



THE SCHOOL
OF PUBLIC POLICY

BRIEFING PAPER

Volume 15:41

March 2023

CANADA'S NEW INDO-PACIFIC STRATEGY: A CRITICAL ASSESSMENT

Hugh Stephens

CANADA'S NEW INDO-PACIFIC STRATEGY: A CRITICAL ASSESSMENT

Hugh Stephens

ABSTRACT

Canada's Indo-Pacific Strategy (IPS), built around five program objectives and funded at C\$2.3 billion over the initial five-year period, has been finally unveiled, although details of its implementation are generally lacking as of date of publication. The strategy lays out an ambitious plan for Canada's re-engagement with parts of the Indo-Pacific region it has neglected, in relative terms, for a number of years while simultaneously trying to address the challenge of China. The strategy is a welcome blueprint for diversification of Canadian engagement across various sectors, with ASEAN centrality a key component and closer engagement with north Pacific partners such as Japan and Korea, and with South Asia, in particular India, constituting core elements. Yet the IPS does not close the door on relations with China or propose a decoupling strategy. China is both at the heart of the IPS, and yet not a focus of most of the initiatives. The trade-off for including China in the strategy seems to have been to vocally demonstrate Canada's anti-China credentials (to the U.S. and the Canadian public) by talking tough in order to set the stage for more limited forms of ongoing co-operation. This includes calling out Beijing's activities in several areas, including domestic interference in Canadian affairs. There is also a strong infusion of Canadian values throughout the document. A risk for Canada is that many of the countries in the Indo-Pacific region that are the targets of the strategy do not share a Manichean view of China. Canada must be careful to ensure that strengthening relations with these other countries will be based on its own merits and regional priorities, rather than being portrayed simply as an antidote to expansion of Chinese influence. Furthermore, given Canada's past sporadic engagement with the region, it is important that a detailed action plan be put in place quickly. The Trudeau government should be aiming for an early harvest for some of the initiatives to avoid the impression of a quick announcement followed by a distinct lag in implementation.

Canada's long-awaited and anticipated Indo-Pacific Strategy (Global Affairs Canada 2022a) has finally been unveiled, although details of its implementation are largely lacking. The strategy lays out an ambitious plan for Canada's re-engagement with parts of the Indo-Pacific region that it has neglected, in relative terms, for a number of years while simultaneously trying to address the challenge of China. In a way, it is almost as if there are two Indo-Pacific strategies encapsulated in one — a strategy for diversification of Canadian efforts and activities through a multi-faceted framework (and it is a framework rather than a set of objectives) as well as confirmation of a change of course toward China, without shutting the door on relations with the Middle Kingdom. In putting the two together in one overarching strategy, the diversification initiatives risk being interpreted by some in the region as part of an effort to contain China. Canada's newly embraced partners in the region do not see themselves as pawns on a giant chessboard whose goal is to check-mate China, and Canada needs to handle this aspect of the strategy with care.

The IPS is built around five objectives:

- Promoting peace, resilience and security;
- Expanding trade, investment and supply chain resilience;
- Investing in and connecting people;
- Building a sustainable and green future; and
- Canada as an active and engaged partner in the Indo-Pacific.

Each of these elements comes with a price tag and allocated funding over five years (Global Affairs Canada 2022b), the majority of it being new money. An update in 2026-27 will outline resources for the subsequent five-year period. Total funding for the initial period is \$2.3 billion (Global Affairs Canada 2022b). Roughly a third of this (\$720.7 million) will be spent on peace and security initiatives, including:

- Repositioning a frigate from the East Coast to the West Coast;
- Increased participation in regional military exercises;
- Increased capacity for national security agencies to support Canadian interests in the region;
- Strengthening regional responses to crime, terrorism and threats from weapons proliferation; and
- Developing cyber-security capacity in select partner countries.

While broad levels of funding are indicated for each of these sub-activities, there is a paucity of detail and timing.

Similarly, with respect to expanding trade and investment, a series of general actions is laid out ranging from re-establishing Team Canada trade missions to the region (but not China), to establishing a "Canadian Trade Gateway in Southeast Asia" (which is presumably some sort of trade promotion presence). More grants and contributions will be provided to promote exports and Canada will open an agriculture and agri-food promotion office somewhere in the region.

