



**STANDING SENATE COMMITTEE ON  
FOREIGN AFFAIRS AND INTERNATIONAL TRADE**

***SECURING CANADA'S PLACE IN  
ASIA-PACIFIC: A FOCUS ON  
SOUTHEAST ASIA***

**June 2015**

Ce rapport est aussi disponible en français.

Des renseignements sur le comité sont donnés sur le site :

[www.senate-senat.ca/AEFA.asp](http://www.senate-senat.ca/AEFA.asp).

Information regarding the committee can be obtained through its web site:

[www.senate-senat.ca/AEFA.asp](http://www.senate-senat.ca/AEFA.asp).

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## ACKNOWLEDGEMENTS

As this study went to print, international headlines announced that Asia had overtaken Europe as the world's second-richest region. According to the reports, the Asia-Pacific region, excluding Japan, held \$47 trillion in private wealth in 2014, thanks in part to a growing number of millionaires in India and China. While North America remained the world's richest region, predictions were that it would be overtaken by Asia in 2016. By 2019, Asia will hold 34% of global wealth.

These numbers are undeniably striking, but they may come as little surprise to those who, in recent years, have followed the gradual eastward shift in global diplomatic, security and economic centres.

Recognizing the need to ensure that Canada's foreign and international trade policy is adequately prepared for these changes, the Standing Senate Committee on Foreign Affairs and International Trade first examined the rise of China and India in its reports tabled in 2010.

The present report finds that the conclusions of those earlier studies continue to hold true, then orients its focus on a region offering further opportunities for Canadian commercial and foreign policy interests. The Committee finds that, while Canada must continue to strengthen its relations in India and China, we must also seize emerging opportunities to develop common interests and partnerships in Southeast Asia.

Not only is the Association of Southeast Asian Nations (ASEAN) a rapidly growing and increasingly integrated economic union, supported by an increasingly important regional political infrastructure, it is also a growing geo-political power with which Canada stands to benefit from stronger diplomatic and security cooperation.

Supported by the testimony of over 90 witnesses heard in over 30 meetings, the analysis, suggestions and more targeted recommendations that follow offer a roadmap towards that end.

The Committee's appreciation goes first and foremost to all those who took the time to appear before the Committee, to share their knowledge and opinions.

The members of the Committee and their staff are to be thanked for their sustained engagement and interest in the various issues and sub-topics explored over many long hours. I would also like to thank Senator Percy Downe, whose guidance as Deputy Chair of the Committee is critical to our ongoing success.

Of special note is the dedication of Natalie Mychajlyszyn, and fellow analysts from the Library of Parliament, James Lee and Brian Hermon. Their work throughout this extensive study has helped the Committee to consolidate hundreds of pages of testimony into the pages of this report, and to distill key policy considerations.

I also thank the Committee's Clerks, Adam Thompson and Mark Palmer, whose support to the Committee takes place largely behind the scenes, but whose professional diligence is critical to the efficiency of our operations.

The overarching message of this report is unambiguous: The Asia-Pacific region is of growing global importance, and Canada cannot afford to miss out. It is our hope that the insight from this broad study will elicit discussion amongst members of Canada's business, academic, civil society and other communities, and that it will assist in ongoing efforts to strengthen Canada's relations in Southeast Asia for the benefit of our future commercial, foreign policy and security interests.

*Senator Raynell Andreychuk  
Chair of the Committee*

## **THE COMMITTEE**

**The following Senators have participated in the study:**

The Honourable Raynell Andreychuk, Chair of the Committee  
The Honourable Percy E. Downe, Deputy Chair of the Committee

and

The Honourable Senators:

Salma Ataullahjan  
Jane Cordy  
Dennis Dawson  
Jacques Demers  
Nicole Eaton  
Suzanne Fortin-Duplessis  
Janis G. Johnson  
Victor Oh  
David P. Smith, P.C.  
Josée Verner, P.C.

**Ex-officio members of the Committee:**

The Honourable Senators Claude Carignan, P.C. (or Yonah Martin) and James Cowan (or Joan Fraser)

**Other Senators who have participated from time to time in the study:**

The Honourable Senators Beyak, De Bané, P.C., Housakos, Jaffer, McInnis, Mockler, Nolin, Patterson, Poirier, Raine, Rivard, Robichaud, P.C., Smith (*Saurel*), Tannas, Tkachuk, Wallace and Wells.

**Staff of the Committee:**

James Lee, Natalie Mychajlyszyn and Brian Hermon, Analysts, Parliamentary Information and Research Service, Library of Parliament  
Adam Thompson and Mark Palmer, Clerks of the Committee  
Lori Meldrum, Administrative Assistant

**Other Staff who have assisted the Committee from time to time in the study:**

Karen Schwinghamer, Communications Officer, Senate of Canada  
Christina Yeung, Analyst, Parliamentary Information and Research Service, Library of Parliament



## ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Thursday, November 21, 2013:

Resuming debate on the motion of the Honourable Senator Martin, for the Honourable Senator Andreychuk, seconded by the Honourable Senator Marshall:

That, the Standing Senate Committee on Foreign Affairs and International Trade be authorized to examine and report on security conditions and economic developments in the Asia-Pacific region, the implications for Canadian policy and interests in the region, and other related matters;

That the papers and evidence received and taken and work accomplished by the committee on this subject during the First session of the Forty-first Parliament be referred to the committee; and

That the committee report to the Senate no later than June 30, 2014.

After debate,

The question being put on the motion, it was adopted.

Extract from the *Journals of the Senate* of Thursday, June 12, 2014:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Plett:

That, notwithstanding the order of the Senate adopted on Thursday, November 21, 2013, the date for the final report of the Standing Senate Committee on Foreign Affairs and International Trade in relation to its examination of security conditions and economic developments in the Asia-Pacific region, the implications for Canadian policy and interests in the region, and other related matters be extended from June 30, 2014 to March 31, 2015.

The question being put on the motion, it was adopted.

Gary W. O'Brien

*Clerk of the Senate*

Extract from the *Journals of the Senate* of Wednesday, March 25, 2015:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Greene:

That, notwithstanding the orders of the Senate adopted on Thursday, November 21, 2013, and Thursday, June 12, 2014, the date for the final report of the Standing Senate Committee on Foreign Affairs and International Trade in relation to its examination of security conditions and economic developments in the Asia-Pacific region, the implications for Canadian policy and interests in the region, and other related matters be extended from March 31, 2015, to September 30, 2015.

The question being put on the motion, it was adopted.

Charles Robert

*Clerk of the Senate*

## LIST OF ACRONYMS

ADMM-PLUS	ASEAN DEFENCE MINISTERS' MEETING-PLUS
AEC	ASEAN ECONOMIC COMMUNITY
APEC	ASIA-PACIFIC ECONOMIC COOPERATION FORUM
ARF	ASEAN REGIONAL FORUM
ASEAN	ASSOCIATION OF SOUTHEAST ASIAN NATIONS
CSIS	CANADIAN SECURITY INTELLIGENCE SERVICE
DART	DISASTER ASSISTANCE RESPONSE TEAM
DFATD	DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND DEVELOPMENT
EAS	EAST ASIA SUMMIT
EDC	EXPORT DEVELOPMENT CANADA
FIPA	FOREIGN INVESTMENT PROMOTION AND PROTECTION AGREEMENT
FTA	FREE TRADE AGREEMENT
GDP	GROSS DOMESTIC PRODUCT
GMAP	GLOBAL MARKETS ACTION PLAN
G7	GROUP OF 7
G20	GROUP OF 20
MTCP	MILITARY TRAINING AND COOPERATION PROGRAM
NATO	NORTH ATLANTIC TREATY ORGANIZATION
NLD	NATIONAL LEAGUE FOR DEMOCRACY
ODA	OFFICIAL DEVELOPMENT ASSISTANCE

OECD	ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
PECC	PACIFIC ECONOMIC COOPERATION COUNCIL
RCEP	REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP
SCFAIT	STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL TRADE
SEMA	SPECIAL ECONOMIC MEASURES ACT
SME	SMALL AND MEDIUM-SIZED ENTERPRISE
STEP	SASKATCHEWAN TRADE AND EXPORT PARTNERSHIP
TPP	TRANS-PACIFIC PARTNERSHIP
UNCLOS	UNITED NATIONS CONVENTION ON THE LAW OF THE SEA
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME

## EXECUTIVE SUMMARY

This report presents the findings of the Standing Senate Committee on Foreign Affairs and International Trade on the relevance of the Asia-Pacific region to Canada's future prosperity and security interests.

It begins with an overview of the economic, social, governance and security developments that make the Asia-Pacific region a focus of so much contemporary global attention. It then takes stock of some of these regional dynamics as they relate to the ongoing influence of the region's largest countries – China and India. It recalls key findings from the Committee's 2010 reports on those countries, and highlights some of the more recent testimony on India and China heard by the Committee in the preparation of the present report. Noting the ongoing importance of those two countries' economic and political influence throughout the region, and Canada's strengthening bilateral relations with them, the report finds that there remain opportunities to continue to strengthen bilateral relations in both countries, to address remaining obstacles facing Canadian businesses in those markets and ongoing concerns related to human rights and security.

The report then turns its focus to developments affecting the Asia-Pacific region as a whole. Underlining the significance and speed of ongoing changes in that region, as well as the actions of other countries to capitalize on them, it finds that Canada must leverage its position as a Pacific country to strengthen its engagement. More specifically, it urges a greater emphasis on Canada's bilateral ties and partnerships with key regional fora in Southeast Asia, which the Committee views as being integral to an effective Canadian foreign policy within the broader Asia-Pacific region.

The report encapsulates the input received over the course of two years, through over 30 meetings with witnesses in Ottawa, as well as a fact-finding mission to Indonesia and Singapore. The Committee's witnesses and interlocutors included business people and associations, government officials, senior political leaders, parliamentarians, experts and others.

The breadth of this study reflects not only the volume of information brought before the Committee, but also the sheer size and diversity of the region it describes, as well as the multi-dimensionality of the policy framework through which Canada's interests in the region must be pursued. Although the number of opportunities and areas deserving Canada's attention are too great to address individually, several such areas are presented as suggestions, identified in **bold** throughout the report. The report also offers twelve recommendations, highlighting areas in which the Committee believes the Government of Canada can concentrate its efforts for the greatest effect.

The Committee's findings underline the need for Canada to act strategically to enhance its engagement in the Asia Pacific region. Towards this end, the Committee recommends that **the Government of Canada lead a "whole of country" effort that recognizes the importance of the Asia-Pacific region for Canada's future prosperity and better prepares Canadians to seize regional opportunities, by developing and implementing a systematic, comprehensive, consistent, and sustained approach for strengthening relations within the Asia-Pacific region, and ensuring that this engagement is supported by effective, adequately resourced high-level commercial diplomacy.**

Recognizing the importance of trade liberalization and market integration to future prosperity in the Asia Pacific region and to Canada's commercial relations therein, the Committee recommends that the Government of Canada **continue to pursue the Trans-Pacific Partnership (TPP) as the cornerstone of its economic policy in the Asia-Pacific region, while examining the benefits of bilateral trade and investment agreements with key countries not included in the TPP, with a view toward achieving the best possible deal for Canadians.**

The above recommendation notwithstanding, the Committee also notes that trade agreements, though critical, are insufficient in themselves to compel Canadians to seize opportunities that present themselves abroad. Further, witnesses told the Committee that businesses must be prepared to establish physical, long-term presence in order to succeed in regional markets. For this reason, the Committee is of the view that mutual understanding and awareness, underpinned by people-to-people contacts, are key drivers in deepening relations between Canada and the Asia-Pacific region. For this reason, the Committee recommends that **the Government of Canada undertake initiatives aimed at building the competencies of businesses and students across Canada, with a view to ensuring that they are equipped with language and other skills necessary to seize emerging opportunities in the Asia-Pacific region.**

The report highlights the emergence and particular importance of Southeast Asia, a dynamic region of over 600 million people. The Committee believes that while some recent Government of Canada initiatives, such as the Global Markets Action Plan and increased economic diplomacy, have served to raise Canada's profile in Southeast Asia and vice-versa, further government action is required to deepen commercial partnerships and create opportunities for Canadians in the region.

At the multilateral level, the report underlines the central role that the Association of Southeast Asian Nations (ASEAN) plays in the region. For this reason, the Committee believes that Canada should continue to prioritize engagement with ASEAN, and **recommends that the Government of Canada identify the development of relations with ASEAN and its member states as a critical focus of Canada's deepening engagement in the Asia-Pacific Region.**

Recognizing the importance of security cooperation within the region, the report also **recommends that the Government of Canada make security cooperation an integral part of its overall strategy for strengthening its relations in Southeast Asia, including through engagement with the Shangri-La Dialogue and by continuing to actively seek admission into the East Asia Summit and the ASEAN Defence Ministers' Meeting-Plus.**

The Committee heard that Southeast Asian countries are continuing to pursue reforms aimed at strengthening institutions and improving conditions for businesses and citizens. It also heard that Canadian expertise is relevant to many such efforts, and that development cooperation can serve as an important "beach head" for Canadian relations in the region. The Committee therefore **recommends that the Government of Canada continue its focus on technical assistance aimed at strengthening governance, the rule of law and public sector resource management in Southeast Asian countries where such assistance is deemed to have the greatest potential impact.**

As Southeast Asian countries' development continues, the Committee heard that demand for skilled workers and technical know-how is also on the rise. Building on its understanding of the role of education and research exchange in fostering long-lasting affinities between Canadians and other people and regions of the world, the Committee **recommends that the Government of Canada, in cooperation with Canadian educational institutions and their Southeast Asian counterparts, foster two-way education and research partnerships as a key driver for deepening Canadian relations and commercial interests in the region.**

Several witnesses highlighted existing weaknesses in human rights and corporate social responsibility in several Southeast Asian countries. Noting growing international concern related to the situation of Rohingya refugees and other minorities, the stresses these issues continue to generate across maritime and land borders throughout Southeast Asia, and the likelihood that an absence of concerted and timely action to address such issues will detract from recent and ongoing progress in the region, the Committee urges ASEAN countries and institutions to take immediate steps to realize sustainable solutions that uphold the rights of all those affected. The Committee also agrees with witnesses who said that Canada should continue to raise these issues as its relations and engagement in the region grow. Toward this end, **the Committee recommends that the Government of Canada work with Southeast Asian countries to improve adherence to key United Nations human rights treaties, and to promote adherence to key anti-corruption and corporate social responsibility practices among businesses and governments throughout the region.**

Recognizing that business and social conditions are far from uniform across Southeast Asia, the Committee decided to further narrow its focus on four countries whose individual situations were deemed to offer unique perspective to its study: Indonesia, Burma, Singapore and the Philippines. While a number of elements remained consistent in the Committee's country-specific analyses, a number of useful distinctions led the Committee to offer individualized recommendations for each of the four countries.

