the DPRK continues to test and to refine its missile delivery systems is also indicative that the situation on the Korean peninsula remains unstable.

Among the regional 'hot spots,' **Kashmir** remains one of the hottest, with the current Indian government's decision to revoke Article 370 of India's constitution and its subsequent stripping of the region's autonomy likely to contribute to further instability in the area. India is also experiencing nationwide protests, many of which have resulted in loss of life, the result of the Modi government's **new citizenship law** that restricts Muslim immigration and relegates the country's 200 million Muslims to second-class status.⁴

Relations among the **Mekong River basin** states are also increasingly strained over issues related to water use and water management. Late monsoon rains coupled with upstream hydropower developments in China and Laos led to a drought within Mekong riparian communities in 2019 with the river's water level falling to its lowest level in 100 years. Rice cultivation in China, Myanmar, Thailand, Laos, Cambodia, and Vietnam – all Mekong states – fell precipitously as a result, affecting continental Southeast Asia's overall food security. While the Mekong river states continue to discuss terms for shared usage, China is developing upstream hydropower projects, damming the river close to its source waters. As the Mekong directly affects up to 300 million people across Southeast Asia, it remains an important source of potential instability within the Asia Pacific.

'While the Mekong river states continue to discuss terms for shared usage, China is developing upstream hydropower projects, damming the river close to its source waters.'

Closely related is the issue of **climate change**, an issue with deep relevance in the Asia Pacific context. Changes in temperatures and weather patterns have caused super typhoons in Southeast and Northeast Asia, flooding in India, Japan, and Thailand, and extreme weather in countries like China, Japan, and South Korea in 2019. For Asian countries such as the Maldives, Fiji, and Bangladesh, rising sea levels present existential challenges both in terms of inundation and human security.

OPPORTUNITIES

Within the past year, there has been a resurgence of **middle power diplomacy** within the Asia Pacific, particularly from the Association of Southeast Asian Nation (**ASEAN**) member states as they work to navigate U.S.-China tensions and to insulate themselves from outside pressure. Most recently in June 2019, the ASEAN member states agreed on an Outlook on the Indo-Pacific concept where member states identified ASEAN centrality in regional affairs and ASEAN-led institutions, such as the East Asian Summit (EAS), as necessary conditions to regional stability. While a degree of disunity persists among the ASEAN member states over certain issue areas, whether with regard to the South China Sea or the U.S.-China trade war, there is still a clear tendency among these countries to collaborate on strategic issues, such as the development of a Code of Conduct (CoC) for activity in the South China Sea. While scholars have debated ASEAN's relevancy since its inception, the organization's position as an alternative centre of power in Asia is growing as its member states' economies grow, as ASEAN economic and political interconnectivity deepens, as China increases its reliance on ASEAN to facilitate its approach to Southeast Asia, and as the U.S. and EU empower the organization to balance against China's regional influence.

Middle power co-operation between countries including **Australia, Japan, New Zealand, and Singapore** has also deepened over recent years, both the result of these countries' shared commitment to good governance and economic

inclusivity and their shared visions of the Asia Pacific's strategic environment. Less formalized than ASEAN, co-operation between these like-minded Asian middle powers has resulted in the development of regional norms around concepts like the Indo-Pacific and institutions like the **Comprehensive and Progressive Transpacific Partnership (CPTPP)**.⁵ Such middle power engagement in Asia extends to Latin America, where middle powers including **Chile and Mexico** have prioritized their Asian engagement strategies and operationalized their engagement through regional institutions like the CPTPP. For Canada, opportunities with Asian middle powers include **multilateral engagement** (outlined below) and **bilateral dialogues**, such as Canadian-Australian, Canadian-Singaporean, and/or a Canadian-Indonesian dialogue mechanisms, for example.

'While scholars have debated ASEAN's relevancy since its inception, the organization's position as an alternative centre of power in Asia is growing.'

Closely related to middle power activism is the continued importance within the Asia Pacific of **multilateralism and multilateral institutions**. While ASEAN is arguably Asia's most established and enduring multilateral institution – both as a standalone institution and as a co-ordinating mechanism for extra-regional states through its ASEAN+ formats – institutions such as the Conference on Interaction and Confidence-Building Measures in Asia (CICA), the Council for Security Cooperation

in the Asia Pacific (CSCAP), Asia-Pacific Economic Cooperation (APEC), the Lancang-Mekong Cooperation (LMC) Mechanism, and the Shanghai Cooperation Organization (SCO) also provide important platforms for regional states to engage in diplomacy and dialogue around regional issues that, if left unaddressed, could lead to conflict. Within the ASEAN+China forum, for example, ASEAN member states and China are negotiating a **Code of Conduct (CoC)** for the South China Sea that could – if successfully agreed upon – help deescalate one of Asia’s main flashpoints. Southeast Asian countries are also working with China through the LMC mechanism to agree on water rights and water usage around the Mekong river, relying on diplomacy and dialogue to address what otherwise has the potential to be a significant source of tension in Asia.

Parallel to Asian multilateralism is the growing number of **minilateral institutions**, often formulated around a specific issue area. The U.S.-led Quadrilateral Security Dialogue is one such example of a minilateral institution between the U.S., Japan, Australia, and India, designed as a democratic bulwark against China’s regional rise. China-Japan-ROK trilateralism and the ASEAN-based ‘Our Eyes’ intelligence sharing mechanism are other salient examples of Asian minilateralism, all with potential to influence regional dynamics for broader regional stability. For Canada, there are also significant opportunities to develop minilateral ties around other issue areas in Asia. A strategic Canadian minilateral approach to Asian landlocked countries including Nepal, Mongolia, and Bhutan, for instance, would allow

it to develop influence in otherwise isolated states where it has a long tradition of good bilateral relations but lacks a contemporary aid program to maintain relations. The demand-signals for Canadian involvement within these landlocked countries are loud; Canada need only allocate resources for engagement to advance its interests.

While political engagement and dialogue are in part responsible for ASEAN's growing stature as a middle power institution, the **shift in the economic centre of gravity** in Asia from China toward Southeast Asia is also providing it with additional relevance. ASEAN member states such as Vietnam, Thailand, Malaysia, and Singapore are all benefiting from U.S.-China trade tensions as investors relocate manufacturing hubs, reroute supply chains, and look for alternative resource providers. This shift provides a complementarity to the increased consolidation of the **ASEAN Economic Community (AEC) 2025** concept, which ASEAN member states adopted in 2015 to facilitate a single ASEAN common market, and some ASEAN member states' adoption of the **CPTPP** agreement in late 2018/early 2019.