Also outlined under this objective are:

- More technical assistance for trade and labour compliance;
- Expanding natural resource ties with the region (by assigning new expert personnel in the field and enhancing capacities in Canada);
- Strengthening Canada's ability to engage in and benefit from international S&T and innovation partnerships by funding more co-innovation and business-oriented R&D partnerships between Canadian SMEs and Indo-Pacific partners;
- Enhancing standardization by establishing new formalized relationships with individual standards and accreditation bodies; and
- Negotiating trade and investment agreements with India, ASEAN and Indonesia as well as expanding the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership).

Total price tag over five years: \$244.4 million.

The remaining three strategic objectives come in at \$261.7 million, \$902.7 million and \$137.6 million respectively, calculated over five years. There are a lot of numbers and a lot of objectives which include:

- Investing and connecting people (bolstering visa processing, student recruitment, expanding scholarships, funding a "Regional Engagement Initiative" for civil society groups, think-tanks, academics, etc. and supporting feminist international assistance programming);
- Building a sustainable and green future (infrastructure support for private sector projects through FinDev Canada, oceans management measures, disaster response and clean tech demonstration projects); and
- Enhancing Canadian presence in the region (new positions in Canada's diplomatic missions in the region, funding for co-operation with ASEAN, establishing a physical presence in the region by the Asia Pacific Foundation of Canada (APFC)).

The strategy is premised on the fact that "The rising influence of the Indo-Pacific region is a once-in-a-generation global shift that requires a generational Canadian response." Indeed, this region's influence has been rising for several decades and Canada's response is arguably a bit tardy. That is a quibble, but this is not the first time that Canada has discovered that it is a Pacific nation.

Back in the early 1980s, there was a burst of enthusiasm for greater engagement with the region. The APFC was established in 1984 by an Act of Parliament and although headquartered in Vancouver, later opened an office in Singapore. Canada, which had become a dialogue partner of ASEAN in the late 1970s, established development assistance programs with ASEAN through CIDA and had a Canada-ASEAN Centre in Singapore to manage bilateral programs, including Track II Dialogue forums. These initiatives subsequently sputtered and died. The Foundation closed its office, the Canada-ASEAN

Centre was wound up, and apart from China, there was a relative decline in interest in the region as other issues took priority (NAFTA, relations with the EU, etc.). Now, we have a new strategy that among other things proclaims “ASEAN Centrality” as one of its key tenets. Parties in the region can be forgiven a degree of skepticism given past pronouncements. This is why, this time, Canada needs to follow through and become a permanent rather than sometime partner. The strategy lays the foundation for this commitment, but it needs to be actualized.

For this to happen, a detailed action plan must be put in place quickly. While it is expected that some details will be lacking when a new comprehensive strategy is unveiled, the lack of specificity and details on the paths to implementation of many of the IPS’s elements is concerning. The funding has been placed in five large buckets, although no details have been given regarding disbursement schedules. One presumes it will take some time to begin to allocate funds, suggesting that greater funding will be made available in the out-years. Details of major announced program initiatives, such as strengthened public safety and security, security partnerships and capacity building, cyber-security and digital technology diplomacy, or even relatively discrete and specific announcements such as the “Canadian Trade Gateway” or “CanExport program enhancements” have not been made available.

Some specificity is provided about deployment of additional resources for visa processing, with New Delhi, Chandigarh, Islamabad and Manila being identified, as well as the opening of new posts in Hawaii and Fiji. Otherwise, the “Indo-Pacific Regional Capacity Uplift” of \$100 million over five years remains unspecified. One suspects details have not yet been worked out. As for welcome programs like the Regional Engagement Initiative, the sending of experts to the region and the granting of scholarships, the potential users and beneficiaries of these programs wait expectantly for news. It is important that executing agencies be identified and information made available soon as it takes time for programs like these to get up and running. The government should be aiming for an early harvest for some of the initiatives to avoid the impression of a quick announcement followed by a distinct lag in implementation. The clock is ticking.

What about China? China is both at the heart of the IPS, and yet not a focus of most of the initiatives. Initially, there were reports that China would not be included at all in the strategy, which seems counter-intuitive if one looks at the Indo-Pacific as an integrated region. China is the largest regional economy, the largest trading partner of most if not all of the Indo-Pacific countries, the largest potential strategic threat and one of the largest sources of both students and immigrants for Canada. It is also the world’s largest current polluter, a huge consumer of energy and natural resources and a significant challenger in terms of technology. Canada has had an on-again/off-again relationship with China over the years, a relationship that ironically turned sour during the year marking a half century of diplomatic relations.