Indonesia, for example, is a vast and diverse nation, where Canadian businesses already have a foothold, and whose economic growth and institutional capacity needs can benefit from Canadian partnership. Towards this end, the Committee **recommends that the Government of Canada continue to strengthen its comprehensive engagement with Indonesia, including in the areas of diplomacy, security and development, advocacy for continued reform and support for Canadian businesses that wish to enter the Indonesian market. In particular, the Government of Canada should prioritize infrastructure financing and development, as well as security and defence training and human rights development as key sectors through which to strengthen relations with Indonesia.**

Burma, by contrast, is today taking steps to rejoin the international community after decades of military rule. This presents a number of commercial opportunities, as well as significant institutional and development obstacles. As such, the **Committee recommends that the Government of Canada continue to pursue a multi-faceted approach to engaging Burma, including through trade and investment opportunities, a growing in-country diplomatic presence and development programming. Further, the Committee believes that particular emphasis should be placed on technical cooperation and capacity building in areas such as**

**governance, resource management, health and education, and on ensuring that Canada's initiatives are inclusive of the country's diverse ethnic groups.**

Singapore lies at the opposite end of the development spectrum. But as a small nation-state it is also heavily reliant upon continued growth and stability in its neighbourhood. Recognizing this, the Committee **recommends that the Government of Canada continue in its efforts to raise Canada's profile and commercial relations with Singapore, and to prioritize the country as a hub for deepening security, defence, financial and diplomatic cooperation throughout Southeast Asia and with ASEAN structures, including such fora as the ASEAN Defence Ministers' Meeting-Plus and the East Asia Summit.**

The Philippines, for its part, is familiar to Canadians largely as a result of the large Philippine community in Canada. This underpins a strong existing friendship, while also presenting a number of opportunities for further cooperation. The Committee therefore **recommends that the Government of Canada continue to emphasize people-to-people ties with the Philippines, including by leveraging Canadian expertise in education, human resource development and entrepreneurship, as well as corporate social responsibility and public sector resource management.**

Amid growing global emphasis on the Asia-Pacific region, Canada cannot afford to ignore the opportunities and interests promised by a stronger emphasis on trans-Pacific relations. Aided by our strategic geographic location, an abundance of human and natural resources, as well as existing ties and a favourable reputation in the region, Canada is well-positioned to seize such opportunities in the years and decades ahead. However, it must continue to act strategically, and with a long-term perspective if it is to distinguish itself. The Committee believes that this report, and the recommendations contained within it, provide a roadmap as Canada strengthens its influence in the Asia-Pacific and in Southeast Asia more particularly.



## RECOMMENDATIONS

### RECOMMENDATION 1

**The Committee recommends that the Government of Canada lead a “whole of country” effort that recognizes the importance of the Asia-Pacific region for Canada’s future prosperity and better prepares Canadians to seize regional opportunities, by developing and implementing a systematic, comprehensive, consistent, and sustained approach for strengthening relations within the Asia-Pacific region, and ensuring that this engagement is supported by effective, adequately resourced high-level commercial diplomacy.**

### RECOMMENDATION 2

**The Committee recommends that the Government of Canada continue to pursue the Trans-Pacific Partnership (TPP) as the cornerstone of its economic policy in the Asia-Pacific region, while examining the benefits of bilateral trade and investment agreements with key countries not included in the TPP, with a view toward achieving the best possible deal for Canadians.**

### RECOMMENDATION 3

**The Committee recommends that the Government of Canada undertake initiatives aimed at building the competencies of businesses and students across Canada, with a view to ensuring that they are equipped with language and other skills necessary to seize emerging opportunities in the Asia-Pacific region.**

### RECOMMENDATION 4

**The Committee recommends that the Government of Canada identify the development of relations with the Association of Southeast Asian Nations (ASEAN) and its member states as a critical focus of Canada’s deepening engagement in the Asia-Pacific Region.**

### RECOMMENDATION 5

**The Committee recommends that the Government of Canada make security cooperation an integral part of its overall strategy for strengthening its relations in Southeast Asia, including through engagement with the Shangri-La Dialogue and by continuing to actively seek admission into the East Asia Summit and the ASEAN Defence Ministers’ Meeting-Plus.**

## **RECOMMENDATION 6**

**The Committee recommends that the Government of Canada continue its focus on technical assistance aimed at strengthening governance, the rule of law and public sector resource management in Southeast Asian countries where such assistance is deemed to have the greatest potential impact.**

## **RECOMMENDATION 7**

**The Committee recommends that the Government of Canada, in cooperation with Canadian educational institutions and their Southeast Asian counterparts, foster two-way education and research partnerships as a key driver for deepening Canadian relations and commercial interests in the region.**

## **RECOMMENDATION 8**

**The Committee recommends that the Government of Canada work with Southeast Asian countries to improve adherence to key United Nations human rights treaties, and to promote adherence to key anti-corruption and corporate social responsibility practices among businesses and governments throughout the region.**

## **RECOMMENDATION 9**

**The Committee recommends that the Government of Canada continue to strengthen its comprehensive engagement with Indonesia, including in the areas of diplomacy, security and development, advocacy for continued reform and support for Canadian businesses that wish to enter the Indonesian market. In particular, the Government of Canada should prioritize infrastructure financing and development, as well as security and defence training and human rights development as key sectors through which to strengthen relations with Indonesia.**

## **RECOMMENDATION 10**

**The Committee recommends that the Government of Canada continue to pursue a multi-faceted approach to engaging Burma, including through trade and investment opportunities, a growing in-country diplomatic presence and development programming. Particular emphasis should be placed on technical cooperation and capacity building in areas such as governance, resource management, health and education, and on ensuring that Canada's initiatives are inclusive of the country's diverse ethnic groups.**

## **RECOMMENDATION 11**

**The Committee recommends that the Government of Canada continue in its efforts to raise Canada's profile and commercial relations with Singapore, and to prioritize the country as a hub for deepening security, defence, financial and diplomatic cooperation throughout Southeast Asia and with ASEAN structures, including such fora as the ASEAN Defence Ministers' Meeting-Plus and the East Asia Summit.**

## **RECOMMENDATION 12**

**The Committee recommends that the Government of Canada continue to emphasize people-to-people ties with the Philippines, including by leveraging Canadian expertise in education, human resource development and entrepreneurship, as well as corporate social responsibility and public sector resource management.**



## INTRODUCTION

This report presents the key findings of the Standing Senate Committee on Foreign Affairs and International Trade's ("the Committee") study of the political and security conditions as well as economic developments in the Asia-Pacific region and their implications for Canadian policy and interests, with a particular focus on Southeast Asia and relations with Indonesia, Burma, Singapore and the Philippines.

This study was born out of a recognition that some global balance of power is shifting to the Asia-Pacific region, a shift that will have profound implications for Canada's prosperity, domestic and foreign policies, as well as its place in the international system. It is widely understood that Asia-Pacific is growing economically at a rapid pace. What is less appreciated, however, are the geostrategic changes that are taking place in the region. The economic rise of China, and countries within the Association of Southeast Asian Nations (ASEAN) are significantly affecting security conditions in the region and international trade and commerce. Following its two-year study, the Committee concludes that it is critical for the Government of Canada to recognize this geostrategic transformation and play a long-term, holistic and meaningful role in the Asia-Pacific region.

The genesis of this study was rooted in previous Committee studies on the emerging countries of Brazil, Russia, India and China (BRIC countries) and Turkey in the new global economy. In those studies, the Committee sought to better understand shifts in political and economic dynamics, the emergence of new players and relationships, and their impact on Canadian interests and opportunities. The Committee was motivated to study Asia-Pacific as a culmination of these previous studies and saw an occasion to look at a part of the world that is becoming increasingly important to Canada.

The Committee's study on the rise of China and India, which was completed in 2010, was particularly instructive for this examination of the Asia-Pacific region and the opportunities it offers Canada. As the Committee learned during that study, the rise of China and India were having a significant impact on the global economy and global governance with implications for Canada and its future. The Committee found that in a world of rapidly changing dynamics, it was critical for Canada to develop new policies and tools to capitalize on opportunities in emerging economies, particularly in Asia Pacific.

Five years after the Committee completed its study of China and India, this conclusion continues to ring true. However, as important as China and India are to it, the Asia-Pacific region is much more than these two countries. Asia-Pacific is a region that, depending on one's definition, spans the Indian and Pacific Oceans, encompasses numerous seas, includes the sub-regions of the Asian continent and those countries of the Americas that face onto the Pacific Ocean, and includes many countries with growing regional and global influence. As a result of global economic, financial and demographic shifts, Asia-Pacific as a whole has grown in strategic

relevance and many of Canada's competitors have turned their attention to its emerging markets and commercial opportunities.

While the Committee began its study with hearings on the broader Asia-Pacific, it later decided to narrow its focus to Southeast Asia, a region that is experiencing impressive economic growth, diversifying into new markets, and building regional defence and security mechanisms. Despite the growing potential of Southeast Asia – a dynamic region of over 600 million people – it is not well known among Canadians in general, let alone among the small percentage of Canadian businesses that export beyond the United States. As the study evolved, it became apparent to the Committee that Southeast Asia holds tremendous potential for Canadian companies and Canadians. Indeed, the ASEAN region is already Canada's seventh-largest trading partner.

The Committee chose to further narrow its focus to the four Southeast Asian countries of Indonesia, Burma, Singapore and the Philippines. These countries illustrate the diversity of Southeast Asia, a region rich with economic opportunity, but one that also faces a number of social, political and security challenges. The four countries are also members of ASEAN, an organization that has continued to grow in importance. Most significantly, each of the case study countries present immense opportunities for Canada from many angles – commercially, with respect to security and diplomatic cooperation, and in terms of people-to-people relations – which have not been fully leveraged.

The Committee began its study in May 2013. Since that time it held some 33 hearings in Ottawa and heard from over 90 witnesses who included a range of officials, businesses, academics and others. It also undertook a fact-finding mission to Southeast Asia in February 2015, visiting Indonesia and Singapore. While in those countries, the Committee held over 20 meetings with a variety of Canadian businesses active in the region, as well as with government officials, senior political leaders, parliamentarians, academics and others.

While not comprehensive, the Committee believes that the report that follows provides direction for the Government of Canada as it seeks to deepen and strengthen its engagement in Southeast Asia and Asia-Pacific region more generally. The report is organized in two parts. Part I begins with an overview of a rising Asia-Pacific region that is continuing to grow in importance, with implications for the global economy as well as international relations and security. Based on witness testimony, the report then presents the Committee's five key findings and makes three recommendations to the Government of Canada on how to maximize and advance Canada's opportunities and interests in the region as a whole.

Part II of the report turns to Southeast Asia. It first introduces the region, as well as its key regional organization, ASEAN, and recommends that the Government of Canada identify the development of relations with that organization and its member countries as a critical focus of Canada's deepening engagement in the Asia-Pacific region. The report then turns to the case studies of Indonesia, Burma, Singapore and the Philippines and a discussion of each country's

unique set of opportunities and challenges for Canada. The Committee offers a number of other recommendations related to Southeast Asia, including one recommendation for each of the four countries on how Canada can capitalize on the opportunities that each country presents.

This report underscores that Canada's future prosperity depends as much on effective commercial, diplomatic and security cooperation in the Asia-Pacific region as anywhere else in the world. The world is re-balancing toward the Asia-Pacific and Canada needs to shift with it to ensure that it does not miss out on the economic and political opportunities presented by this dynamic region. As the Committee learned during its study, this relies in part on effective engagement with security challenges in the region. It is the view of this Committee that now, more than ever, is the time for Canada to recognize fully that, as a country on the Pacific rim, it has immense opportunities to participate in changes now taking place in the Asia-Pacific region.





## PART I: CANADA AND THE ASIA-PACIFIC<sup>1</sup>

...there is a geopolitical, geostrategic...global shift in the world economy and in the world more generally from the Atlantic to the Pacific.<sup>2</sup>

- John M. Curtis, Senior Fellow, CD Howe Institute, and International Centre for Trade and Sustainable Development (Geneva)

### A. A Vibrant and Diverse Region

One of the most important messages that struck the Committee during this study is that the Asia-Pacific region is not monolithic and cannot be painted with one brush. The Committee heard that Asia-Pacific as a whole is immensely diverse in terms of its geography, ethnic and cultural makeup, and social, economic and political development. With approximately 4.3 billion people, the region is home to more than half of the human race and includes two of the most populous countries in the world, China and India. Asia-Pacific also stands out for its economic achievements, albeit in a somewhat uneven manner. The region generated approximately 38% of global GDP in purchasing power parity terms in 2013, and is home to many of the world's fastest growing economies, such as China.<sup>3</sup> At the same time, the region contains hundreds of millions of people living on less than \$1.25 a day and includes countries, such as Burma<sup>4</sup>, that are undergoing a period of economic and political transition.

Colin Robertson, Vice President and Fellow, School of Public Policy, University of Calgary, Canadian Defence and Foreign Affairs Institute, underlined that, while there is a tendency to speak of Asia as one entity, it is in fact “a continent of different regions, religions, ethnicities and languages. There are democracies and there are dictatorships.”<sup>5</sup> Peter McGovern, Assistant Deputy Minister, Investment, Innovation, Business Development and Asia, Foreign Affairs and International Trade Canada,<sup>6</sup> offered the Committee a similar perspective, commenting,

Asia is not monolithic. There are very distinct and different regions...You have mature economies that share our democratic values in Korea, Japan and Taiwan. You have an emerging bloc in ASEAN, the nine or ten countries that constitute

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<sup>1</sup> The term “Asia-Pacific” is imprecise as there is no one universally agreed upon demarcation of the region's boundaries. Some observers limit the region to the states of Northeast Asia, Southeast Asia and the Pacific Rim (which includes Canada), while others define it more broadly to include the countries of South Asia and Central Asia. With the exception of its review of developments in India, the Committee's focus is on those parts of Asia that touch the Pacific Ocean, and more particularly Southeast Asia. However, given that much of the witness testimony used the terms “Asia-Pacific” and “Asia” interchangeably, for the purposes of this report, references are at times broader.

<sup>2</sup> Standing Senate Committee on Foreign Affairs and International Trade [SCFAIT], *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 4 December 2013.

<sup>3</sup> Asian Development Bank, *Key Indicators for Asia and the Pacific 2014*.

<sup>4</sup> The Government of Canada generally refers to the country as Burma instead of using the official name Myanmar, which was adopted when the country was ruled by a military dictatorship. The Embassy of Canada to Burma uses “Burma (Myanmar)” to refer to the country.

<sup>5</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 4 December 2013.