Building on these economic institutions, ASEAN member states are in negotiation with other Asian countries – including Australia, China, Japan, India, New Zealand, and South Korea – to conclude the Regional Comprehensive Economic Partnership (RCEP) agreement, which would further increase Asian economic integration and ASEAN economic centrality.

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In addition to ASEAN and ASEAN member states, **Japan** under Prime Minister Abe has taken on a more active role in the Asia Pacific and has, as a consequence, become a partner of choice on economic and diplomatic affairs for many Asian countries.⁶ Tokyo was a driving force behind the CPTPP agreement and remains the largest outside provider of foreign direct investment (FDI) to Southeast Asia, investing primarily in the sub-region's underdeveloped infrastructure sector. Japan has also embraced global and regional multilateralism, leading the charge to reform the World Trade Organization (WTO), for example, and reinforcing market openness through its role as G20 host. Through this proactive approach, Tokyo has increased its regional influence – or its ability to influence regional outcomes – to the degree where the Lowy Institute identified it as the second most powerful power in Asia in 2019, after China.⁷ Where the U.S. has withdrawn from regional leadership, Japan has stepped forward as the regional stalwart of the existing liberal order.

Japan has also been proactive in negotiations around the **Regional Comprehensive Economic Partnership (RCEP)** agreement, hosting the first non-ASEAN multilateral meeting on the topic in Tokyo in 2019. RCEP would include all ASEAN

member states and ASEAN's six free trade agreement (FTA) partners, making it one of the largest free trade blocs in the world, accounting for 45% of the world's population, 40% of the world's trade, and 33% of its gross domestic product (GDP). In parallel to RCEP, China has launched the largely regionally-focused **Belt and Road Initiative (BRI)** which, while often decried in Western media as a grand strategy to advance China's global influence, also brings much needed investment to the Asian region and enables interconnectivity between China and the rest of Asia and between Asian countries.

Like Japan, **Indonesia** is becoming an increasingly active middle power state, both within ASEAN and Southeast Asia. Over the past three years, Indonesia has maintained a growth rate of around 5%, has experienced a rapid growth in mobile e-commerce, and has introduced a **Maritime Global Fulcrum (MGF)** strategy designed to turn the country into an Indo-Pacific hub. With 60% of its population under 40 years of age and a population of 256 million, Indonesia will grow in importance in the near to medium terms, particularly within the Asia theatre.

The Asia Pacific continues to lead the globe in state-led investment in **technology development and innovation**, with key countries like China, South Korea, Japan, and India leading the charge.⁸ This state-centric push has led to breakthroughs in **big data and Artificial Intelligence** with matching opportunities for regional multilateral institution formation to take place around data management and AI application. Regional technology trends are also contributing to the growth of research and

development centres of excellence in Asian economies such as Australia, China, Taiwan, Singapore, and Japan and accelerator and incubator clusters in countries like Thailand, Malaysia, and Vietnam.



CHAPTER 2

**BUILDING A 2020
CANADA-ASIA STRATEGY**



To build a Canadian strategy for the Asia Pacific, it is first necessary to identify and articulate Canada's strategic end state toward the region. What is it that Canada seeks to achieve through engagement in Asia? While there is large scope to debate what precisely Canada hopes to achieve, there are certain fundamentals within its **national interests** that are core and, as such, require consideration in any policy formulation. These fundamentals include (but are not necessarily limited to) **security, autonomy, economic development, and stature/prestige.**⁹ Any Canadian government's approach to the Asia Pacific region must consider these core issues, regardless of its broader approach to its regionally-focused foreign policy or the values it brings to its foreign engagement. As such, one can view the successful realization of its national interests – defined in line with the above considerations – as Canada's primary objective in the Asia Pacific. From this starting point, one can formulate policy accordingly.

Fundamentals within Canada's national interests that are core to any policy formulation:

- Security
- Autonomy
- Economic development
- Stature/prestige

SECURITY

With regard to security, the most pressing challenges Canada faces in the Asia Pacific are **1) conflict between the U.S. and China, 2) conflict in the South China Sea, 3) conflict on the Korean Peninsula, 4) conflict between China and Taiwan, and 5) non-traditional security threats, including transnational crime, terrorism, and climate change.** While none of these challenges – with the possible exception of terrorism – presents a direct domestic challenge to Canada, each has the potential to destabilize the Asian region (undermining Canada’s other national interests, such as economic development and stature), to split the region along opposing sides, and/or to draw Canada into a conflict scenario where it has much to lose and little to gain.

No strategy can completely remove the threat of insecurity for Canada. The best policy-makers can do is to develop an approach that lessens Canada’s overall risk in the Asia Pacific through engagement, dialogue, and partnership. Where, when, and how a government chooses to undertake such policy can vary, but a successful policy for the Asia Pacific must consider the following structural conditions within the region around these issues.

First, many of the region’s outstanding disputes – whether instability on the Korean Peninsula, territorial disputes between China and Japan, or questions of sovereignty between the PRC and Taiwan – are remnants of the **Cold War** in Asia and, as such, carry deep ideological and historical undertones.¹⁰ Any attempt to address these issues, or to participate through multilateralism

to address these issues, requires those involved to have a deep understanding of historical issues as they influence contemporary state relations. To ensure Canadian policy-makers have these requisite skills, the Canadian government must invest in a nationwide push to promote **Asian literacy** around language, history, and culture. By way of example, under Prime Minister Kevin Rudd, Australia committed AUS\$68 million to develop Asian literacy at the primacy, secondary, and tertiary levels explicitly to strengthen Australia's foreign and security policy relation in Asia.¹¹



Source: Getty Images

Second, the Canadian government must be proactive rather than reactive in engaging with Asian countries on issues of **regional security and stability**. The most effective means to achieve proactive security diplomacy is through engagement in Asia's predominant security-related multilateral fora, including the ASEAN Defence Ministers Meeting-Plus (ADMM+), the East Asia Summit (EAS), and the Track 1.5/2 Council for Security Cooperation in the Asia Pacific (CSCAP), all of which lack a

sustained Canadian presence at the time of writing. While Canada's ultimate participation within these multilateral fora is conditional on regional states' approval (particularly the ASEAN-led ADMM+ and EAS), the government can, and should, energetically lobby for the chance to engage and contribute to discussions on regional issues. Canada can, and also should, look to engage bilaterally with Asian states on security diplomacy and strategic dialogue, particularly with Asian middle powers such as Australia, Japan, New Zealand, and Singapore, which share Canadian values and strategic priorities toward the region.