The immediate cause is well known: the arrest of Huawei executive Meng Wanzhou on a U.S. Department of Justice warrant at the Vancouver airport in December 2018, followed almost immediately by China's retaliatory arrests of Michael Kovrig and Michael Spavor (the two Michaels) on national security grounds. The merits of the U.S. case, the wisdom of Canada's action or the appropriateness of China's response can all be debated but the result was the most serious crisis in Canada-China relations since the establishment of relations in 1970. It spilled over into trade actions on China's part and diplomatic initiatives to combat hostage-taking on the part of Canada.

Compounding the bilateral crisis was a series of other events that put extreme stress on the relationship. These included:

- China's imposition of a national security law on Hong Kong;
- Increased surveillance and detention of China's Uyghur minority;
- Continued development of Chinese military bases in disputed waters in the South China Sea;
- Chinese sabre-rattling with regard to Taiwan;
- China's role in the COVID-19 pandemic; and
- Unofficial Chinese police "convenience stations" in Canada.

These situations demonstrated well the West's schizophrenic relationship with China: blame for foot-dragging on dealing with the outbreak of the pandemic, dependence on China for supplies to fight COVID and negative economic impact from disrupted supply chains as Chinese ports and production facilities shut down.

As a backdrop to the Canada-China bilateral crisis, U.S.-China trade and technology relations worsened and anti-China regional security arrangements were developed. These included the Quad, a loose alliance of the U.S., Japan, Australia and India, and AUKUS, a security relationship centred on the building of nuclear submarines between the U.S., U.K. and Australia. These were all designed to buttress a U.S. policy concept released under the Trump administration: the "Free and Open Indo-Pacific" (FOIP). In the face of these developments, if Canada needed a reset in its relationship with China, what better way to do it than to shift emphasis away from China toward other parts of the region? Thus, the IPS was born or more accurately, reborn, since the idea has been around for a while.

If the strategy marks a pivot away from China, Beijing still cannot be written out of the script. China is simply too large, too important and too central across all of the five identified objectives to ignore (Global Affairs Canada 2022c). The trade-off for including China in the strategy seems to be to demonstrate Canada's anti-China credentials (to the U.S. and the Canadian public) by talking tough in order to set the stage for more limited forms of ongoing co-operation. Thus, China is described as an "increasingly disruptive global power" that ignores international rules and norms. It is accused of seeking to shape

the international order into a more permissive environment for its interests and values. Canada's approach to China is now going to be "clear-eyed" (suggesting that the scales have now fallen from Canada's eyes) and one in which we will "unapologetically defend our national interest." One would take that as a given no matter what the bilateral relationship.

Any thought of an improved framework for bilateral economic relations, such as a trade agreement, has long ago been relegated to the dustbin of reality arising from the Meng/Michaels affair. The strategy does not suggest, however, that Canada should decouple from China or jump holus-bolus into friend-shoring arrangements, although there is lots of general language about supply chain resilience. Significantly, the strategy states that "China's sheer size and influence makes cooperation necessary to address some of the world's existential pressures, such as climate change and biodiversity loss, global health and nuclear proliferation. And China's economy offers significant opportunities for Canadian exporters."

Thus, Canada will "continue to protect Canadian market access in China while working with clients to diversify within, and beyond, that market." And why not? That is what all our other trading partners are doing, including the United States. It is worth noting that some nine per cent of U.S. exports go to China. For Canada, the corresponding number is roughly half that percentage, and much less in absolute terms (only 13 per cent of the total of U.S. exports to China by dollar value).

The continued need to work with China on a range of urgent global issues is a welcome dose of reality. The mantra around the strategy's public release was: "We will compete with China when we ought to and we will cooperate with China when we must," frequently enunciated by Foreign Affairs Minister Mélanie Joly. In other words, let's hold our noses and co-operate with China when we have no other choice. This is not exactly the best way to win co-operation from an interlocutor with whom you need to work to achieve your own national objectives, although in the current domestic political climate it is hardly unexpected. In its approach to China, the strategy asserts that "Canada's approach is aligned with those of our partners in the region and around the world." That is a bit of a stretch.