<sup>6</sup> The Department of Foreign Affairs and International Trade (DFAIT) amalgamated with the Canadian International Development Agency (CIDA) in June 2013 and changed its name to the Department of Foreign Affairs, Trade and Development (DFATD).

that grouping. You have Oceania with Australia and New Zealand, who are very closely aligned with us, so it is not one-size-fits-all in terms of our dealings with Asia.<sup>7</sup>

To be effective, the Committee heard that Canada's strategy in Asia-Pacific needs to account for the diversity of the region. As Mr. Robertson told the Committee: "An Asian policy is a misnomer. One size does not fit all. If we are to effectively advance Canadian interests, we need to tailor policies by country, by region and by sector."<sup>8</sup>

## B. Economic Context

Asia's recent surge is not a short-lived phenomenon. The changes that underpin Asia's transition, including large-scale urbanization, dramatic productivity gains and rapid advances in education, are relentless and fundamental.<sup>9</sup>

- Ailish Campbell, Vice President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives

The Asia-Pacific region has undergone a profound transformation over the past several decades with significant implications for Canada and the world. The Committee heard that the most dramatic aspects of this shift have been economic. The region has integrated into the global economy at a rapid pace. To take one example, Ken Sunquist, Former Assistant Deputy Minister, Asia and Africa and Chief Trade Commissioner, Department of Foreign Affairs and International Trade and Former Canadian Ambassador to Indonesia, indicated that, according to economists, over 50% of the world's goods and services are produced and consumed in a corridor between Japan and India.<sup>10</sup> Peter McGovern told the Committee that Asia as a whole is expected to account for a full 50% of global gross domestic product (GDP) by 2050.<sup>11</sup>

The Committee heard that Asia-Pacific has come to occupy a central place in global commerce, including in international trade and investment, and in global value chains, as a region for the manufacturing of sophisticated consumer and capital goods. Furthermore, witnesses underscored that the region has also become home to a growing number of the world's largest companies and is increasingly becoming a hub for innovation and technology. Peter McGovern pointed out that there are already more Fortune 500 companies headquartered in Asia than in either the United States or Europe.<sup>12</sup>

The unprecedented economic transformation of the region has also had significant socio-economic implications. For example, the rate of poverty across the region has been reduced dramatically. According to Peter A. Petri, Carl J. Shapiro Professor of International Finance, Brandeis University, between 1990 and 2010, Asia reduced its rate of extreme poverty by more than half and is on track to eradicate extreme poverty altogether in another 15 years.<sup>13</sup> At the

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<sup>7</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>8</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 4 December 2013.

<sup>9</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

<sup>10</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

<sup>11</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>12</sup> Ibid.

<sup>13</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 February 2014.

same time, hundreds of millions of people have joined the middle class and disposable incomes are on the rise. Indeed, Ailish Campbell, Vice President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives, said that Asia will become home to more than 50% of the global middle class by 2050, up from about 25% today.<sup>14</sup> The region is also graduating millions of new university-educated students every year that are eager to find meaningful, high-paying employment. As incomes propel more and more people into the middle class, the Asia-Pacific region is set to become the world's fastest growing consumer market.<sup>15</sup>

## C. Growing Regionalism

From the late part of the 20<sup>th</sup> century until recently, regional community building in Asia-Pacific was largely driven by the Asia Pacific Economic Cooperation (APEC)<sup>16</sup> forum and ASEAN. However, another theme that witnesses emphasized during the Committee's study was the growing "regionalism" in the Asia-Pacific region and the emergence of new regional organizations and processes.

The Committee heard from witnesses that the Asia-Pacific region has undergone fundamental changes in terms of its multilateral architecture and power structures over the past number of years. While the region was once considered institutionally underdeveloped, the multilateral architecture in the Asia-Pacific has become increasingly relevant and active, as the locus of major announcements, debates, and diplomatic and cooperative initiatives. According to Yuen Pau Woo, President and CEO, Asia Pacific Foundation of Canada, the "rise of Asia" is materializing "in the growing assertiveness of Asian countries to defend their interests, both economically and territorially, as well as, perhaps paradoxically, a desire on the part of Asian economies to band together and to find ways of expressing Asian regionalism through new institutions."<sup>17</sup>

Mr. Woo drew the Committee's attention toward the "nascent regionalism in Asia," which he says is "still experimental,"<sup>18</sup> but which is resulting in institutions such as the East Asia Summit (EAS),<sup>19</sup> the ASEAN Plus Three,<sup>20</sup> the Regional Comprehensive Economic Partnership (RCEP),<sup>21</sup> the ASEAN Regional Forum (ARF),<sup>22</sup> and the Shangri-La Dialogue.<sup>23</sup> The

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<sup>14</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

<sup>15</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014.

<sup>16</sup> The Asia-Pacific Economic Cooperation (APEC) forum was established in 1989 and today numbers twenty-one economies. The focus of APEC is primarily the promotion of sustainable economic growth, equitable development, trade liberalization, as well as economic cooperation among its members. While in Singapore, the Committee met the Executive Director of the APEC Secretariat and learned that since 1989, APEC has worked by consensus to support sustainable economic growth and prosperity in the Asia-Pacific region. SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>17</sup> SCFAIT, [Evidence](#) 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013.

<sup>18</sup> Ibid.

<sup>19</sup> The East Asia Summit was established in 2005. It is a leaders' forum for the discussion of regional security and other issues and is held annually following ASEAN summits. The membership is composed of the 10 ASEAN states, and Japan, China, India, South Korea, Australia, New Zealand, the United States and Russia.

<sup>20</sup> ASEAN plus three is a forum that functions as a coordinator for relations between the 10 ASEAN countries and the three East Asia nations of China, Japan and South Korea.

<sup>21</sup> The Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement between the 10 ASEAN states and the six states that ASEAN has existing free trade agreements with (Australia, China, India, Japan,

Committee's attention was also drawn to newer initiatives such as the ASEAN Defence Ministers' Meeting-Plus – which is a process to further engage ASEAN Dialogue Partners<sup>24</sup> in dialogue and cooperation on defence and security matters.

Witnesses also highlighted the Trans-Pacific Partnership (TPP) as another important mechanism that has emerged for regional economic cooperation. The TPP is a free trade agreement (FTA) now under negotiation between 12 countries, including Canada, designed to achieve a common agreement to enhance trade and investment among the parties, to address the removal of tariff and non-tariff trade barriers, as well as investment, services and intellectual property protection, among other issues.<sup>25</sup> Mr. McGovern told the Committee that the TPP “has the potential to become a leading mechanism for regional economic integration in Asia and to bring significant benefits to Canadian exporters and investors.”<sup>26</sup>

More generally, witnesses underlined that a growing regionalism has emerged in the Asia-Pacific region with respect to trade, a trend the Committee witnessed first-hand during its fact-finding mission to the region. Asia-Pacific countries are trading with each other more and more. Mr. Petri commented that part of this could be explained by the growth of production networks within Asia, while part has to do with “wealth and a tremendous growth in consuming power.”<sup>27</sup> As incomes and purchasing power continue to rise, Asia-Pacific countries are likely to witness even stronger economic integration in the future.

## D. Socio-Economic and Governance Challenges

Despite the dynamic economic growth and the considerable socio-economic progress that has been witnessed over the past two decades, witness testimony also highlighted that the countries of the Asia-Pacific region face a number of complex challenges that cannot be overlooked.

The Committee heard that large segments of the population in the Asia-Pacific region have not yet benefited from rising incomes. Manuel Litalien, Assistant Professor, Department of Social Welfare and Social Development, Nipissing University, told the Committee that the income

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South Korea and New Zealand). RCEP negotiations were launched in 2012 with the goal of concluding an agreement by the end of 2015.

<sup>22</sup> The ASEAN Regional Forum is an intergovernmental forum that aims to foster dialogue and consultation on security issues and contribute to conflict building and preventive diplomacy in the Asia-Pacific region. The Forum was established in 1994 and comprises the 10 ASEAN members, the 10 ASEAN dialogue partners (Australia, Canada, China, the European Union, India, Japan, New Zealand, South Korea, Russia and the United States), one ASEAN observer (Papua New Guinea) as well as North Korea, Mongolia, Pakistan, Timor-Leste, Bangladesh and Sri Lanka.

<sup>23</sup> Held annually in Singapore, the Shangri-La Dialogue is a forum that brings together defence ministers and chiefs of defence staff from the Asia-Pacific region, including Canada, in an effort to build confidence and security cooperation.

<sup>24</sup> ASEAN Dialogue Partners meet regularly with ASEAN members to discuss the development of regional relations.

<sup>25</sup> The current negotiating members of the TPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.

<sup>26</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>27</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 February 2014.

inequality gap has been rising throughout many countries of the region.<sup>28</sup> Mr. McGovern commented that, despite the many success stories over the past two decades, Asia is still home to two-thirds of the world's poor.<sup>29</sup> In addition, Denis Côté, Coordinator, Asia-Pacific Working Group, Canadian Council for International Co-operation, pointed out that, according to a report by the Food and Agriculture Organization of the United Nations, more than 500 million people are still suffering from hunger in Asia.<sup>30</sup>

The Committee also heard that the Asia-Pacific region faces significant environmental challenges and is particularly vulnerable to natural disasters. Syed Sajjadur Rahman, Professor, School of International Development & Global Studies, University of Ottawa, highlighted that Asia-Pacific is a “physically fragile region, frequently suffering from environmental calamities like tsunamis, cyclones and floods. In fact, this is the most disaster-prone region in the world.”<sup>31</sup>

In addition to socio-economic and environmental challenges, many countries in the Asia-Pacific continue to struggle with governance issues. The region is home to some of the youngest democracies in the world and countries in the region vary significantly in their governance models. Brian Joseph, Senior Director for Asia and Global Programs, National Endowment for Democracy, mentioned that, while most of Asia has elections, “there are very few established liberal democracies in the region.” In particular, Mr. Joseph noted that, while progress has been made in Indonesia, the Philippines, South Asia and other places, there has been “backsliding” in places like Sri Lanka and Thailand.<sup>32</sup> Mr. Litalien also commented that East Asia and the Pacific have the second highest number of fragile and conflict-affected states in the world.<sup>33</sup>

The Committee agrees with witnesses that the human rights situation in the region continues to be a concern. While noting that the Asia-Pacific is diverse and the human rights situation varies from country to country, Alex Neve, Secretary General, Amnesty International Canada, commented that the region “continues to be one that faces ongoing and very serious human rights challenges.” Mr. Neve elaborated by saying that despite some improvements in places such as Burma, “in almost all countries in the region... the simple act of publicly expressing one's opinion, whether on the streets or increasingly, of course, online continues to be met with harsh and even brutal state oppression in far too many countries.”<sup>34</sup>

While discussions about recent developments in the Asia-Pacific region are generally driven by expressions of optimism and opportunity, the Committee is of the view that to be realistic about these achievements, they must also be seen alongside the complex challenges. Summarizing the situation in the region generally, Mr. Côté remarked, “that image of economic dynamism that is

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<sup>28</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 March 2014.

<sup>29</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>30</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014; Food and Agriculture Organization of the United Nations, [The State of Food Insecurity in the World: The Multiple Dimensions of Food Security](#), 2013.

<sup>31</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014.

<sup>32</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014.

<sup>33</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 March 2014.

<sup>34</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

often synonymous with Asia also contributes to mask the fact that the region still faces enormous challenges in reducing poverty and in achieving human rights for all.”<sup>35</sup>

## E. Security Context

Notwithstanding the increased regional integration that has occurred, the Asia-Pacific region continues to face a number of complex security challenges, ranging from traditional to non-traditional ones. The Committee heard that the continuing economic transformation of the Asia-Pacific region is generating a shift in the distribution of power that may have implications for regional and global peace and security.

The Committee was struck by the number of factors that are driving a general sense of uncertainty in the Asia-Pacific security environment. China – whose military budget has been increasing steadily over the past decade – is emerging as a more assertive and powerful actor, while the United States is perceived by some as having diminished influence in the security affairs of the region. Simon Palamar, Researcher, Centre for International Governance Innovation, told the Committee that increased Chinese military spending has precipitated a response from other regional powers. He commented, “we are suddenly seeing increased military spending in a lot of countries around China, in the ceiling periphery of Asia, in Vietnam and Indonesia.”<sup>36</sup>

The Committee heard that regional stability may be threatened by several competing territorial and maritime claims. For example, in the South China Sea, a dispute over the sovereignty of the Spratly Islands, along with the adjacent Paracel Island chain has degraded relations between a number of countries. The Paracel Islands are claimed by China and Vietnam, and the Spratly Islands are claimed in their entirety by China, Taiwan, and Vietnam, and in part by the Philippines, Malaysia, and Brunei. Peter Chalk, Senior Political Scientist, RAND Corporation, commented that disagreements over the South China Sea between China, Vietnam and the Philippines were responsible for the failure of the 10 ASEAN foreign ministers to agree on the wording of a final communiqué following the conclusion of their annual summit in Cambodia in 2012. According to Mr. Chalk, “That was the first time that has happened in the organization's 46-year history.”<sup>37</sup>

The situation in the East China Sea also remains a concern. There, China and Japan both claim the uninhabited islands known as Senkaku (in Japan) and Diaoyu (in China). The islands are administered by Japan but China claims them as its own. Mr. Chalk commented, “The territorial dispute between Japan and China over the Senkaku Islands remains a flashpoint and has escalated political and diplomatic conditions quite significantly, I would suggest far more so than the Chinese claims to territorial stakes in the South China Sea.”<sup>38</sup>

In addition to maritime and territorial boundary disputes, a long-standing issue that has affected the strategic situation in Northeast Asia is the provocative behaviour of the totalitarian regime

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<sup>35</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>36</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013.

<sup>37</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 February 2014.

<sup>38</sup> Ibid.



that governs North Korea, led since late-2011 by Kim Jong-un, grandson of the country's founding leader, Kim Il-sung. Mr. Chalk argued that the Korean Peninsula remains "one of the international system's main flashpoints of concern."<sup>39</sup> The unpredictability of the North Korean regime was highlighted as a particular concern, given that it has defied the international non-proliferation regime in its pursuit of a nuclear weapons program. Rear-Admiral David Gardam, Director General for International Security Policy, National Defence, commented, "In North Korea, the erratic behaviour of the leadership and its pursuit of nuclear weapons, as well as the technologies to deliver them, pose a grave threat to the region."<sup>40</sup>

Beyond traditional inter-state security challenges, the Asia-Pacific region also faces a range of non-traditional threats. As highlighted by a number of witnesses, these include cyber-crime, human smuggling, piracy, illegal immigration, organized crime and terrorism. With respect to terrorism, for example, Michael Peirce, Assistant Director, Intelligence, Canadian Security Intelligence Service (CSIS), noted that, while the Asia-Pacific region is not the principal source of threats to Canada, there are several extremist groups that operate in the region that represent a cause for concern.<sup>41</sup> Another example is cyber-crime. Rex Hughes, Visiting Professor, Canada Centre for Global Security Studies, Munk School of Global Affairs, University of Toronto, told the Committee that the Asia-Pacific's constituent states are both a major source for, and victims of, cyber-crime.<sup>42</sup> While each of these threats pose different challenges, one common element is that they cannot be addressed by military force or diplomacy alone.