Canada should also consider the possibility and desirability of establishing **rotational troop presences** in certain key Asia states, such as Singapore, Indonesia, or Malaysia, for training and operational purposes, particularly around non-kinetic activities such as humanitarian and disaster relief, and maritime law enforcement activities. This is not to advocate for Canadian overseas military bases, but rather for an increased investment from the Department of National Defence (DND) in military people-to-people exchanges to demonstrate Canadian's willingness to support regional strategic priorities and to show a sustained, non-economic Canadian presence within the region.

'The government can, and should, energetically lobby for the chance to engage and contribute to discussions on regional issues.'

Third, and closely related, the Canadian government must **demonstrate sustained strategic resolve** to its Asian partner countries. There is an unfortunate sense from regional actors that Canada's interests in the Asia Pacific are purely economic and that it would rather avoid the trickier issues around security and stability and, as such, that it lacks a sustained commitment to Asia outside its economic interests.¹² This regional perception means that Canada has less influence in the region, not because Asian countries see Canada as not important, but rather that they see Canada as largely absent from regional non-economic affairs.¹³ To address this, the Canadian government must do more than simply open embassies in Asian countries or appoint an ASEAN ambassador. Rather, it must invest in government and non-government initiatives to ensure Canadian voices are consistently and regularly heard throughout the region on security issues and to demonstrate its long-term investment in regional peace and stability.

'There is an unfortunate sense from regional actors that Canada's interests in the Asia Pacific are purely economic and that it would rather avoid the trickier issues.'

Fourth, the government must **work within regional norms and values** to advance Canada's national interests with regard to security relations. Rather than framing its Asian engagement through its own values and norms, many of which are not widely shared throughout the region, Canada would do well to

understand the importance for Asian countries of concepts such as ‘non-interference,’ ‘mutual respect,’ and freedom of ‘national existence,’ which are codified in ASEAN principles and the Five Principles of Peaceful Coexistence that inform regional state relations.¹⁴ This is not to suggest that Canada should not pursue its own values where and when it sees doing so as essential to its national security interests. Rather, Canada should understand that many Asian states view regional security as a value-less structure requiring a pragmatic rather than a principled approach.¹⁵ As such, Canada should work to **desegregate its principled foreign policy from its security relations** on issues including China's internment of its Uighur population, the Myanmar government's treatment of its ethnic Rohingya population, and Philippine President Duterte's 'drug war' extra-judicial killings. While such a realpolitik approach will be difficult for many Canadians to support, it is essential for Canada to operate within the strategic Asian environment as it exists, not as Canada would prefer it.

‘Canada should understand that many Asian states view regional security as a value-less structure requiring a pragmatic rather than a principled approach.’

AUTONOMY

In his keynote speech to the Shangri-La Dialogue in 2019, Singaporean Prime Minister Lee Hsien Loong outlined a vision of Asian order predicated on conflict between the U.S. and China where small and middle powers lack agency to advance their own national interests outside of multilateral institutions.¹⁶ PM Lee used his speech to call for greater unity among ASEAN member states to maintain sovereign autonomy and to prevent the development of regional spheres of influence around U.S.-led and Chinese-led blocs. While PM Lee was speaking from a Singaporean perspective, his comments echoed regional polling results that suggest fear of autonomy and dissatisfaction over great power conflict is widespread among Asian states.¹⁷

Canada faces, and will face, these same pressures operating in the Asia Pacific. While there is no question about Canada's domestic sovereignty, its ability to operate within the Asia Pacific is limited to the extent that it can affect change within the regional order. As a quintessential middle power, Canada can influence outcomes through traditional tools like diplomacy. Canada's unilateral ability to shape its operational environment in Asia is, however, limited, as is its ability to maintain full autonomy of action.

'The U.S. has looked to Canada as a natural partner to advance its own foreign affairs, even when the rationality of doing so is not immediately clear for Canada.'

This is particularly the case with regard to the United States, which sees Canada, and which Canada has long seen, as a natural partner and ally in Asia. Indeed, while Canada has been a leader in some cases toward Asian affairs (most notably with its decision to normalize relations with the PRC before the U.S.), it has traditionally looked to the U.S. (and EU) for policy direction within the region.¹⁸ Concurrently, the U.S. has looked to Canada as a natural partner to advance its own foreign affairs, even when the rationality of doing so is not immediately clear for Canada.¹⁹

While Canada has benefited, and continues to benefit, from its close relations with the U.S., the current administration's approach to U.S.-Canada relations and its increasingly bellicose approach to Asian affairs both suggest that Canada must actively work to develop strategic autonomy within the region outside of the broader U.S.-driven approach. The need to demonstrate autonomy from U.S. influence within the Asian region is particularly important for the following reasons.



Demonstrating independence from the US would allow Canada to develop further autonomy

Source: Getty Images

First, the U.S. has clearly articulated an approach to the Asian region – its **2019 Indo-Pacific Strategy** – predicated on a military-led strategy designed to counter China, which it portrays as a ‘strategic threat.’ In adopting similar language around an Indo-Pacific approach to Asia, Canada must make certain to differentiate itself from the U.S.-formulated concept, particularly with its focus on military competition and its inherently anti-China language. This distinction is essential as other regional states and institutions – Japan and ASEAN, for example – are working to develop their own visions of the Indo-Pacific more relevant to their strategic visions, geographic positions, and multilateral relations.

Second, Canada must **demonstrate its independence from the U.S.** in the Asia Pacific to address regional concerns over its autonomy.²⁰ While this is not to suggest that Canada purposefully break with the U.S., or undermine its relations with Washington for symbolism’s sake, clear opposition to a U.S. priority and/or initiative within the region would ameliorate regional perceptions that Canada only acts in ways that support U.S. priorities. Importantly, Canada should only show opposition to U.S.-led initiatives if doing so advances Canada’s national interests. Yet the simple act of demonstrating Canada’s independence to a somewhat sceptical region would allow Canada to develop further its autonomy, and a national interest in and of itself.