There is no question that China is an increasingly assertive regional and global power in every sense: politically, militarily, economically and technologically. However, many of those in the region with whom Canada seeks to partner as part of the IPS do not necessarily view China in quite the same black-and-white Manichean terms laid out in the strategy. They live in the neighbourhood and experience a different dynamic in their relationship with China, based on geographic reality. In many cases, such as the members of ASEAN, countries in the region do not see themselves as part of a global chessboard where they can be enlisted to curb China's influence. In seeking to diversify and emphasize relations with other parts of the Indo-Pacific, Canada will need to keep this in mind and be careful to ensure that strengthening relations with other countries in the north Pacific, South and Southeast Asia and the south Pacific is based on its own merits and regional priorities and not seen simply as an antidote to expanding Chinese influence.

One other aspect of the China relationship dealt with in the strategy is the domestic political context. In the face of increasing evidence that China has been actively meddling in Canada's internal political processes, the IPS will increase resources to protect Canadians from "attempts by foreign states to influence them covertly or coercively" and develop "early warning against threats, such as foreign interference, (and) hostile activities by state actors." What actions will be taken is unclear, but there will be "stronger enforcement" and "more precautions" to protect intellectual property and Canadian research (the impact this might have on Canadian universities could be significant). The *Investment Canada Act* will be tightened when it comes to investments by state-owned enterprises and in sectors such as critical minerals. Lest all this anti-China vigilance bleed into reactions against Canadians of Chinese ethnicity, we are reminded that "the bedrock of our relations remains the people of Canada and China," noting the extraordinary contribution Canadians of Chinese heritage have brought to Canadian life. This is a worthwhile reminder.

With China dealt with early on, the strategy then highlights the potential for improved relations with India, the north Pacific (only Japan and South Korea are highlighted, although there are various references to improving economic and people-to-people ties with Taiwan elsewhere in the strategy) and ASEAN. Specific initiatives flow from these priority areas of concentration. It will be a big lift to grow markets in these areas that could match the potential of China (Canada's exports to India are currently about one-tenth of the value of exports to China) but a start needs to be made. India, or even ASEAN, will likely never replace China but any increase in trade diversification is welcome.

Also clear in the strategy is the strong infusion of Canadian values throughout with an emphasis on human rights, gender equality and women's rights, a feminist development assistance policy and reconciliation with Indigenous Peoples. A specific commitment deals with supporting the economic empowerment of Indigenous Peoples through implementing the Indigenous Peoples Economic and Trade Cooperation Arrangement. The strategy also discusses anti-racism and continuing work to counter forms of arbitrary detention, an initiative Canada launched during the detention of the two Michaels. This list is not exclusive. Matching these Canadian aspirations with the capacity and value systems in the region will be challenging at times, but the values dimension rounds out the IPS's strategic, economic, technological and people-to-people elements.

The big task now is implementation. Prime Minister Justin Trudeau left a trail of one-by-one funding announcements during his visit to Asia in mid-November, followed by release of the full strategy on November 27. Various government departments need to start transparently putting in place the mechanisms to effect the strategy. Of course, not all is new. Some of the activities, such as the Five Eyes and participating in enforcement of UN sanctions against North Korea are ongoing. Canadian missions in the region will continue to deliver their programs, from political assessment to trade promotion to visa processing and delivery of development assistance. But, at the moment, many of the new initiatives are unclothed skeletons. The new Indo-Pacific trade representative and the special envoy for the Indo-Pacific region "to coordinate a whole-of-government approach and manage strategic implementation of the strategy" need to be named and to begin work. The region is watching and waiting. And so are Canadians.

POLICY RECOMMENDATIONS

- Appoint the special envoy for the Indo-Pacific region as soon as possible and empower that office to co-ordinate IPS activities across government;
- Appoint the new Indo-Pacific trade representative as soon as possible and specify the functions and responsibilities of that office;
- Make public as soon as practical details of the Regional Engagement Initiative, placement of experts and scholarship programs to allow civil society and academia to develop proposals to access these programs;
- Specify measurable objectives for various program components outlined in the strategy, translating vague aspirational language into concrete outcomes; and
- Provide a co-ordinated cross-departmental annual report of progress toward achievement of IPS objectives, in terms of activities, outcomes and funding.