## CHINA AND INDIA FIVE YEARS AFTER THE COMMITTEE'S 2010 REPORTS

While the Committee chose to focus this study on that part of the Asia-Pacific region that touches the Pacific Ocean, and more particularly on Southeast Asia, much of the testimony it heard also mentioned developments in China and India. As two of the most economically dynamic and geopolitically important powers in the world, this was to be expected. The Committee firmly believes that what happens in China and India has regional, and indeed global, implications and no study of the Asia-Pacific would be complete without them.

While not the focus of the study, the Committee took a keen interest in the testimony on developments in China and India in no small part because of previous reports it issued on these countries. In June 2010, the Committee released a report entitled [\*A Workplan for Canada in the New Global Economy: Responding to the Rise of Russia, India and China\*](#). In the report, the Committee concluded that the emergence of these countries would have significant domestic, bilateral, and global implications on Canada and for its future commercial prosperity. As a result, for the sake of Canadian companies specifically and Canadians more generally, the Committee recommended that the Government of Canada formulate a set of policies that better mitigate the associated challenges and realise potential benefits in order to enhance Canada's commercial relations with China, India and Russia. The Committee also released another report specifically on India in December 2010 entitled, [\*Seizing Opportunities for Canadians: India's Growth and\*](#)

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<sup>39</sup> Ibid.

<sup>40</sup> SCFAIT, [\*Evidence\*](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

<sup>41</sup> SCFAIT, [\*Evidence\*](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 February 2014.

<sup>42</sup> SCFAIT, [\*Evidence\*](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2014.

[\*Canada's Future Prosperity\*](#), that made several recommendations specific to Canada-India relations. Five years after the release of these reports, the Committee believes that is worthwhile to briefly revisit developments in China and India in light of the testimony heard over the course of its study on the Asia-Pacific region.

## 1. China

The Committee's 2010 report highlighted China's emergence as a global economic power. At the time the report was released, China was generating 13% of world economic output in purchasing power parity terms and was the world's largest consumer of nickel and copper and the third-largest consumer of oil. China had become a major global investor, with its foreign-exchange reserves reaching almost \$2.3 trillion at the end of the third quarter of 2009, the majority of which were held in US dollars.<sup>43</sup> China was also making significant investments in infrastructure, which the Committee saw first-hand when it visited Shanghai, Guangzhou, Shenzhen, and Hong Kong in November 2009.

In the time since the Committee's 2010 report, China's economy has continued to grow rapidly and its importance to the global economy has only increased. In fact, the prediction cited in the Committee's 2010 report that China would "surpass the United States as the prime driver of the global economy sometime in the next two decades" still holds true. Ken Sunquist told the Committee that China is expected to pass the United States as the largest economy in the world sometime between 2020 and 2030.<sup>44</sup> While China's growth is forecast to slow to approximately 7% in 2015, the country's economy continues to expand at a rapid rate that is well above the global average. David Dewitt, Vice-President of Programs, Centre for International Governance Innovation, told the Committee that even with a modest slowdown in China's economic growth, some economists are predicting a thirty-fold increase in economic capacity by 2050.<sup>45</sup>

The Committee heard, however, that a decelerating economy could pose a degree of political risk to the Chinese government. Witnesses indicated that for more than two decades economic growth has been the major factor in ensuring political stability in China. Yuen Pau Woo commented that, "China, being an authoritarian, one-party state, derives its legitimacy not from the ballot box per se but from economic performance."<sup>46</sup> In effect, rising wages and standards of living have helped ensure political stability. One of the challenges for the Chinese government going forward will be to adapt to slower growth. Mr. Woo suggested that the Chinese government is at the stage where it recognizes that it "must filter more of the benefits of economic growth to the Chinese population." There is evidence that the Chinese government has begun doing this. Mr. Woo also maintained that China has begun placing greater emphasis on investments in education, health care, social security and the distribution of wealth across the country.<sup>47</sup>

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<sup>43</sup> Senate, Standing Senate Committee on Foreign Affairs and International Trade, [\*A Workplan for Canada in the New Global Economy: Responding to the Rise of Russia, India and China\*](#), Seventh Report, 3<sup>rd</sup> Session, 40<sup>th</sup> Parliament, June 2010.

<sup>44</sup> SCFAIT, [\*Evidence\*](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

<sup>45</sup> SCFAIT, [\*Evidence\*](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 January 2014.

<sup>46</sup> SCFAIT, [\*Evidence\*](#) 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013.

<sup>47</sup> Ibid.



Since the Committee concluded its 2010 report, another priority of the Chinese government that has been strengthened is support for its military. The Committee heard from a number of witnesses that China is demonstrating growing assertiveness and military strength in the Asia-Pacific region. Speaking to the Committee in 2013, Simon Palamar estimated that China accounts for 8% of global military spending; he noted that, while China is not going to overtake the United States in military spending in the foreseeable future, the gap between the two has narrowed.<sup>48</sup> China has also developed a growing capability to project military power beyond its shores. To take one example, James A. Boutilier, Associate, Centre for Asia-Pacific Initiatives, University of Victoria, stressed that there has been “dramatic growth and rise in sophistication of the Chinese navy.”<sup>49</sup>

Apart from hearing about domestic developments in China, witness testimony also provided the Committee with an opportunity to receive an update on the state of Canada’s bilateral relations with China. The Committee heard that there has been a proliferation of bilateral agreements as well as high-level visits in both directions between Canadian and Chinese officials since the 2010 report. Most notably, Prime Minister Harper visited China in November 2014, at which time he and President Xi Jinping agreed to a joint list of outcomes that included a bilateral currency swap agreement and a Memorandum of Understanding on establishing Renminbi clearing arrangements in Canada.<sup>50</sup> The Committee also heard that Canada and China signed a foreign investment promotion and protection agreement and completed an economic complementarities study in 2012.<sup>51</sup>

Canada’s economic relations with China have grown rapidly over the past decades. Indeed, total trade between Canada and China increased from \$15 billion in 2000 to almost \$77 billion in 2014.<sup>52</sup> Danielle Goldfarb, Associate Director, Global Commerce Centre, Conference Board of Canada, commented that the value of Canada’s exports to China as a share of the value of Canada’s total exports was projected to expand from 3% in 2013 to 7% by 2025.<sup>53</sup> The testimony of Lionel LaBelle, President and CEO, Saskatchewan Trade and Export Partnership (STEP), provides just one example of how rapidly trade between Canada and China is expanding. According to Mr. LaBelle, Saskatchewan’s exports to China increased from \$700 million in 2004 to \$2.6 billion in 2013. Mr. LaBelle commented, “We are doubling our business in China every three years.”<sup>54</sup>

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<sup>48</sup> Ibid.

<sup>49</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 February 2014.

<sup>50</sup> For more information on the joint list of outcomes, see: Prime Minister of Canada, [Canada-China Joint List of Outcomes 2014](#), 8 November 2014.

<sup>51</sup> The Canada-China Foreign Investment Promotion and Protection Agreement (FIPA) entered into force 1 October 2014. The Canada-China FIPA is intended to secure greater transparency and predictability for their investors abroad, as well as an enhanced ability to attract investment to their respective countries. The economic complementarities study was drafted by officials from both countries as a means to evaluate potential bilateral economic complementarities in a selected range of sectors, including agriculture, clean technology, machinery and equipment (notably in agriculture and mining), natural resources, services, textiles, transportation infrastructure and aerospace.

<sup>52</sup> DFATD, [“Factsheet,”](#) *Canada-China Bilateral Relations*.

<sup>53</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 30 May 2013.

<sup>54</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 March 2014.

Despite the considerable progress that has been made in improving bilateral relations, the Committee heard that some areas of concern remain, including how best to engage with China on the issue of human rights. Broadly speaking, some witnesses noted that, on one side of the debate, there is concern that taking a stronger and more public stance on China's human rights record will damage Canada's economic interests in China and hurt overall bilateral relations at a time when China is becoming a key global power. On the other side of the debate are those who argue that Canada should make improving the human rights situation in China a priority regardless of the possible effects on trade and investment.

The Committee is of the view that engaging with China on the issue of human rights should be part of our overall bilateral engagement with the country. As Yuen Pau Woo noted, Canadians believe that the promotion of human rights is an important part of Canadian foreign policy.<sup>55</sup> While discussing the issue of human rights in China is not always easy, and should be done in a respectful manner that involves both public and private discussions, **the Committee believes that it is important that Canada not shy away from speaking on issues of concern. To this end, the Committee reiterates its comments from the 2010 report that Canada would benefit from a high-level inter-governmental bilateral mechanism involving private and public measures by which issues and grievances regarding compliance with norms and standards, particularly human rights, can be discussed with China.**

Engagement with China must be a continuing priority for the Government of Canada across a wide variety of sectors. In the five years since the Committee released its report on an emerging China, that country has only increased its economic and geopolitical reach and influence. As China continues to exert greater regional and global leadership, its importance to Canada will only increase. Not only is China becoming more important to Canada's long-term economic future, but actions that China takes on the international stage and in the governance of multilateral institutions are becoming more relevant to Canada. For these reasons, Canada should continue to develop comprehensive relations with China at the political, economic and security levels.

## 2. India

The Committee's December 2010 report referred to India as "a vibrant country in the throes of becoming among the most important countries in the global economic system."<sup>56</sup> Since the Committee released this report, India's economic growth has only accelerated. Between 2010 and 2014, India's GDP expanded by an average rate of over 6% and is projected to grow by approximately 7.3% in 2015.<sup>57</sup> Its middle class is growing quickly and India is expected to overtake China as the world's most populous country by 2028.<sup>58</sup>

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<sup>55</sup> SCFAIT, [Evidence](#) 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013.

<sup>56</sup> Senate, Standing Senate Committee on Foreign Affairs and International Trade, [Seizing Opportunities for Canadians: India's Growth and Canada's Future Prosperity](#), Eighth Report, 3<sup>rd</sup> Session, 40<sup>th</sup> Parliament, 14 December 2010.

<sup>57</sup> The World Bank, "[GDP Growth \(annual %\)](#)," *Data*; Economist Intelligence Unit, "India," *Country Report*, generated on 23 April 2015.

<sup>58</sup> United Nations, Department of Economic and Social Affairs, Population Division, [World Population Prospects: The 2012 Revision](#), Press Release, 13 June 2013.

Five years after the Committee's 2010 reports, India continues to present many commercial opportunities for Canada. Indeed, witnesses told the Committee during its study on Asia-Pacific that there is considerable scope for deepening the bilateral economic partnership with India across a number of sectors. For example, Peter MacArthur, Director General, South, Southeast Asia and Oceania, Foreign Affairs and International Trade Canada, pointed out that India is seeking to diversify its sources of imports away from the Middle East. To that end, he noted that there could be opportunities for Canadian businesses in terms of natural gas, oil and uranium.<sup>59</sup> In addition, Ron Bonnett, President, Canadian Federation of Agriculture, suggested that there is a large market in India for Canadian pulses and grains.<sup>60</sup>

Notwithstanding the commercial opportunities available to Canada, the Committee heard that some barriers to entry in the Indian market remain, presenting challenges to the long-term growth of Canada-India commercial relations. For example, Mr. Bonnett said, "India has had a tradition as a trading partner where rules seem to change from week to week, and we need clear, consistent trade rules to ensure that we have trade market access."<sup>61</sup> Ms. Goldfarb referred to the Indian economy as "notoriously closed."<sup>62</sup> In seeking to find a strategy for business success in India, Ms. Goldfarb encouraged companies to look for "pockets of openness and growth" in India's economy, and highlighted the auto sector in India as an industry that is open to Canadian trade and investment.<sup>63</sup>

The Committee believes that high-level political engagement provides a means to negotiate solutions and to facilitate growth between Canada and India. Indeed, the Committee recommended in its 2010 report that the Government of Canada increase the frequency of high-level visits to India. In this respect, the Committee is encouraged that high-level bilateral visits between the two countries have accelerated over the past few years. For example, Prime Minister Harper visited India in 2010, where he was joined by a large Canadian delegation from the business and cultural community. Most recently, Indian Prime Minister Narendra Modi visited Canada in April 2015, marking the first time since 1973 that a sitting Indian Prime Minister has conducted a bilateral state visit to Canada. During the visit, Prime Minister Harper and Prime Minister Modi signed a number of agreements, including ones in the areas of education and skills development, civil aviation and nuclear cooperation.<sup>64</sup>

The Committee considers the Indo-Canadian agreement on education to be particularly important as it recognizes the central and dynamic role of people-to-people ties in the Canada-India partnership. Both leaders identified education as one of the key areas of priority for bilateral engagement and agreed to focus on greater student, faculty and people-to-people exchanges, in addition to emphasizing the need to renew cultural cooperation between Canada and India. It is worth underlying how important people-to-people relations are to Canada-India relations. India is one of the top source countries for immigrants to Canada and the Indian diaspora community of 1.2 million in Canada is one of the largest Indian diasporas in the world.

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<sup>59</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>60</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2014.

<sup>61</sup> Ibid.

<sup>62</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 30 May 2013.

<sup>63</sup> Ibid.

<sup>64</sup> Prime Minister of Canada, [PM Marks Successful Visit to Canada by Indian Prime Minister Narendra Modi](#), 16 April 2015.

**The Committee believes that the Indian diaspora community in Canada represents a source of strength to the overall bilateral relationship and that Canada should continue to look for ways to deepen its people-to-people relationship with India.**

The testimony related to India during the Committee's study on the Asia-Pacific region underlined that it remains a country on the move. India's economy is growing rapidly, its middle class is expanding, and the country is exhibiting growing political influence on the international stage. The Committee also heard that Canada-India relations have been growing and are rooted in strong people-to-people ties and, increasingly, commercial linkages. However, witnesses also underscored that India remains a challenging business environment and that Canada needs to pursue additional frameworks through which to deepen relations with it. The agreements signed between Prime Minister Harper and Prime Minister Modi are important steps in this regard. Going forward, the Committee reaffirms that Canada should continue to pursue additional bilateral agreements in an effort to advance trade and investment relations between the two countries.

## CANADA'S ENGAGEMENT IN THE ASIA-PACIFIC REGION

There is a realignment of economic power under way. There is a realignment of political power under way. There is an essential need for strategic engagement policy with the new centres of power. ... Asia is quickly [becoming], if not already, the most important region in our future.<sup>65</sup>

- Ken Sunquist, Former Assistant Deputy Minister, Asia and Africa and Chief Trade Commissioner, Department of Foreign Affairs and International Trade, and Former Canadian Ambassador to Indonesia

It is in the context of a rising Asia-Pacific that Canada must move forward. Countries around the world have recognized and acted on this global power shift. The United States, for example, which was the dominant power in the Asia-Pacific region for decades following the end of World War II, announced in 2011 what it first called a “pivot,” and later a “rebalance,” to Asia in its diplomatic and military policies. It has also acted to strengthen bilateral engagement with both China and India, while maintaining military treaties and other relations with key countries such as Japan and South Korea. Australia has also taken significant steps to increase its engagement in the region. In October 2012, Australia released a nearly 300-page White Paper entitled *Australia in the Asian Century*.<sup>66</sup> The paper outlined the importance of Asia to Australia, and made recommendations for strengthening the country's links with it.