Third, Canada should look to regional strategies such as **Indonesia’s ‘pragmatic equidistance’** to develop an approach to great power relations where it maintains strategic distance from China and the United States. This type of policy must include

diversification of Canada's economy away from the United States, deepening of bilateral relations with middle powers in Asia, such as Japan, Taiwan, Australia, and Indonesia, and expanding its presence in regional multilateral fora, including those multilateral platforms such as the Belt and Road Initiative Forum that Washington does not support. The demonstration of a distinct Canadian 'voice' on regional strategic issues within regional groupings like CSCAP is also a critical component of a strategic distancing approach toward Asia, although the developing of such a voice requires a sustained strategic commitment to the region.

Fourth, and lastly, Canada must **restore positive ties with China** for the sake of regional balance of relations and for the value of the overall bilateral relationship. Despite the difficulty in working with China, it is in Canada's broader national interest to maintain good state relations. Importantly, Canada must approach its bilateral relations with the understanding that good relations require reciprocity and that Beijing must be willing to compromise on issues such as the detainees to advance relations. Canada, too, must compromise on issues of importance to China, even at the cost of diminished relations with the United States. Canada could follow the United Kingdom's example, for instance, and allow the Chinese firm Huawei to have a role in Canadian 5G development. Or Canada might co-operate with China under its Belt and Road Initiative, including participation in China's annual Belt and Road Initiative Forum, where doing so makes sense for Canada's national interests. While such compromise may be impalpable to some Canadians, poor relations with China do come with a heavy cost, including greater dependence on the United States and the corresponding loss of strategic autonomy in Asia.

ECONOMIC DEVELOPMENT

Measured by actual and forecasted economic growth, the Asia Pacific has become the global centre of gravity, meaning much future economic activity – whether innovation, investment, or consumption – will occur within the region.²¹ For Canada, economic growth in Asia is a distinct opportunity as it is geographically a Pacific nation and has the benefit of economic complementarity with many Asian countries, particularly within its more traditional economic sectors of coal, agricultural goods, and forestry products. Successive Canadian governments have rightfully prioritized the region in their economic developmental strategies, focusing on market access, multidirectional investment, and people-to-people exchanges.



Exports to Asia have traditionally been economically successful in sectors of coal, agricultural goods, and forestry products

Source: Getty Images

Yet Canada's approach to economic engagement in Asia has, to date, fallen short of its full potential, even within institutions such as the CPTPP. Since late 2018/early 2019, for instance, Canada's overall trade with Japan, Mexico, Peru, and New Zealand – all CPTPP states – has actually declined, despite the reduction and removal of trade barriers such as tariffs.²²

While this downturn in trade is in line with global trends, the implications for Canada's economic integration in the Asia Pacific are nonetheless significant.

'In a region where politics and economics are intricately linked, Canada's approach has failed to reconcile the two.'

Neither has Canada successfully navigated the political dimensions of economic co-operation, failing, for example, to separate the political and economic components of its relations with China and/or to demonstrate its strategic commitment to the Asia Pacific outside its economic interests. In a region where politics and economics are intricately linked, Canada's approach has failed to reconcile the two.

To ensure greater economic engagement in the Asia Pacific, both within its existing institutions and with non-traditional partners, the Canadian government can develop a strategy that achieves both its economic and political aims. While the exact parameters will differ with each government, such a strategy should be based on the principle of **'broad diversification,'** as outlined below.

ECONOMIC DIVERSIFICATION

Central to a broad diversification approach is the deepening of Canada's economic relations with its traditional Asian partners, the expansion of Canada's regional economic partners, and the broadening of its economic relations from traditional sectors – those based on natural resource extraction – to technology driven sectors, including clean technology and aerospace products, among others.

With regard to **deepening economic relations**, Canada should work with Asia's developed economies – many of which are already its most important regional economic partners – to expand bilateral economic ties in both type and scope. With Japan, for instance, Canada should increase its export of liquefied natural gas (LNG) to the country to help Tokyo ensure energy diversification and to expand Canada's energy exports to the region. Canada also has a unique opportunity through the CPTPP to export more agri-food and seafood products to Japan, particularly beef, which saw a tariff reduction of nearly 40% under the multilateral trade agreement. With Australia and New Zealand, conversely, Canada should encourage further public and private investment in key industries, building on the already extensive bilateral investment relations it enjoys with both countries. Canada's pension funds, in particular, should look to Australia and New Zealand as two of Asia's most stable investment destinations going forward, and Canada's service sector can leverage new rules under the CPTPP to expand their activities in transportation, legal, manufacturing, and environmental sectors.

With regard to **partnership diversification**, Canada can work within its existing regionally-based institutions, such as the Canada-Korea FTA, the CPTPP, and the Asian Infrastructure Investment Bank (AIIB), to expand trade and investment ties and to identify areas for development assistance that can provide return on investment and advance its political interests. With the Canada-Korea FTA, for instance, Canadian firms must move beyond the export of coal, copper and iron ore, and raw aluminum to include **more value-added products such as precision instruments and machines**, both of which South Korea imports from other sources.²³

The Canadian government can support such expansion either through direct negotiations with the South Korean government (which enjoys a trade surplus with Canada) for greater market access or by providing funding to Canadian small and medium sized enterprises to pilot their products in the South Korean market.

'Central to a broad diversification approach is the expansion of Canada's economic partners and the broadening of its economic relations from traditional sectors – those based on natural resource extraction – to technology driven sectors.'

With CPTPP member states, Canada can support its private enterprises to expand trade and investment with both its traditional and non-traditional economic partners by providing

them with timely data so they can identify trends and opportunities within the bloc. According to APF Canada's 2019 CPTPP Tracker report, for instance, Canada currently sends 82% of its exports within this bloc to Japan, Mexico, and Australia. Yet Canadian exports are actually growing more quickly with smaller CPTPP states such as Malaysia, Vietnam, and New Zealand.²⁴ This is not to discount Canada's trade relations with its largest partners – although bilateral trade between Canada and Japan, Mexico, and Australia did, indeed, decline in 2019. Rather, it is to suggest Canada develop a comprehensive approach to CPTPP developing states as a way to broaden its economic diversity in Asia.