REFERENCES

- Global Affairs Canada. 2022a. “Canada’s Strategy for the Indo-Pacific.” November 27. Accessed January 7, 2023. <https://www.international.gc.ca/campaign-campagne/indo-pacific-pacifique/index.aspx?lang=eng>.
- . 2022b. “Canada’s Indo-Pacific Strategy: New Initiatives and Resources.” November 27. Accessed January 7, 2023. <https://www.canada.ca/en/global-affairs/news/2022/11/canadas-indo-pacific-strategy-new-initiatives-and-resources.htm>.
- . 2022c. “Canada’s Indo-Pacific Strategy.” November 30, 2022. Accessed January 7, 2023. <https://www.international.gc.ca/transparency-transparence/indo-pacific-indo-pacifique/index.aspx?lang=eng>.



ABOUT THE AUTHOR

Hugh Stephens is Executive Fellow at the School of Public Policy at the University of Calgary, Distinguished Fellow at the Asia Pacific Foundation of Canada, and an Associate Faculty at the School of Business, Royal Roads University. After a 30-year career in the Canadian foreign service during which time he served at Canadian missions in Beirut, Hong Kong, Beijing, Islamabad, Seoul and Taipei (as Head of Mission), and as Assistant Deputy Minister for Policy and Communications at the Department of Foreign Affairs and International Trade in Ottawa, in 2001 he became SVP (Public Policy) for Asia-Pacific for Time Warner based in Hong Kong. He retired from Time Warner in 2013. He now lives in Victoria, BC.. He has written and published extensively on Canada's engagement with the Asia Pacific region. He writes a weekly blog (www.hughstephensblog.net) on international copyright issues, and was educated at UBC (BA-Hons), Duke (MA) and Toronto (B.Ed).



ABOUT THE SCHOOL OF PUBLIC POLICY

The School of Public Policy has become the flagship school of its kind in Canada by providing a practical, global and focused perspective on public policy analysis and practice in areas of energy and environmental policy, international policy and economic and social policy that is unique in Canada.

The mission of The School of Public Policy is to strengthen Canada's public service, institutions and economic performance for the betterment of our families, communities and country. We do this by:

- *Building capacity in Government through* the formal training of public servants in degree and non-degree programs, giving the people charged with making public policy work for Canada the hands-on expertise to represent our vital interests both here and abroad;
- *Improving Public Policy Discourse outside Government* through executive and strategic assessment programs, building a stronger understanding of what makes public policy work for those outside of the public sector and helps everyday Canadians make informed decisions on the politics that will shape their futures;
- *Providing a Global Perspective on Public Policy Research* through international collaborations, education, and community outreach programs, bringing global best practices to bear on Canadian public policy, resulting in decisions that benefit all people for the long term, not a few people for the short term.

The School of Public Policy relies on industry experts and practitioners, as well as academics, to conduct research in their areas of expertise. Using experts and practitioners is what makes our research especially relevant and applicable. Authors may produce research in an area which they have a personal or professional stake. That is why The School subjects all Research Papers to a double anonymous peer review. Then, once reviewers comments have been reflected, the work is reviewed again by one of our Scientific Directors to ensure the accuracy and validity of analysis and data.

The School of Public Policy

University of Calgary, Downtown Campus
906 8th Avenue S.W., 5th Floor
Calgary, Alberta T2P 1H9
Phone: 403 210 3802

DISCLAIMER

The opinions expressed in these publications are the authors' alone and therefore do not necessarily reflect the opinions of the supporters, staff, or boards of The School of Public Policy.

EDITORIAL PRACTICES STATEMENT

This manuscript is a double-blind peer-reviewed contribution to the policy conversation that has been assessed by at least two reviewers external to the authorial team.

COPYRIGHT

Copyright © Stephens, 2023. This is an open-access paper distributed under the terms of the Creative Commons license CC BY-NC 4.0, which allows non-commercial sharing and redistribution so long as the original author and publisher are credited.

ISSN

ISSN 2560-8312
The School of Public Policy Publications (Print)
ISSN 2560-8320
The School of Public Policy Publications (Online)

DATE OF ISSUE

March 2023

MEDIA INQUIRIES AND INFORMATION

For media inquiries, please contact Dana Fenech at 403-210-6508.

Our web site, www.policyschool.ca, contains more information about The School's events, publications, and staff.

DISTRIBUTION

For a full list of publications from The School of Public Policy, please visit www.policyschool.ca/publications