Canada too has strengthened its engagement in the Asia-Pacific region in recent years. Over the course of its study, witnesses told the Committee that the Government of Canada has taken concrete steps to prioritize the Asia-Pacific region within its foreign policy. For example, on the diplomatic front, the Committee heard that Canada has shifted resources toward Asia. Since 2006, Canada has opened 10 new diplomatic offices in China and India. Canada opened an embassy in Burma in 2013, and in 2014 announced that it would expand diplomatic representation to all 10 ASEAN member states by opening resident Canadian offices in

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<sup>65</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

<sup>66</sup> Government of Australia, *Australia in the Asian Century White Paper*.

Cambodia and Laos. In 2014, Canada also announced that it would appoint its first dedicated ambassador to ASEAN, who would be co-located with Canada's mission in Jakarta, Indonesia. Witnesses also commented that there has been a significant enhancement in the level and frequency of high-level Canadian political engagement with countries in East, South and Southeast Asia in recent years.

In terms of commercial engagement, the Committee heard that Asia-Pacific countries are strongly represented in Government of Canada's Global Markets Action Plan (GMAP); 16 out of 80 priority markets identified in the GMAP are located in the Asia-Pacific region. The GMAP is designed to "ensure that all the diplomatic assets of the Government of Canada are harnessed to support the pursuit of commercial success by Canadian companies and investors in key foreign markets, to generate new jobs and new opportunities for workers and families here at home."<sup>67</sup> More broadly, Peter McGovern told the Committee during his 2013 appearance that "for the first time in recent memory," the Department of Foreign Affairs, Trade and Development's Report on Plans and Priorities made increasing Canada's economic and political engagement in Asia one of six distinct organizational priorities.<sup>68</sup>

Notwithstanding the initiatives listed above, Canada cannot rest on recent achievements. **The Committee is of the opinion that there is a particular urgency when it comes to increasing Canada's engagement in the Asia-Pacific region. This is partly a function of the region's growing economic power and geopolitical influence, as well as its relevance to Canada with respect to immigration, international student exchanges and other people-to-people linkages. Moreover, there is an urgency to accelerate Canada's engagement in Asia-Pacific due to the fact that, while Canada's involvement in the region has grown, so has of the presence of Canada's competitors.** The rise of the Asia-Pacific region may prove to be one of the most transformative power shifts of the 21<sup>st</sup> century and Canada cannot afford to miss out. The following section will discuss five key findings from the Committee's study regarding ways that Canada can seek to enhance its engagement in the Asia-Pacific region.

## 1. Sustained and Long-Term Involvement

**One of the main messages emphasized by witnesses over the course of the study is that if Canada is to be successful in Asia-Pacific, its approach in the region must be comprehensive, consistent and sustained. In addition, the Committee heard that long-term success in the Asia-Pacific region requires solid and robust personal and institutional relationships that are supported by engagement at the highest levels of government.**

A number of witnesses argued that there has been a lack of consistency and strategic vision in Canada's approach to relations with Asia. The Committee was disappointed to hear that there is a perception that Canada has been absent from the region and has not made its engagement a priority. Hugh Stephens, Principal, Trans-Pacific Connections, articulated this criticism: "I think it is no secret that Canada's engagement with Asia has not been consistent. Interest has been

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<sup>67</sup> The 16 markets are: Australia, Brunei, Burma, China, Hong Kong, India, Indonesia, Japan, Malaysia, Mongolia, New Zealand, the Philippines, Singapore, South Korea, Thailand and Vietnam. Department of Foreign Affairs, Trade and Development, [Global Markets Action Plan](#).

<sup>68</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.



episodic, and that has and is hurting us today.”<sup>69</sup> Simon Palamar similarly commented on the “impression that Canada has sort of a fair-weather attitude toward getting involved in Asia and that, if the going gets tough, Canada will not stick around.”<sup>70</sup>

The Committee heard that personal relationships are particularly important when engaging in the Asia-Pacific. For example, Todd Winterhalt, Vice President, International Business Development, Export Development Canada (EDC), acknowledged that, “Asian business culture is not dissimilar to Latin in many ways. It is based, to a large degree, on personal relationships.”<sup>71</sup> Similarly, Mr. Sunquist commented: “...Asia is all about relations, personal, company-to-company and country-to-country.”<sup>72</sup> Mr. Bonnett made the following comments with respect to the Canadian Federation of Agriculture’s experience in the region,

...building a long-term relationship is vitally important if we are going to have an ongoing relationship with Asian countries. They put great stock in personal relationships that they build with people. We would therefore encourage Canadian organizations to build long-term connections with Asian counterparts as an integral part of entering the Asian market.<sup>73</sup>

High-level visits and sustained diplomatic engagement were also highlighted as critical and necessary tools for increased Asia-Pacific engagement. Colin Robertson told the Committee that Canada’s economic goals in the region depend on having an active, official presence. He commented that, “Unlike the West, a government presence in Asia is a big deal. This means opening more consulates, especially in China and India, and don't forget Indonesia... This means having ministers and the Prime Minister lead trade delegations of Canadian business. This is how business is done.”<sup>74</sup> Laura Dawson, President, Dawson Strategic, echoed this point, noting that “Canadian businesses could benefit from more effective commercial diplomacy abroad, not just the trade commissioner services and folks at the embassies, but also prime ministers, MPs and senators going out with businesses to emerging markets and helping to increase that credibility and presence to enforce that Canada is a player.”<sup>75</sup>

From a commercial perspective, the Committee heard that Canadian businesses benefit especially from the presence of Canadian diplomatic and trade promotion officials working on the ground in the Asia-Pacific region. Mr. Winterhalt spoke directly to this point, commenting, “At the end of the day, nothing replaces getting out to the market — as we would say, “boots on the ground” — and having local legal representation, making sure you understand the environmental and the labour standards, and making sure you have a representative who understands the business dynamic.”<sup>76</sup> Ms. Goldfarb also noted that Canada’s Trade Commissioner Service as well as Export Development Canada can be very helpful to small and

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<sup>69</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 30 May 2013.

<sup>70</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013.

<sup>71</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 December 2013.

<sup>72</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

<sup>73</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2014.

<sup>74</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 4 December 2013.

<sup>75</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 29 May 2013.

<sup>76</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 December 2013.

medium-sized Canadian companies in gaining the tools and expertise necessary to trade and invest in Asia.<sup>77</sup>

Broadly speaking, the sense among the Committee's witnesses was that Canada has taken some important steps to enhance its engagement in the Asia-Pacific, but that more needs to be done. **The Committee believes that deepening Canada's engagement will require a sustained presence, diplomatic resources and high-level attention and leadership. As the Committee heard, unless Canada deepens its engagement in a manner that is comprehensive, systematic and focuses on the long-term, it will not gain influence and traction in the region, nor with the key businesses, stakeholders, societal networks, and interlocutors that reside within it.**

In this respect, it is encouraging that Canada has taken steps in recent years, such as increasing the frequency of high-level visits to region and raising its profile with the establishment of a number of diplomatic missions in order to further its relations in the region. It is important, however, that this engagement remains consistent and sustained and that Canada makes the necessary investments for it to be meaningful. As James Boutilier put it: "We're either in this game or we're not; and if we are, we need to put real human and material resources into engaging Asia; and we need to stay the course."<sup>78</sup>

Ultimately, the Committee believes that Canadian success in Asia requires a long-term vision and commitment and comprehensive engagement involving government, business, educators and civil society working together.

## 2. Strengthening Commercial Ties

Witness testimony emphasized that the Asia-Pacific region is becoming more and more central to Canada's long-term economic prosperity. Fortunately, there is evidence to suggest that Canadian policy-makers and businesses recognize this and have taken steps to capitalize on the immense economic growth in the Asia-Pacific. The Committee heard that Canada's economic ties to the region have expanded. Speaking to the Committee in 2013, Peter McGovern told the Committee that since 2006 Canada's goods exports to Asia had increased by 57% and two-way foreign direct investment had increased sharply.<sup>79</sup> Peter MacArthur commented that more medium and small sized Canadian companies have pursued business in the region since the economic and financial crisis of 2008; specifically, he suggested that the number of Canadian SMEs active in India in the past few years has doubled.<sup>80</sup>

**While Canada's commercial ties to the Asia-Pacific region have been growing, the Committee also heard that Canada remains overexposed to slow-growth markets and underexposed to some of the fastest growing emerging markets. Furthermore, witnesses emphasized that Canada's commercial relations have not kept up with the pace of growth**

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<sup>77</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 30 May 2013.

<sup>78</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 February 2014.

<sup>79</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>80</sup> Ibid.

**in Asia and that too few Canadian businesses have an active strategy for growing their footprint in the region.**

Witnesses told the Committee that Canada must accelerate its commercial engagement with the emerging economies of the Asia-Pacific region. Laura Dawson spoke to the urgency of diversifying Canada's exports, noting that demand in Canada's traditional partner countries – the United States and the member-states of the Organisation for Economic Cooperation and Development (OECD) – is shrinking. Ms. Dawson commented, "These are old economies in terms of their advancement and also in terms of age. We need younger economies where large numbers of consumers are coming of age and where consumer demand is increasing. We need to be in these emerging markets."<sup>81</sup>

Export diversification does not mean that Canada should abandon its traditional partners. Indeed, the Committee agrees with Pierre Lortie, Senior Business Advisor, Dentons Canada, who told the Committee, "Canada would make a blunder of historic proportion if it proceeded to substitute North America or Europe for Asia."<sup>82</sup> However, diversification does mean that Canada needs to look beyond the usual suspects and recognize the importance of new and emerging markets across the Asia-Pacific region. While remaining solidly engaged in the Atlantic region, Canada also needs to begin thinking of itself as a Pacific country. Mr. Lortie articulated this point,

It's not a question of substitution; it's a question of recognizing that there is a new theatre and we need to invest and commit the resources that are required in all three [North America, Europe and Asia]. We also need to have a multi-faceted perspective and strategy vis-à-vis Asia.<sup>83</sup>

Engaging bilaterally with Asia-Pacific countries on free trade agreements is one pillar of Canada's overall commercial strategy in the region. In this respect, it is significant that Canada finalized a free trade agreement with South Korea – its first in the Asia-Pacific region – in 2014. As the world's 15th-largest economy and the fourth-largest in Asia, South Korea provides Canada with important access to a dynamic and fast growing market in the region. Canada is also negotiating bilateral free trade agreements with India and Japan, two other critically important Asia-Pacific countries.

The Committee shares the view of many witnesses who argued that free trade agreements with Asia-Pacific countries can provide important benefits for Canada. For example, Ms. Dawson indicated that FTAs raise Canada's profile in the region and provide Canada with the opportunity to work with other Asia-Pacific countries on other ancillary bilateral mechanisms such as investment agreements and educational exchanges.<sup>84</sup> Likewise, Ms. Goldfarb stated that FTAs provide a "signalling effect" to Canadian companies about the importance of a specific country and "how the door is open."<sup>85</sup> Specifically, Mr. Stephens argued that free trade agreements can

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<sup>81</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 29 May 2013.

<sup>82</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

<sup>83</sup> Ibid.

<sup>84</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 29 May 2013.

<sup>85</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 30 May 2013.



be helpful in raising the comfort level of Canadian companies to go and do business in the region with the knowledge that there is some recourse to resolve legal issues should they arise.<sup>86</sup>

In addition to the importance of concluding bilateral free trade agreements, the Committee studied the potential benefit for Canada of reaching an agreement on the Trans-Pacific Partnership. Testifying in 2013, Mr. McGovern shared that TPP members have a combined population of 792 million people and a GDP of \$27.5 trillion. He commented, “That is over 38 per cent of the world's economy and accounts for roughly one quarter of total global trade.”<sup>87</sup> Moreover, the Committee heard that the TPP has the potential to become the leading mechanism for regional economic integration and could provide a critical entry point into countries in the region where Canada has not yet concluded a free trade agreement. Speaking in 2013, Ms. Dawson stated, “At this point, the TPP is the way for Canada to get into emerging markets in a meaningful way.”<sup>88</sup>

Notwithstanding their overall importance, the Committee heard that trade agreements are a necessary but insufficient tool for Canada’s overall commercial strategy in the region. In addition to trade agreements, witnesses told the Committee that Canada should engage in robust “commercial diplomacy” in Asia-Pacific. For example, the Committee heard that high-level visits by officials from all levels of government, as well as by business leaders, go a long way toward increasing Canada’s credibility and presence in the region. The Committee also heard that the Trade Commissioner Service, Export Development Canada and the Canadian Commercial Corporation provide important services, such as contact building and financing, for Canadian companies seeking to do business in the region and should be supported.<sup>89</sup> In addition, witnesses commented that active Canadian participation in regional organizations such as APEC and also engagement with ASEAN is critical for Canada to build the relationships and networks to be successful in Asia-Pacific.

The Committee believes that Canada should continue to pursue bilateral free trade agreements with Asia-Pacific countries, while also seeking to conclude an agreement on the Trans-Pacific Partnership agreement. At the same time, the Committee holds the view that Canada pursue deeper commercial ties in Asia-Pacific by engaging with countries at a high-level, both bilaterally and through its participation in regional fora. Finally, the Committee is of the opinion that Canada should provide robust financial support to its diplomatic network and trade promotion services in an effort to encourage more Canadian companies to look for commercial opportunities in the region. While opportunities in Asia-Pacific remain unfamiliar to many Canadian businesses, the region’s large population, growing middle class, and booming demand for commodities, services and high-tech products makes it an important market for Canada. The Asia-Pacific region presents a source of commercial opportunities that Canada cannot afford to ignore.

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<sup>86</sup> Ibid.

<sup>87</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>88</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 29 May 2013.

<sup>89</sup> Together, DFATD refers to the Trade Commissioner Service, Export Development Canada, and the Canadian Commercial Corporation as Canada’s “International Trade Portfolio.” For more information on the mandate of each service, see: The Canadian Trade Commissioner Service, [Canada’s International Trade Portfolio](#).

### 3. Holistic Engagement

While expanding economic engagement is a key pillar of Canada's overall priorities in Asia-Pacific, one of the main messages emphasized by witnesses was that Canada's interests and partnerships in the region must extend beyond commercial considerations. Witnesses underlined that Asia-Pacific holds a wide array of opportunities for Canada and should not be viewed solely a market for Canadian goods and services. Canada's ability to gain influence and be a significant player in Asia will be determined to a certain degree by its engagement on issues that go beyond economics. In order to be effective, the Committee heard that Canada's foreign policy in Asia-Pacific must be holistic and encompass a broader range of issues including regional security, development, and human rights.