In parallel, Canada would benefit from building on its CPTPP relations in Southeast Asia to develop a sub-regional approach to expanding trade. Canada should predicate this approach on expanding Canada's FTAs with Singapore, Brunei, Malaysia, and Vietnam (CPTPP member states) to all of ASEAN – an outcome that would give Canada greater economic access to 648 million consumers with a combined economy of US\$2.8 trillion.²⁵

Canada should also look to its outbound investment data in the Asia Pacific to better understand where and how Canadian firms are investing in Asia so to better position the Canadian government to support broader engagement. According to APF Canada's Investment Monitor data for 2019, for instance, while Canadian firms continue to invest primarily in the 'traditional' economies of Australia, China, India, Hong Kong, and Vietnam, Canadian investment in Asia is becoming more diversified with

investment growing in South Korea, Singapore, and Japan. Canadian investment is also expanding to emerging markets including Bangladesh and to second- and third-tiered cities throughout the region. As of 2019, Canadian firms have invested in more than 465 Asian cities across the industry, real estate, utilities, and financial service sectors.²⁶ Notably, Canadian investment in oil and gas has decreased while investment in renewable energy has increased.



Source: Getty Images

This suggests that Canada would do well to support Canadian investment in non-traditional partner countries and across emerging economic sectors to facilitate broader investment diversification in Asia. Canada could accomplish this by supporting Canadian firms to invest in Southeast Asia, for instance, in line with its approach to expanding trade in the sub-region. As with trade, Canada could accomplish greater investment diversification through greater economic integration with ASEAN, whether formally through an FTA or informally

through bilateral exchange, perhaps drawing on the CPTPP's investment chapter for a framework for bilateral and/or multilateral investment co-operation.

Lastly, Canada can work to **identify and to support regional development priorities**, particularly around infrastructure interconnectivity and small and medium sized enterprise development, both of which are development priorities among regional states. Canada can accomplish this through bilateral engagement, utilizing its development aid to help countries achieve their millennium development goals, or through multilateral channels, such as the Asian Infrastructure Investment Bank or Asian Development Bank. Notably, while some Canadian policy-makers are hesitant to engage with the AIIB because of China's central role in the organization's founding and development, regional perceptions of the AIIB are largely positive and Canada's current role as one of 12 rotational directors of the AIIB's Board of Directors (through 2021) gives it a unique opportunity to ensure the institution's regulations are in line with Canadian norms and values.

DECREASE DEPENDANCY ON THE U.S.

Central to any diversification strategy for Canada is the need to decrease its dependency on the United States economy for trade and investment. The U.S. remains Canada's most important economic partner at present, with more than 73% of its exports going to the U.S., more than 46% of its imports coming from the U.S., and more than 46% of overall FDI into Canada coming from the U.S.²⁷ Long held as a position of economic advantage for Canada, such dependency comes with opportunity cost, particularly with regard to Canada's economic relations in the Asia Pacific. Whereas Australia – a country of similar population and economic size – has successfully diversified its economy away from dependency on the U.S. toward integration with Asia, with its intra-Asian trade increasing by 85% over the past five years alone, Canada remains an exclusively North American economy.²⁸

There are three primary reasons Canada should earnestly pursue a strategy of economic diversification away from the United States: one economic, one political, and one security related. Economically, dependence on the U.S. results in Canadian underdevelopment, as it exports raw materials to the U.S. (crude petroleum, aluminum, and agri-food) and imports manufactured goods (such as electronics, cars and trucks, and chemical products). This is not to suggest Canada's economy itself is underdeveloped, only that within its bilateral economic relations with the U.S. it remains a provider of natural resources and a consumer of value-added goods. Decreasing its reliance on manufactured goods from the U.S. would allow Canada to develop

further its own domestic industries, which it could then export to Asia as part of its broad diversification strategy.²⁹



Source: Getty Images

Politically, economic dependency exposes Canada to coercion, whether directly in the form of steel and aluminum tariffs or indirectly through threats of economic retaliation should it chose to oppose the U.S. in its foreign policy goals. Most recently, one can see this behaviour in the Trump administration's demand that Canada renegotiate the North American Free Trade Agreement (NAFTA) and include a clause (32.10) that limits Canada's autonomy in establishing trade relations with 'non-market' states, a 'poisoned bill' condition that severely limits Canada's ability to enter into an economic agreement with China.³⁰ Fear of economic retaliation also limits Canada's room to manoeuvre on issues such as the detention of Huawei Chief Financial Officer Meng Wanzhou, even within Canada's own legal system. These limitations have

serious implications for Canada's broader relations in the Asia Pacific, particularly with China.

With regard to security, Canada's economic dependency on the U.S. undermines its autonomy and, as such, prevents it from achieving its national interests. While a controversial point, one can argue that Canada's current downturn in relations with China is the direct result of U.S. influence over aspects of its domestic institutions, primarily with regard to law enforcement and extradition. Prior to the decision by local customs and law enforcement officers to detain Meng Wanzhou in Vancouver in December 2018, Canada was actively pursuing deeper economic ties with China, including a potential bilateral FTA. After her detention, and China's retaliation and arbitrary arrest of two Canadians, Canada-China relations broke down, with an enormous cost to Canada and an equally enormous benefit to Washington. China now views Canada as a dependent actor, accusing it of 'singing a duet' with Washington, a viewpoint that places Canada clearly in China's retaliatory 'crosshairs' with no benefit for Canadian interests.³¹ Canadian perceptions of China have also turned sharply negative, with only 29% of Canadians holding positive views of China in 2019, down from 36% in 2017.³²

MAINTAIN AND DEEPEN ECONOMIC TIES WITH CHINA

What less than a year ago was accepted wisdom has now become a controversial point in need of new justification and defence. To be certain, China's detention of two Canadians on charges of espionage and Beijing's willingness to engage in hostage diplomacy to ensure its own national interests does raise serious concerns over Beijing's foreign policy and its willingness to use direct coercion. Indeed, Beijing's past behaviour with economies including South Korea, Japan, the Philippines, Norway, and Taiwan suggests that any economy pursuing closer relations with China must do so with the clear understanding that China's domestic institutions allow it to engage in behaviour other states generally avoid. Any economy that engages with China must, therefore, do so with clear-eyed realism, understanding that for Beijing politics and economics are two sides of the same coin.