#### a. Regional Security Cooperation

The Committee heard that regional security cooperation must be an integral component of Canada's overall engagement in Asia-Pacific. Indeed, some witnesses told the Committee that Canadian involvement in regional security matters is a prerequisite for achieving its other objectives in the region. According to David Welch, Senior Fellow, Centre for International Governance Innovation, and CIGI Chair in Global Security, Balsillie School of International Affairs, University of Waterloo, "In Asia, if you want to do business on a significant scale, you have to be willing to engage with Asia on the full range of issues. So we have to be an active security partner, even if it's not a major role, in order for Asia to look at us more seriously as an economic partner."<sup>90</sup> The Committee heard that one of the key ways Canada can increase its security engagement in Asia-Pacific is by deepening its commitment to regional security institutions.

Asia-Pacific's security architecture is complex and is undergoing a significant shift. As discussed earlier, there is a growing regionalism in the Asia-Pacific region, including with respect to security cooperation. While there is no equivalent of the North Atlantic Treaty Organization (NATO) in Asia-Pacific, through ASEAN and its various fora, regional states are increasingly working together on peace and security matters. In particular, the Committee heard testimony about two relatively new mechanisms for regional security cooperation – the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus)<sup>91</sup> and the East Asia Summit (EAS).<sup>92</sup> The ADMM-Plus process brings together ministers of defence and senior officials to discuss issues such as humanitarian assistance and disaster relief, maritime security, military medicine, counter-terrorism, and peacekeeping operations. Although not technically an ASEAN body, the East Asia Summit members have been meeting annually since 2005 following ASEAN leaders' meetings to discuss topics such as regional non-proliferation, maritime security, and territorial disputes.

Several witnesses suggested that the ADMM-Plus and the EAS have the potential to become the region's premier platforms for dialogue on political and security issues. Although Canada is not

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<sup>90</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 January 2014.

<sup>91</sup> The ADMM-Plus was created in 2010. Current participants are the ten ASEAN countries plus Australia, China, India, Japan, New Zealand, South Korea, Russia and the United States.

<sup>92</sup> The EAS was initially composed of the ten ASEAN states, plus Australia, China, India, Japan, New Zealand, and South Korea. The United States and Russia joined in 2010 to bring membership to 18 states.

a member of either of these bodies, the Committee was pleased to hear that it is actively seeking membership. The Committee believes that membership in the ADMM-Plus and the EAS would strengthen Canada's overall engagement and partnerships in the region while also enabling Canada to contribute to a greater extent to regional peace and security.

Becoming a member of these two institutions would also enable Canada to share its particular strengths with respect to security. For example, David Dewitt noted that Canada has particular expertise with respect to confidence and security building measures.<sup>93</sup> Indeed, Canada has long played an important role in facilitating dialogue among parties in the region. In the 1990s, Canada funded the South China Sea Dialogues hosted by Indonesia, a series of Track Two meetings involving academics and policy makers in their personal capacity. The discussions were intended to build confidence among the key stakeholders in the South China Sea and, ultimately to promote a peaceful settlement of the dispute over ownership of the disputed islands. James Manicom, Research Fellow, Global Security, Centre for International Governance Innovation, told the Committee that Canada is still viewed as a non-controversial actor in the region and there may be a role for it in facilitating dialogue.<sup>94</sup>

The Committee believes that Canada should capitalize on its established track-record and reputation working on regional security in the Asia-Pacific region and that Canadian engagement with regional security processes and institutions should represent a critical component of Canada's overall policy in the Asia-Pacific. Many of the security threats facing the Asia-Pacific region, both traditional and non-traditional, have implications for the security and economic interests of Canadians. Indeed, security and prosperity go hand-in-hand and Canada has an interest in maintaining stability in the region, particularly open sea-lanes, in order for trade to flow both ways. Mr. Manicom articulated this point well: "Stable maritime boundaries, for example, create opportunities to exploit resources; unstable maritime boundaries do the opposite."<sup>95</sup> **It is incumbent upon Canada to play a long-term and meaningful role in the security institutions of the Asia-Pacific region. In that respect, the Committee believes that Canada should continue to emphasize security in its overall strategy in the Asia Pacific region, while continuing to actively seek admission into the East Asia Summit and the ASEAN Defence Ministers' Meeting-Plus.**

## **b. Development Cooperation**

Having studied the development of Asia-Pacific over the last two years and noting the divergence in levels of prosperity throughout the region, the Committee believes that development cooperation must continue to form part of Canada's overall engagement in the Asia-Pacific region. Canada has a history of providing development assistance to countries in the region. As an original member of the 1950 Colombo Plan,<sup>96</sup> Canada established a series of development projects in Malaysia and Singapore during the 1950s and 1960s. In the 1970s,

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<sup>93</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 January 2014.

<sup>94</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 29 May 2013.

<sup>95</sup> Ibid.

<sup>96</sup> The Colombo Plan was established 1951 by Australia, Canada, India, Pakistan, New Zealand, Sri Lanka and the United Kingdom and has expanded to include 26 member countries. The Colombo Plan is aimed at improving the socio-economic progress of its member countries. The Colombo Plan, [Overview](#).

Indonesia replaced Malaysia as the main recipient of Canadian development assistance and Canada also began providing assistance for a number of ASEAN regional development projects.<sup>97</sup> Today, Canada provides development assistance across the region at both regional and bilateral levels, and 7 of Canada's 25 Development countries of focus around the world are located in the Asia-Pacific region.<sup>98</sup>

While significant progress has been made in the reduction of poverty in Asia-Pacific, as discussed previously, numerous challenges remain. Although traditional development assistance will continue to be important in responding to natural disasters and in reducing poverty, the Committee heard that Canada needs to think about other approaches that can help reduce poverty. For example, the Committee heard that private sector flows such as foreign direct investment, trade and remittances all have a significant impact on poverty reduction in the Asia-Pacific region. Indeed, Dominique Caouette, Associate Professor, Department of Political Science, Director, Centre for East Asian Studies, Coordinator, Network for Studies in Transnational Issues and Collective Action, University of Montréal, highlighted the fact that Southeast Asian diasporas send much more money to their countries of origin than Canada provides in development assistance.<sup>99</sup>

Development needs in the Asia-Pacific region are changing and the traditional modalities of providing development assistance in the region, such as through Official Development Assistance (ODA), are shifting as well. As Asia-Pacific countries continue to undergo an economic transition, the scope for traditional development assistance becomes narrower. While foreign aid and humanitarian assistance must continue to be important components of Canada's overall development funding, the Committee believes that Canada should also continue to examine how it can better work with the private sector in emerging Asia-Pacific countries, as well as the diaspora community in Canada in the pursuit of development objectives. In this respect, the Committee was pleased to note the introduction in the federal government's 2015 budget of a Development Finance Initiative that is intended to "support effective international development by providing financing, technical assistance and business advisory services to firms operating in developing countries."<sup>100</sup>

### **c. Human Rights Cooperation**

Canada has a long history of supporting human rights programming in the region and witnesses commented on the need to continue this support as a key element of Canada's overall engagement in the region. For example, Susan Gregson, Assistant Deputy Minister, Asia-Pacific, DFATD, told the Committee that for years Canada has engaged with Indonesia in the promotion and protection of human rights and noted that Canada's regional development programming in Southeast Asia has a strong human rights component to it.<sup>101</sup> More broadly, Mr. McGovern told the Committee, "the promotion and protection of human rights is an integral part of Canada's

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<sup>97</sup> Richard Stubbs and Mark S. Williams, "The poor cousin? Canada-ASEAN relations," *International Journal*, Autumn 2009, p. 928.

<sup>98</sup> These countries are: Afghanistan, Bangladesh, Burma, Indonesia, Mongolia, the Philippines, and Vietnam. DFATD, [Where we work in International Development](#).

<sup>99</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>100</sup> Government of Canada, [The Budget in Brief 2015](#).

<sup>101</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

foreign policy and a priority in our relationship with Asian countries.”<sup>102</sup> Indeed, DFATD’s priorities for 2015–2016 identify as a priority the strengthening of Canada’s international development programming in Asia, including by promoting human rights and the rule of law.<sup>103</sup>

The Committee heard that Canadians support promoting human rights in Asia-Pacific while also being committed to expanding business opportunities. This was highlighted most particularly in the testimony of Pitman Potter, Professor of Law, HSBC Chair in Asian Research, University of British Columbia. Mr. Potter spoke to the Committee about a Task Force report entitled, *Advancing Canada’s Engagement with Asia on Human Rights – Integrating Business and Human Rights*.<sup>104</sup> The Task Force, chaired by Mr. Potter, published its report in September 2013 as part of the Asia Pacific Foundation of Canada’s National Conversation on Asia. Mr. Potter told the Committee that the report offers observations and suggestions as to how to move forward with engagement in Asia in ways that support both human rights and business relations.<sup>105</sup> The report notes, for example, that while there is “intrinsic value” to enforcing human rights in Asia, attention to human rights standards also complements Canada’s strategic interests in the region in terms of international leadership, responsible development and trade liberalization.

While human rights and business are often regarded as competing objectives, the Committee heard that, in fact, they can reinforce each other. For example, Mr. Neve told the Committee that trade and investment “if pursued responsibly and sustainably, absolutely can be beneficial to human rights protection, helping to improve livelihoods, open up opportunities for employment and for marginalized groups within societies, lead to greater access to education and skills development, and many other benefits.”<sup>106</sup> At the same time, the Committee heard that stronger human rights protections, such as better respect for workers’ rights and safety standards, are good for business. To that end, Mr. Neve suggested that Canadian trade and investment policy and agreements in the Asia-Pacific should pay very serious attention to human rights.

The Committee believes that better coordination of business and human rights objectives could lead to more effective Canadian engagement in the region. Canada should continue to support specific human rights programming through DFATD and work with countries across the region to improve their human rights regimes, including by supporting programs that address governance and the rule of law. In this respect, Canada has an important track record to build upon, as it has been consistently involved in governance and human rights dialogues with countries in the Asia-Pacific. At the same time, the Committee believes that the Government of Canada should work with the private sector in Canada to reinforce the importance of maintaining strong human rights practices abroad. As Canada expands its relations in Asia-Pacific, the Committee considers that the Government of Canada must ensure that human rights remain an important component of its overall regional engagement.

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<sup>102</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>103</sup> DFATD, [Our Priorities](#).

<sup>104</sup> Asia Pacific Foundation of Canada, [Advancing Canada’s Engagement with Asia on Human Rights – Integrating Business and Human Rights](#), September 2013.

<sup>105</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>106</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.



#### 4. Developing Canada’s “Asia Competency”

The Committee heard that one of Canada’s biggest challenges to long-term success in the Asia-Pacific region is building greater awareness about the region and developing the skills necessary to succeed there. Several witnesses told the Committee that there is a lack of knowledge of, and appreciation for, the Asia-Pacific region in Canada.

Despite the increasing importance that the Asia-Pacific region has to Canada, the Committee was informed of some worrying trends with respect to the attitudes of Canadians toward Asia. For example, Mr. Woo highlighted the results of the Asia Pacific Foundation’s 2013 national opinion poll of Canadian attitudes and views on Asia, which found that there has been a downward shift “in Canadians’ embrace of the Asia Pacific, as well as their sense of urgency to deepen relations with countries in the region.”<sup>107</sup> Mr. Woo told the Committee that the poll found that Canadians “continue to be fearful of and even against deeper economic ties with Asia, such as investment from Asian entities, including state-owned enterprises; free trade agreements with Asian countries; investment agreements with Asian countries; and so on and so forth.”<sup>108</sup> The findings of the 2014 national opinion poll were equally alarming. According to that poll, Canadian support for engagement with Asia is declining as Canadians “are less convinced today of the potential economic benefits for Canada of building closer ties with Asian countries.”<sup>109</sup>

Even in the business community, many Canadian exporters appear to lack knowledge about the opportunities in the Asia-Pacific region or how to break into it. For example, Ailish Campbell noted that, “there remains a lack of awareness in Canada of Asian markets overall and, I would argue, of specific nations for expanding business opportunities.”<sup>110</sup>

The Committee also heard that there are regional differences in Canadians’ understanding and appreciation of the region. Mr. McGovern noted, for example, that polling suggests that Canadians’ appreciation for Asia as an economic partner diminishes the further away one goes from the West Coast. He said, “By the time you reach Eastern Canada, it is very small.”<sup>111</sup> Don Campbell, Senior Strategy Advisor, Davis LLP, and Former Deputy Minister of Foreign Affairs and International Trade, also spoke to this issue:

As I think many of you are aware, there is a surprisingly low level of knowledge and a relatively low level of interest in Asia across the country, which gets more pronounced the farther east you go in Canada. Being based in Vancouver, I don’t see that issue there, but I certainly see that as one goes farther east.<sup>112</sup>

Beyond raising awareness about Asia’s potential for Canada, witnesses told the Committee that greater emphasis must be placed in building the capacity of Canadians to be successful there. In this respect, the Committee heard evidence of several important initiatives aimed at doing this

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<sup>107</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013; Asia Pacific Foundation of Canada, [2013 National Opinion Poll: Canadian Views on Asia](#).

<sup>108</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013

<sup>109</sup> Asia Pacific Foundation of Canada, [2014 National Opinion Poll: Canadian Views on Asia](#).

<sup>110</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

<sup>111</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>112</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 December 2013.

that could be built upon. For example, Mr. Stephens talked about an initiative called the [National Conversation on Asia](#) that aimed to get Canadians thinking and talking about what Asia means to Canada.<sup>113</sup> Ailish Campbell highlighted an initiative led by the Canadian Council of Chief Executives called [Canada in the Pacific Century](#), which is aimed at raising awareness among Canadians of the significance of Asia's growing economic power and influence and improving Canadians' understanding of the resulting challenges and opportunities for Canadians.<sup>114</sup> In addition, Yuen Pau Woo referred to a new initiative – known as [The Asia Factor](#) – that collects and disseminates information to show how Asia matters to Canadians across the country.<sup>115</sup>

The Committee heard suggestions of ways to increase the profile of Asia in Canada and to build the Asia competencies of Canadians. For example, Mr. Woo recommended that Canadian businesses develop the kinds of training programs, placements and internships that would allow their staff to increase their knowledge about Asia. Mr. Woo also recommended that the Canadian school system provide more options for students to learn Asian languages.<sup>116</sup> The Australian approach could be instructive in this respect. Among other recommendations, that country's 2012 White Paper on relations with Asia included the goal that every Australian student have the opportunity to learn an Asian language through its school system by 2020.

The Committee believes that Canadians must get to know the Asia-Pacific region better in order to become more equipped to succeed there. As Asia-Pacific continues to rise in terms of global economic and strategic prominence, Canadians need to become more aware of the social, cultural and political systems of the region in order to succeed in that market. The Committee is of the view that this is something that requires continued effort and investment on the part of all levels of government, the private sector, educational institutions and civil society organizations. **The Committee considers that raising awareness among Canadians of the rise of Asia-Pacific and building the competencies of Canadian businesses to seize on the potential of the region is critical for Canada's future.**

## 5. Strengthening People-to-People Ties

Canada has a long history of immigration from Asia-Pacific and, in recent years, the region has become the leading source of immigrants and international students in Canada. The Committee heard that Canada's people-to-people ties with Asia-Pacific countries are a source of strength and provide a foundation on which to build its relationships in the region going forward.

Witnesses told the Committee that Canada's immigrant population from Asia-Pacific is an important asset for Canada that could be leveraged to build deeper ties in the region. For example, the Committee heard from Mr. Robertson that, "Through ties of family, Asian Canadians give us privileged entree to Asian markets. They are our best salespersons to attract more talent to our country as either immigrants or students."<sup>117</sup> Mr. Woo also commented that immigrants from Asia, "are, without question, an asset in Canada's relations with Asia. Many of

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<sup>113</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 30 May 2013.

<sup>114</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

<sup>115</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013.

<sup>116</sup> Ibid.

<sup>117</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 4 December 2013.

them maintain ties to their native countries, which generate business and cultural connections for this country, and we should celebrate and, to some extent, encourage these developments.”<sup>118</sup>

While Canada’s Asia-Pacific diaspora represents an important source of strength the Committee heard that Canada should not rely on diaspora communities to do the work of building relations with Asia-Pacific countries. For example, Mr. Rahman said, “The diaspora can be useful but, remember, people came over to make a life here, not to look back.”<sup>119</sup> The Committee heard that Canada must take a broader and more reciprocal approach to building its people-to-people ties with Asia-Pacific countries, one that seeks to embed Canada’s Pacific orientation within its national identity. In this respect, educational cooperation was highlighted as representing a gateway to building deeper relations with Asia-Pacific countries.

Educational cooperation between Canada and Asia-Pacific countries has grown rapidly in recent years. **Paul Davidson, President, Association of Universities and Colleges of Canada, told the Committee that about 40% of international students in Canada come from Asia-Pacific, making it the largest regional source of international students in the country.**<sup>120</sup> **Specifically, education is the largest service export to China and the fourth largest service export to India.** In fact, the top three source countries for international students to Canada are located in Asia-Pacific: China, India and South Korea. In addition, the recruitment of students from ASEAN countries to Canada increased by 54% from 2008 to 2012, from approximately 7,000 to over 10,000, with most of these students coming from Vietnam, Malaysia, Thailand, Indonesia and the Philippines.<sup>121</sup>

International students provide numerous benefits for Canada. Mr. Davidson estimated that international education in Canada contributes \$8 billion to Canada’s economy and over 86,000 jobs across the country. International students also contribute to Canada in many non-financial ways. Mr. Davidson indicated that international students enrich the learning experience of Canadian students. He commented, “If you go into any classroom in Canada now, students can have an international experience through the presence of international students.”<sup>122</sup> Roseann O’Reilly Runte, President and Vice-Chancellor, Carleton University, also spoke about the benefits of receiving international students in Canada:

It’s very good for us to open our doors and bring people from other countries. One day, they will be presidents of companies and provide jobs for other Canadians. Some day they will have to choose where they will locate a factory or whatever. They will feel comfortable doing business with Canada. Some of them will be presidents of countries, and they will be our good partners. On an individual basis, if you know and appreciate another country and another culture, then at least you will wish to work with them, understand them and appreciate their values.<sup>123</sup>

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<sup>118</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 23 May 2013.

<sup>119</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014.

<sup>120</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2014.

<sup>121</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>122</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2014.

<sup>123</sup> Ibid.



While the benefits of receiving international students in Canada are widely known, less is said about the importance of encouraging Canadian students to study in Asia-Pacific. The Committee heard that there is a need for greater reciprocity in educational cooperation between Canada and Asia-Pacific countries. While welcoming the publication of the government's International Education Strategy,<sup>124</sup> Karen McBride, president and CEO, Canadian Bureau for International Education, stated that more emphasis should be placed on sending Canadian students abroad. She suggested that, "Our partners in ASEAN, as in other parts of the world, are saying, "Please, Canada, don't just be a poacher of our students; be a partner. We want two-way flow of faculty, two-way flow of students."<sup>125</sup>

According to Ms. McBride, only 3% of Canadian students go abroad for any part of their studies. China provides an example of Canada's lopsided ratio with respect to incoming and outgoing international students: in 2013, there were approximately 80,000 Chinese students in Canadian universities and schools, while only 3,400 Canadian students in China.<sup>126</sup> Increasing the number of Canadian students in Asia-Pacific is important in the context of building an "Asia competency" among Canadians, such as gaining the opportunity to learn an Asian language. More effort needs to be made to encourage Canadian students to study in Asia-Pacific.

The Committee believes that educational cooperation can become a foundational pillar of Canada's engagement in the region. As the Committee heard during its previous studies on Brazil and Turkey, educational partnerships can be a key driver for Canada's international engagement from which commercial and other opportunities will flow. Beyond economic benefits, educational partnerships can raise Canada's profile in the Asia-Pacific region and facilitate the import and export of good ideas and best practices. More broadly, educational cooperation can be a strategic tool to strengthen long-term bonds of friendship between Canadians and people from the Asia-Pacific region. The Committee believes that Canada should invest more to provide opportunities, access and encouragement for the two-way flow of international students between Canada and Asia-Pacific countries.

## A WHOLE OF COUNTRY EFFORT

**The key conclusion that the Committee reached from its study on the Asia-Pacific region and its implications for Canadian policy and interests is that the Government of Canada needs to lead a "whole of country" effort to increase engagement in the Asia-Pacific region.**

In coming to this conclusion, the Committee took particular note of the testimony of former senior Canadian diplomat Don Campbell. In his appearance before the Committee, Mr. Campbell discussed a report entitled *Securing Canada's Place in Asia* by the Task Force on Asia Pacific Regional Architecture of the Asia Pacific Foundation of Canada. The Task Force, which Mr. Campbell chaired, looked at the emerging regional architecture in Asia and what Canada's role

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<sup>124</sup> The International Education Strategy is Canada's plan to attract more international students to Canada and to deepen the research links between Canada and foreign educational institutions. The strategy was launched in 2014 and forms part of Canada's Global Market Actions Plan. For more information, see: DFATD, [Canada's International Education Strategy](#).

<sup>125</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>126</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

could or should be in those institutions. Speaking before the Committee, Mr. Campbell stated that:

In the report, we recommended that Canada take a whole-of-country approach, not just a whole-of-government approach, toward Asia-Pacific. A commercial strategy alone will not be sufficient. This is a region of the world where economics, national interests and politics are very much intertwined and where we must not only be but be perceived to be a significant and long-term player. That involves Canadian participation in a lot of the institutions that we currently are not a member of, some of which we are a member of; and it involves a sustained approach. There's a lot of activity but the activity doesn't necessarily add up as yet to a strategy. We need to be more coherent in our approach towards Asia.<sup>127</sup>

The Committee takes note of the recommendations made by the Task Force and agrees that, instead of a “whole of government” approach, a “whole of country” one is required. A whole of country strategy should be led by the federal government, but must also include the participation of the provinces and municipalities, as well as the private sector and civil society. Although the Government of Canada in recent years has pursued a course of action that is intended to raise Canada’s profile and strengthen and renew its presence in the region, more is required in a crowded and competitive environment. Accordingly, the Committee believes that a whole of country effort is needed to maximize Canada’s opportunities and advance its interests in the region in a more expeditious, sustained and, ultimately, enduring manner.

Accordingly, with respect to the Asia Pacific region, the Committee puts forward the following recommendations:

### RECOMMENDATION 1

**The Committee recommends that the Government of Canada lead a “whole of country” effort that recognizes the importance of the Asia-Pacific region for Canada’s future prosperity and better prepares Canadians to seize regional opportunities, by developing and implementing a systematic, comprehensive, consistent, and sustained approach for strengthening relations within the Asia-Pacific region, and ensuring that this engagement is supported by effective, adequately resourced high-level commercial diplomacy.**

### RECOMMENDATION 2

**The Committee recommends that the Government of Canada continue to pursue the Trans-Pacific Partnership (TPP) as the cornerstone of its economic policy in the Asia-Pacific region, while examining the benefits of bilateral trade and investment agreements with key countries not included in the TPP, with a view toward achieving the best possible deal for Canadians.**

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<sup>127</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 December 2013.

### **RECOMMENDATION 3**

**The Committee recommends that the Government of Canada undertake initiatives aimed at building the competencies of businesses and students across Canada, with a view to ensuring that they are equipped with language and other skills necessary to seize emerging opportunities in the Asia-Pacific region.**



## PART II: CANADA AND SOUTHEAST ASIA

It is worth underlining that the ASEAN region represents a compelling and dynamic market with a plentiful labour force, significant natural resources, expanding infrastructure and a large and growing consumer population. Canada's engagement with ASEAN facilitates the advancement of our foreign policy and commercial interests.<sup>128</sup>

- Susan Gregson, Assistant Deputy Minister, Asia-Pacific, DFATD

As indicated earlier in the report, as the Committee's study of Asia-Pacific evolved, it became evident that a more specific focus would be of greater value to narrow in on specific recommendations for the Government of Canada in this vast region. In line with the suggestions of a number of witnesses, the Committee therefore decided to concentrate on Southeast Asia. Vikram Nehru, Senior Associate and Bakrie Chair in Southeast Asian Studies, Carnegie Endowment for International Peace, described this region of over 600 million people as strategically located, "straddling the Malacca Straits in the shadow of the world's two giants, China and India."<sup>129</sup> The region includes 11 countries that differ in many ways, from ethnic composition and history to levels of development, systems of government and governance challenges. Those countries are: Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Timor-Leste and Vietnam. In addition to the opportunities these countries present, Canada is arguably more attractive and influential among them than it is among others such as India or China.

While all of the Committee's findings related to engagement with the Asia-Pacific as a whole also hold true for Southeast Asia, the latter has particular characteristics that will influence the ways in which Canada must engage with it. Among key characteristics of this diverse region is the combination of significant economic growth and young populations, which present tremendous opportunities for Canada, as well as for the many other countries working to strengthen their relations with Southeast Asia. Another important characteristic is growing regionalism, with 10 of the 11 countries – all except Timor-Leste – working through the mechanism of the Association of Southeast Asian Nations (ASEAN) to achieve greater peace and prosperity through the creation of a more integrated economic and political community.<sup>130</sup>

Beyond looking at the region as a whole, the Committee chose to focus more particularly on four countries that illustrate the range of opportunities and challenges that characterize Southeast Asia – Indonesia, Burma, Singapore and the Philippines – and also illuminate specific approaches for Canadian engagement. The Committee also chose to consider ASEAN in detail because understanding that organization is necessary in order to understand the growing integration of the region, its relations with larger outside powers, and ASEAN's relevance to Canada's economic, diplomatic and other goals in Southeast Asia. Pierre Lortie told the Committee that fundamentally, ASEAN "is the most important market for us. ASEAN is also the organization

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<sup>128</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>129</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>130</sup> Given that 10 of the 11 countries in the region already belong to ASEAN, the term "ASEAN region" is used by some as a synonym for Southeast Asia.

with the most political influence throughout Asia — at least, it was vital in setting up the institutional architecture that governs Asia.”<sup>131</sup>

In addition to its hearings in Ottawa, the Committee carried out a fact-finding mission in February 2015 to two of the case study countries in Southeast Asia, Indonesia and Singapore. While there, Committee members met with a range of people, including business representatives, Canadian and local officials, senior political leaders, parliamentarians, civil society and others. It also met with ambassadors and diplomatic representatives from most ASEAN countries, as well as some others from Asia and beyond.

Overall, the Committee considers that recently increased Canadian government engagement with Southeast Asia and ASEAN itself have strengthened Canada on the ground in the region and raised its profile, going a long way to dispel perceptions that it had lost interest in the region. In addition to its recommendations above on engagement with the Asia-Pacific as a whole, Committee believes that Canada must also continue more specific efforts to strengthen engagement with Southeast Asia. **The challenge is to be strategic in combining economic, security, development and other policies, emphasizing those that will be most effective at both regional and bilateral levels.**

## THE RISE OF SOUTHEAST ASIA

The countries of Southeast Asia vary greatly, from small and wealthy ones such as Brunei and Singapore to larger and poorer ones, such as Burma. In fact, as indicated in Table 1 below, while the population of Indonesia is 600 times that of Brunei, the per capita GDP of Singapore, the richest country in the region, is 76 times larger than that of Burma, its poorest.<sup>132</sup> Manuel Litalien underlined that such diversity makes it difficult to generalize about the region, stating that “Southeast Asia, as an object of study, presents a challenge in itself no matter what the topic involved.”<sup>133</sup>

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<sup>131</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

<sup>132</sup> Economist Intelligence Unit, “[Re-drawing the ASEAN Map: How companies are crafting new strategies in South-east Asia](#),” “Table 2,” November 2014, p. 6.

<sup>133</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 March 2014.

Table 1: Key economic data for ASEAN and its 10 member economies

	Size of the economy (CAD\$ billions)	Population (millions)	GDP per capita (CAD\$)	GDP Growth Rate (%)
ASEAN	2,715.1	637.9	4,256.1	4.3
Brunei	16.7	0.4	40,431.0	-0.7
Burma	51.4	69.4	1,349.0	7.7
Cambodia	18.3	15.3	1,194.0	7.0
Indonesia	981.5	251.5	3,903.0	5.0
Laos	12.9	6.9	1,869.0	7.4
Malaysia	361.1	30.3	11,932.0	6.0
Philippines	314.7	99.4	3,164.8	6.1
Singapore	340.2	5.5	62,202.8	2.9
Thailand	412.9	68.7	6,013.3	0.2
Vietnam	205.5	90.6	2,267.3	6.0

Source: Information based on DFATD Country Fact Sheets, all data for 2014.

## A. Economics and Trade

Generally speaking, the countries of Southeast Asia have seen strong economic growth over the past two decades, with the 10 countries of ASEAN seeing a real GDP growth rate of 5.1% between 2000 and 2013, and proving resilient in the aftermath of the 2008 global financial crisis.<sup>134</sup> If taken together using 2013 figures, the 10 ASEAN countries would have had the 3<sup>rd</sup> largest population in the world as well as its 7<sup>th</sup> largest GDP, and been its 4th largest exporter.<sup>135</sup>

The Committee agrees with witnesses who expressed that this strong economic growth, combined with young populations and a growing middle class, offer significant economic opportunities for Canadian businesses in a number of areas. Early in the Committee's hearings, Ms. Goldfarb spoke of a study the Conference Board of Canada completed that looked at the most important markets for Canada's future. She said, "A number of our next top markets, as we call them, are actually in Southeast Asia... Southeast Asia has grown at 6 per cent annually over the past five years, taking out the effects of inflation... The key point here is that these economies represent much greater growth potential than our traditional trade and investment markets."<sup>136</sup> Appearing before the Committee again in 2015 to discuss trade promotion, she underlined the importance of services for Canada's current and future trade, adding that while a number of other

<sup>134</sup> Jonathan Woetzel et al., "[Southeast Asia at the crossroads: Three paths to prosperity](#)," McKinsey Global Institute, November 2014, p.1-2.