The realization that bilateral relations with China are challenging should not, however, prevent the Canadian government from engaging with Beijing. Nor should Canadian policy-makers succumb to the ill-informed advice of commentators that China is 'too different' to work with and that it should 'double down' on its relations with the U.S. to counter China. There is nothing inherently 'different' about China that should prevent strong Canada-China relations. Neither is China the only country to use coercion against Canada for political ends. One need look no further than the Trump administration's steel and aluminum tariffs for evidence of U.S. coercion, designed to achieve a political rather than an economic outcome.

'There is nothing inherently 'different' about China that should prevent strong Canada-China relations. Neither is China the only country to use coercion against Canada for political ends.'

Canada's own Export Development Canada (EDC) continues to rate China as a 'low risk' country that is open for Canadian businesses.³³ Anecdotally, Canadian businesses largely report that work in China is 'business as usual,' despite the relative breakdown in state relations. People-to-people relations also remain robust, with record numbers of Chinese students coming to Canada for higher education and, according to APF Canada's public opinion polling, the majority of Canadians is still open to high-skilled Chinese immigration to Canada.³⁴

In line with these realizations, it is in Canada's best interest to continue developing deep economic ties when and where doing so is in Canada's national interest. Clearly, Canada can benefit from trade, investment, and joint research and development with China, so much so that the EDC believes China could become Canada's largest trade and investment partner by the end of the 2020s.³⁵

NAVIGATING POLITICS AND ECONOMICS IN ASIA

For Canada to act on these basic elements of a ‘broad diversification’ strategy, it must come to terms with the **overlap between economics and politics in the region**. In line with the global zeitgeist of anti-globalism, or economic nationalism, the Canadian government must accept the unfortunate reality that its political choices will influence its economic opportunities in Asia, particularly with regard to its relations with the U.S. and China. Leaders from the U.S. and China have both indicated, for example, that they view their bilateral relations with Canada through the lens of ongoing U.S.-China tensions to the extent that Canadian political support for one will come with an opportunity cost for the other.³⁶

The Canadian government must allocate resources to better understand its strategic and operational environment in order to support its broader economic engagement. Ongoing participation in regional strategic dialogue forums like CSCAP or the EAS, for instance, would provide Canadian policy-makers and academics access to regional strategic thinking with reference back to its economic involvement in Asia. Canadian policy-makers can then consider regional strategic views and perceptions when formulating the country’s economic and political approach to the Asia Pacific. At the same time, Canada can and should look to countries like Japan and Taiwan for direction on how to manage a ‘hot economic, cold politic’ relationship with regional economies. Tokyo and Taipei both have extensive experience maintaining

economic ties with their neighboring economies during times of political instability.



Canada must realize that for many Asian countries it remains an 'outsider' - they perceive its interests in exclusively economic terms

Source: Getty Images

In parallel, Canada must realize that for many Asian countries it remains an 'outsider' in that they perceive its interests in exclusively economic terms and doubt its strategic commitment to the region. Canada's lack of involvement in regional political and/or security fora is at the heart of this perception, fairly or not, as is its relatively 'light' diplomatic presence in Asia. To put this into perspective, Canada has one military attaché operating in India – a high-priority country with more than 1.5 billion people – whereas Israel, a country with one-fourth of Canada's population, has over 30. Similarly, where Australia allocates resources to promote 'brand Australia' throughout Asia, the regional perception is that Canadian missions do little in comparison to promote understanding of Canadian values and culture.³⁷ While such efforts may sound trifling, Asian states

place value on such engagement and Asian populations rely on such activities to learn more about 'Western' states. Canada's lack of regional non-economic activity leaves the country relatively isolated, to the degree that many institutions and/or think-tanks in the region that study Asian state relations do not consider Canada an 'Asian' country.

To address these concerns, and to demonstrate a deeper regional commitment than simple economic relations, the Canada government should undertake the non-economic activities within the region described above. These include participation in regional dialogues, engagement with strategic initiatives, and, above all else, establishing a permanent, noticeable presence within the region's multilateral strategic forums, perhaps emulating the Australia model.

CHAPTER 3

THE DOMESTIC CONTEXT



While it is beyond this policy paper's scope to examine the complex interplay between Canada's domestic and foreign policy, it is, nevertheless, necessary to consider several domestic variables that do influence the direction of Canada's foreign policy development toward Asia. Principal among these are Asian diasporas and Asian immigration in Canada, Asian students and their influence on Canadian higher education and research and development, and Asian investment into Canadian industries, particularly around areas Canadian law enforcement and/or intelligence deem sensitive and susceptible to foreign influence.



There is scope for the Canadian government to develop a more nuanced understanding of diaspora constituents

Source: Getty Images

DIASPORAS AND IMMIGRANTS

With regard to Asian diasporas, Canada should work closely with key organizations and individuals to help facilitate greater economic linkages with Asia, to encourage greater people-to-people exchanges with various diasporas' respective countries, and to develop 'Asia competence' within the broader Canadian population. Ottawa can, and should, develop a national strategy for diaspora engagement that provides specific mechanisms for information sharing (town halls, for example) and advocacy designed to advance both the community's and Canada's shared interests. Central to this approach is the government developing a more nuanced understanding of diaspora constituents and dynamics, as many diaspora communities are less homogenous and far more complex in terms of group dynamics than they may appear at first glance.³⁸

'Ottawa can, and should, develop a national strategy for diaspora engagement that provides specific mechanisms for information sharing and advocacy designed to advance both the community's and Canada's shared interests.'

One caveat to this approach is the government's need to better understand diaspora politics and the diasporas' relations back to their countries of origin. While people-to-people ties are invaluable in supporting Canada's bilateral relations throughout Asia, diasporas are not necessarily the only lens through which

Canada should view its bilateral relations or define its national interests toward a partner country. Although important contributors to the Canadian social fabric, Canada's sizable Sikh community does not represent the only voice in Canada-India relations. India is a large and diverse country with many languages, cultures, and regional ethnicities. Favouring the interests of one diaspora within the Indo-Canadian community over the others in the bilateral relationship has impacts domestically but, also, on the foreign policy relationship with India. The Canadian government must avoid letting domestic diaspora politics spill over into bilateral foreign relations.

With regard to Asian immigration, the Canada government should continue to support high-skilled individuals into Canada to strengthen its people-to-people ties to Asia and to support its economic development. According to a 2019 APF Canada public opinion poll, the majority of Canadians support high-skilled immigration from Asia – regardless of country of origin – as they see it as essential to building Canada's high-tech domestic industries.³⁹ The Canadian government should work to attract this talent, particularly at a time when other countries, especially the United States, are decreasing Asian immigration in line with growing nationalist sentiments. Such measures could include the continuation of a work visa/permanent resident scheme for foreign students who complete courses in Canada and express entry for those with advanced degrees and work experience.

FOREIGN STUDENTS AND HIGHER EDUCATION

More than 60% of foreign students studying in Canada come from Asia, with students from China and India accounting for 50% of total foreign students.⁴⁰ As with the United States, Australia, the United Kingdom, and New Zealand, Canada's domestic universities benefit largely from this foreign student inflow, both in terms of revenue generated and talent acquired. As of 2019, foreign students contributed more than C\$21 billion to the Canadian economy, resulting in more than 190,00 full-time jobs.⁴¹ At the university level, the increase in revenue from foreign students can result in more generous scholarships, greater resources for research and development, and more diversity within a broader student body.

To both support and to manage foreign students coming to Canada from Asia, the government must consider the following issues. First, there is a clear strategic need to diversify foreign students away from China and India to include students from alternative destinations in Asia including Vietnam, Thailand, the Philippines, and Indonesia, among others. Overreliance on Chinese students for revenue, in particular, is a strategic weakness for Canada as the Chinese government has shown it is willing to use government control to restrict Chinese citizens' overseas activities for strategic ends. A 2019 report on the subject noted that three of Canada's largest universities – University of Toronto, the University of British Columbia, and McGill University – would experience 'catastrophic' financial shortfalls in the event China restricted its citizens from studying in Canada.⁴²

'There is a clear strategic need to diversify foreign students away from China and India to include students from alternative destinations in Asia.'

To address this strategic vulnerability through student diversification, the Canadian government has two choices. Ottawa can impose limits on foreign students from any one country to decrease their overall percentage of total foreign students, or increase the number of students from alternative source countries. As imposing ceilings on student visas based on the applicant's country of origin is a lose-lose scenario for both universities and students, increasing students from less-represented source countries is the preferable option.⁴³ To this end, the Trudeau administration took some initiative in 2019, providing around C\$30 million over five years for recruitment activities in Asia (and Latin America) to attract more foreign students.⁴⁴ While certainly an important start, expanding recruitment alone will not address the imbalance within Canada's overseas student population. Rather, Canada could learn from New Zealand and provide direct merit-based scholarships to students from Southeast Asia – many of whom cannot afford to study in Canada – as well as support for the application process through country-based outreach.⁴⁵ Canada could also provide scholarships and paths to citizenship for Asian doctoral candidates, particularly those working in sectors where Canada has high demand for employment. These types of approaches could achieve Canada's student diversification strategy, raise its profile within Asia, and contribute to its domestic economic growth through high-skilled immigration.

Second, Canada needs to develop a strategy to regulate foreign student involvement in domestic research and development within higher education, particularly within fields that its security services deem ‘sensitive.’ Concern over Chinese students’ involvement in domestic research, in particular, has become a central issue in the U.S., Australia, and the U.K. – countries where student involvement in research and development has traditionally been under-regulated. Many of the same concerns that drive debate within those countries exist in Canada. This is not to suggest that Canada engage in country-of-origin profiling around its province- or university- sponsored research and development programs, only that it establish clear guidelines for foreign participation that it applies to all international students involved in such activity. Options could include interim security clearances or monitoring of foreign students’ work-related communications during their research tenure. While such policies are onerous and intrusive, they are preferable to a complete ban on foreign involvement in research and development, which is the policy direction in countries like the U.S. that struggle with the balance between foreign involvement and espionage.⁴⁶



Canada could provide scholarships for Asian doctoral candidates to encourage immigration of top talent

Source: Photo by Hike Shaw on Unsplash

FOREIGN INVESTMENT IN CANADA'S DOMESTIC INDUSTRIES

According to APF Canada's 2019 poll on Asian investment in Canada's high-tech sector, Canadians are, by and large, receptive to foreign brownfield and greenfield investment in Canada, with the exception of Chinese investment in the country's telecommunication and resource sectors, particularly by state-owned enterprises.⁴⁷ Concern around China's involvement in telecommunications comes primarily from media reporting on Huawei, as well as the Trump administration's forceful position that the U.S.'s allies and partners exclude Huawei from their telecommunications industry or face the prospect of an intelligence-sharing ban.⁴⁸ The 2019 poll also shows a majority of Canadians (54%) believe the federal government lacks the ability to conduct risk-benefit analysis around Asian investment and that decisions to ban foreign investment on the basis of national security is too secretive and lacks transparency (81%). This data suggests the challenge for Ottawa is not providing greater oversight over Asian investment into Canada, but rather demonstrating to the Canadian public that its deliberations include risk analysis and are open to external scrutiny.

'The challenge for Ottawa is not providing greater oversight over Asian investment into Canada, but rather demonstrating to the Canadian public that its deliberations include risk analysis and are open to external scrutiny.'



Huawei's negative media portrayal has led to a dip in Canadian receptiveness toward Chinese investment in telecommunications

Source: Getty Images

The APF Canada poll also notes that 66% of Canadians see Asia as the global leader in science and innovation in the near future. More than 70% of respondents favour the government supporting greater Asian investment in research and development (a trend that is at odds with concerns over Asian students and R&D), particularly from Japan, and developing a state-led approach to encourage Canadian-Asian co-operation in innovation and research. Taking note of these findings, the Canadian government could work to encourage Asian investment in Canada's high-tech sector, with the understanding that it should also develop a transparent means of determining the national security implications of such investment, so long as doing so does not undermine its intelligence capabilities.

IGNORE THE SCAREMONGERING

Within Canada, there is a vocal cohort of academics and analysts who write on the deleterious effects of China's influence on the country's domestic institutions. They argue that China's activities – both overt and covert – are challenging Canadian sovereignty and undermining Canadian values. In contrast to the Australian and New Zealand cases, where analysts have clearly documented Chinese attempts to develop influence through political funding and/or pressure campaigns, the evidence for such Chinese activities in Canada is there – but to date, limited.

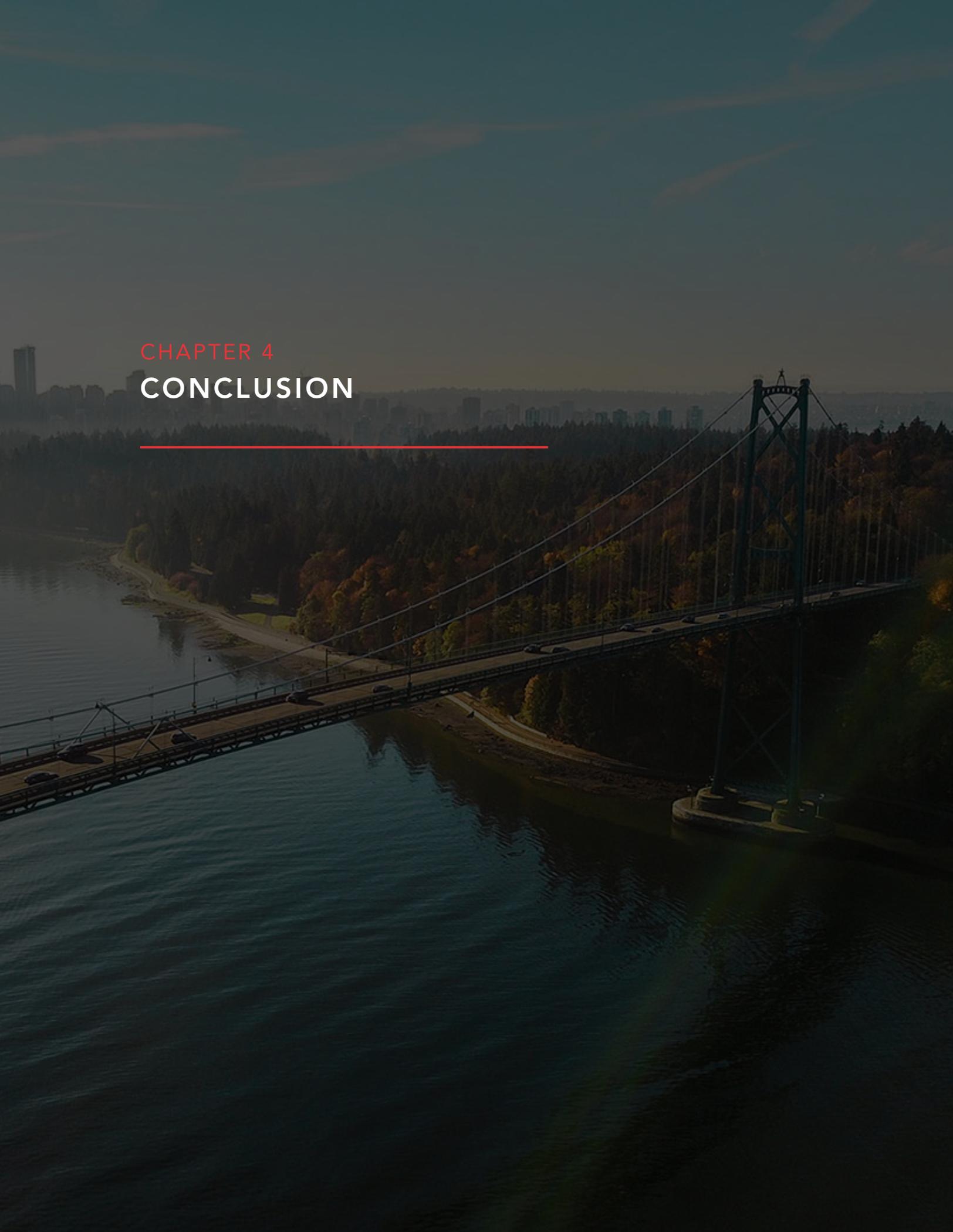
'Ottawa should treat unsubstantiated, anecdotal reporting on Chinese influence operations in Canada as a call to develop Asian literacy in the country rather than a call to arms.'

Furthermore, Beijing's ability to 'buy' political influence in Canada is held in check by domestic laws that prohibit foreign campaign funding and ensure transparency under the 2018 Elections Modernization Act. Neither is there compelling evidence that China or any other Asian country is working to influence election outcomes through social media, although Ottawa should (and is) monitoring sites including Facebook and Twitter for foreign sponsored content.

Canada must not turn a blind eye to foreign activities within its borders that could ultimately result in influence development; indeed, Canada should maintain vigilance over this foreign activity. But at present, China has not differentiated itself as a particularly malign actor within Canada's domestic context. Ottawa should, therefore, treat unsubstantiated, anecdotal reporting on Chinese influence operations in Canada as a call to develop Asian literacy in the country rather than a call to arms against one of the country's most important partners.



Source: Chris Slupski | Unsplash

An aerial photograph of a suspension bridge spanning a wide river. The bridge has two large towers and is supported by cables. The surrounding area is a dense forest, and a city skyline is visible in the distance under a clear sky. The text 'CHAPTER 4 CONCLUSION' is overlaid on the left side of the image.

CHAPTER 4
CONCLUSION



here is no simple formula the Canadian government can follow to develop a grand strategy toward Asia. Canada's interests within the region are diverse and, in some instances, conflicting. Engagement with China – long a government strategy for economic and political diversification – requires an acceptance of the interplay between politics and economics, something Ottawa has been loath to do in the past. Engagement with countries like Myanmar, Cambodia, Thailand, and Vietnam also requires a more realpolitik mindset for Ottawa, as these countries all eschew democracy for authoritarianism. Under U.S. pressure, demonstrating autonomy in foreign policy toward Asia, particularly China, will carry certain costs for Ottawa. As such, the best any Canadian government can do is develop a comprehensive approach to Asia that balances its interests and values and seeks to minimize costs while maximizing gains.

While APF Canada believes there is no one clear approach to Asia that is 'correct,' it does advocate informed policy making that takes regional dynamics into account. This brief has identified what APF Canada believes are the overarching conditions within Asia that Canada must navigate when developing an Asia strategy and has provided parameters around the policy decisions it believes any government must consider. In defining these parameters, APF Canada has used Canada's national interests as a guide, focusing on the core issues of security, sovereignty, and economic growth which, it believes, all Canadian policy-makers will support.

As such, policy-makers should treat this policy paper as a guide upon which they can build a distinct strategy; one that accords with their values and intentions. While it is beyond this brief's scope to spell out such specific policy directions, it provides a starting point for informed discussion from which any government will benefit.

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