<sup>135</sup> Economist Intelligence Unit, "[Re-drawing the ASEAN Map: How companies are crafting new strategies in South-east Asia](#)," "Table 2," November 2014, p. 10.

<sup>136</sup> SCFAIT, [Evidence](#), 1st Session, 41<sup>st</sup> Parliament, 30 May 2013.

countries had engaged economically with Southeast Asia before Canada, “these are still huge markets with massive potential.”<sup>137</sup> For his part, Scott Gilmore, Chief Executive Officer, Building Markets, stated that 6 of the 10 ASEAN states – Burma, Laos, Cambodia, Vietnam, Indonesia and Malaysia – were among the Asia-Pacific’s “frontier markets,” which, he said “...are some of the fastest growing economies in the world that will dominate the global economy in the next 20 years.”<sup>138</sup>

The countries of Southeast Asia have increased trade both within and outside the region in recent years. As the Committee was told during its trip to Southeast Asia, the economic influence of China is inevitable in the region, and that country is the leading economic partner of most of the countries in Southeast Asia. Trade between Canada and Southeast Asian countries has also grown significantly, with bilateral merchandise trade between Canada and ASEAN countries growing by 44.2 % over the past five years and reaching \$18.8 billion in 2014.<sup>139</sup> The Committee agrees with those who argue that significant growth is still possible going forward.

## B. Development and Governance

In terms of development, the level of poverty reduction and incomes in the countries of the region vary widely. Vikram Nehru pointed out that, in addition to Singapore and Brunei among ASEAN countries, “You have four middle-income countries: Thailand, Indonesia, the Philippines and Malaysia. You have four low-income countries: Cambodia, Laos, Myanmar and Vietnam.”<sup>140</sup> While economic growth has allowed significant progress in poverty reduction in the region, poverty and inequality continue to be a challenge in a number of countries. According to Mr. Litalien, “The statistics are all showing a lot of progress in terms of fighting poverty, but there are a lot of areas of concern in terms of inequality gaps, and there is still absolute poverty in a lot of these countries, particularly Laos, Cambodia, Myanmar and Vietnam.”<sup>141</sup> In addition, the lack of adequate infrastructure is a major challenge throughout the region, and one that governments in the region recognize must be addressed in order to achieve inclusive economic growth.

As noted, the population of the 10 countries of ASEAN together in 2013 would have been the 3<sup>rd</sup> largest in the world, making it larger than Europe or North America. In addition, the populations are also generally young and growing, as well as becoming more urban.<sup>142</sup> The Committee notes that all of these factors will be important for consumption in these countries, as well as for establishing industries and attracting investment.

In the area of governance and democratic reform, the region faces many challenges. According to its 2015 *Freedom in the World* survey, Freedom House gave no country in Southeast Asia a ranking of ‘free,’ with five countries scoring ‘partly free’ and six others as ‘not free’ in relation

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<sup>137</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 March 2015.

<sup>138</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>139</sup> Data from Industry Canada, [Trade Data Online](#).

<sup>140</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>141</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 March 2014.

<sup>142</sup> Economist Intelligence Unit, “[Re-drawing the ASEAN Map: How companies are crafting new strategies in South-east Asia](#),” “Table 2,” November 2014, p. 9.



to political rights and civil liberties.<sup>143</sup> As an example, recent years have seen a major setback to democracy in Thailand. At the same time, important countries such as Indonesia and the Philippines have made significant progress on democracy and human rights over the past two decades, with Indonesia also holding an important election in 2014. In the most dramatic development of the past few years, Burma has also begun to see significant political opening, although this is not yet complete. John Roosa, Department of History, University of British Columbia, told the Committee that while rule of law remains one of the most urgent challenges in the region, there had been consistent progress in the areas of peace, democracy and human rights over the past two decades. He emphasized that:

Internal armed conflicts are far fewer; authoritarian regimes are largely things of the past, except for Vietnam and Laos; all Southeast Asian countries are electoral democracies of one sort or another, although Myanmar is still at an early stage; the discourse of human rights is widely accepted; and one does not find the adamant assertions of Asian exceptionalism so prominent in the 1980s and 1990s.<sup>144</sup>

While governance and human rights challenges remain in the region, the Committee believes that inclusive economic growth will help address them. As Vikram Nehru argued:

I see the economic growth and the rise of the middle class in Southeast Asia as pushing governments towards opening up, becoming more democratic, respecting human rights and delivering greater public services. I see a positive outcome as a result of the economic growth towards raising both social indicators and improving the democratic functioning of these countries.<sup>145</sup>

## C. Security

The countries of Southeast Asia face a number of security challenges, including traditional ones related to the potential for conflict between states, as well as non-traditional ones such as internal conflicts, natural disasters, and transnational crime including human smuggling and terrorism.

At the broadest level, geopolitical tensions between China and the United States, tensions in Northeast Asia related to territorial disputes between China and Japan, or proliferation or other concerns related to North Korea form the backdrop of the security situation in Southeast Asia. Yet the inter-state security situation in that region is less directly charged than that in Northeast Asia. In early 2014, Peter Chalk of the Rand Corporation told the Committee that in his view the security environment in Southeast Asia was “largely benign. There is practically no risk of a major interstate war breaking out in the region, and most governments in this part of the world enjoy a high degree of internal legitimacy that has been afforded by sustained economic growth.”<sup>146</sup>

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<sup>143</sup> Freedom House, [Freedom in the World 2015](#).

<sup>144</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 9 April 2014.

<sup>145</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>146</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 February 2014.

At the same time, as mentioned earlier in this report, China and a number of countries in Southeast Asia – Vietnam, the Philippines, Malaysia and Brunei – have overlapping claims over water and territory in the strategic South China Sea. Of these tensions, Mr. Chalk stated,

all of the parties concerned with respect to these disputes understand that a major war in that part of the region would be highly disruptive to both the political and economic stability of all concerned. China certainly realizes this. I think China is actually stressing much more of a political stance to ensuring its claims within the region. There is always a possibility that a naval skirmish could escalate, but I think that the chances of that actually triggering a major confrontation, at this point, is unlikely.<sup>147</sup>

While China prefers to resolve such disputes on a bilateral basis, in 2013, the Philippines moved in several ways to address the dispute multilaterally, including through the United Nations' International Tribunal for the Law of the Sea. China stated that it would not participate in the tribunal. The Committee was told while in Southeast Asia that more assertive Chinese actions in relation to the South China Sea in 2014 had set back that country's broader diplomacy in the region.<sup>148</sup> More recently, China has emphasized land reclamation projects in the South China Sea. **Overall, the Committee underlines that all of the states involved should settle these disputes peacefully. At the same time, given the complicated nature of the disputes and the entrenched positions of the countries, it was told by one interlocutor in Jakarta that, in practical terms, the challenge was to manage the tensions that resulted from them.**<sup>149</sup>

Beyond inter-state challenges, countries such as Burma and the Philippines also continue to face longstanding internal armed threats. While progress has been made in both cases in recent years, these conflicts have not yet ended. The region also faces a number of non-traditional and transnational security threats. Among the most important of these are natural disasters, given that as a result of geography Southeast Asia is among the most disaster-prone regions in the world. Countries of the region are also concerned with challenges such as food security, transnational crime including human smuggling, radicalization and terrorism. As will be discussed in the case studies, several countries have seen a number of examples of both bombings and radical Islam.

## Association of Southeast Asian Nations

Among the notable successes of the diverse countries of Southeast Asia has been their slow and consensual pursuit of greater political and economic integration through the mechanism of ASEAN as a means to greater prosperity and security. Peter Petri shared with the Committee that "ASEAN, the 10 Southeast Asian economies, are running the world's most ambitious regional experiment today."<sup>150</sup> At the same time, while ASEAN may seem to resemble the

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<sup>147</sup> Ibid.

<sup>148</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>149</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 23 February 2015.

<sup>150</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 February 2014.

European Union in some respects, the Committee was told while visiting the region that the two are not comparable either in theory or in practice.

While in Southeast Asia, the Committee had the opportunity to speak to many experts about ASEAN, including members of its Committee of Permanent Representatives, a sort of executive management committee composed of ambassadors to ASEAN from each of its member states.<sup>151</sup> This meeting allowed the Committee to gain greater insight into the priorities and workings of ASEAN, and helped convince it of the importance of that organization to Canada.

## A. The “Asean Way”

ASEAN was established by 5 original members – Indonesia, Malaysia, the Philippines, Singapore and Thailand – in 1967, a time of both tension and open conflict in Southeast Asia. The original goal of the organization was largely political, focusing on non-aggression and improving relations between member states, with the modus operandi — or “ASEAN way” — being cooperation and consensus. This fact is underlined by the ASEAN practice of rotating its chairmanship annually among member states. As one diplomat from an ASEAN state told the Committee, given the diversity of the region, consensus may be the only system that can work.<sup>152</sup> More than one individual the Committee met in the region also stated that the *process* of closer integration among ASEAN states was more important than the result.

ASEAN membership grew to 10 over the decades, with membership often unofficially seen as divided into two groups: the more developed states of Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei, and the less-developed states of Cambodia, Laos, Burma and Vietnam. In addition, Timor-Leste applied to join ASEAN in 2011, and its application is now being examined.

The Committee was told that while ASEAN operated relatively informally for years, it became much more institutionalized later on, for example, with the holding of summits beginning in 1976, agreement in 1992 to establish an ASEAN Free Trade Area and the establishment of new structures including the ASEAN Regional Forum, also in 1992. ASEAN leaders agreed to an ASEAN Charter in 2007, 40 years after the organization was founded, and adopted an ASEAN Human Rights Declaration in 2012.

While in the region the Committee learned of the complexity of ASEAN and its many subsidiary structures – including an ASEAN Inter-Parliamentary Assembly, whose secretariat it visited while in Jakarta<sup>153</sup> – and was told that the organization holds more than 1,300 meetings per year.<sup>154</sup>

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<sup>151</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 25 February 2015.

<sup>152</sup> Ibid.

<sup>153</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 24 February 2015.

<sup>154</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 25 February 2015.

In terms of priorities, ASEAN has set a goal of building an ASEAN Community under three broad pillars: a Political-Security Community; a Socio-Cultural Community; and an Economic Community. More practically, ASEAN is pursuing work in a wide range of areas, including strengthening infrastructure and connectivity between its member states, working to mitigate the effects of natural disasters, narrowing the development gap between member states, and emphasizing ASEAN centrality both among member states and in terms of regional cooperation.

ASEAN's main focus in recent years has been the creation of the ASEAN Economic Community (AEC) by 2015, designed to create a single competitive market and production base in the region that would be one of the largest trading blocks in the world, with nearly 10% of the world's population and a combined GDP in 2014 worth some \$2.7 trillion. The Committee believes that the completion of this project would be very significant, both for the states of ASEAN and for others such as Canada who seek to trade with ASEAN nations. Although the full AEC will not be in place by the target date of 2015, the Committee was told in the region that progress continues, and that some 90% of targets on the road to it could be reached in that year.<sup>155</sup>

## B. Tensions within ASEAN

Despite the real successes of ASEAN, as in any organization, diverse members sometimes have policy differences, including in relation to outside states. For example, while China is a dominant power in the region and ASEAN's largest economic partner, ASEAN states differ on the extent to which they are willing to criticize or engage that country on certain issues. One interlocutor in the region told the Committee that such tensions were tearing apart the seams of ASEAN.<sup>156</sup>

In the case of overlapping claims and land reclamation in the South China Sea, for example, ASEAN states and China agreed to a non-binding declaration on the conduct of parties in the South China Sea in 2002, and consultations have continued on a code of conduct. At the same time, tensions have existed between ASEAN states – such as Vietnam and the Philippines – that reportedly favor a more assertive stand on the issue, and close allies of China – such as Cambodia – that do not. In early 2015, Peter McArthur told the Committee that,

The most recent ASEAN meeting that was hosted by Burma went much better than the one hosted by Cambodia. I think it is well recognized in the press and common knowledge that in the case of the Burmese, they stood up to the plate and did a wonderful job hosting and to ensure a more balanced discussion with respect to these issues between China and certain ASEAN members.

What you see is not only the Philippines and Vietnam but now Indonesia and Brunei voicing increasing concern about the more bilateral approach that China is adopting. I think the value of ASEAN is that collectively smaller countries get together and are able to work more closely with the Chinese but also with other players in the region, such as Japan and the United States.<sup>157</sup>

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<sup>155</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>156</sup> Ibid.

<sup>157</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

At their summit in April 2015, ASEAN leaders issued a statement which affirmed that ASEAN Heads of State “share the serious concerns expressed by some Leaders on the land reclamation being undertaken in the South China Sea, which has eroded trust and confidence and may undermine peace, security, and stability in the South China Sea.”<sup>158</sup>

### C. External Engagement

ASEAN places a high priority on dialogue and cooperation with non-ASEAN states, both bilaterally and through a number of other fora. The organization has ten Dialogue Partners, which are: Australia, Canada, China, the European Union, India, Japan, Korea, New Zealand, Russia and the United States. The number of states interested in increasing their engagement with ASEAN is larger, however, and there are approximately 83 non-ASEAN ambassadors to the organization.

At the bilateral level, ASEAN member states act as rotating dialogue coordinators to negotiate economic or other issues with its partners.

ASEAN also engages with non-ASEAN states economically, with its member countries signing free trade agreements with states such as Australia, China, India, Japan, South Korea and New Zealand. Since 2012, ASEAN states have also been pursuing RCEP negotiations between themselves and these six states with the goal of reaching a free trade agreement in 2015.

In terms of broader fora, the Committee was told by Shaun Narine, Associate Professor, Department of Political Science, St. Thomas University, that ASEAN is “at the core” of important regional structures, although he added that this was partly by default since “[t]he big powers of the region don’t trust each other and are also not trusted by the smaller states. They cannot spearhead their own institutions.”<sup>159</sup>

One very important structure is the ASEAN Regional Forum (ARF), which meets annually to discuss mainly traditional security issues such as maritime security, territorial disputes and proliferation, but also non-traditional concerns such as transnational crime, natural disasters and cyber security. Launched in 1994, the 27-member ARF includes ASEAN states, Canada and other Dialogue Partners, as well as other states such as North Korea and Pakistan.

Other key fora include the ASEAN Plus Three, which includes ASEAN states as well as China, Japan and South Korea; the ASEAN Defence Ministers’ Meeting-Plus (ADMM-Plus), which includes ASEAN states and all ASEAN Dialogue Partners except Canada and the European Union; and the East Asia Summit, which is a leaders-led forum for strategic dialogue and cooperation on a range of issues that includes ASEAN states as well as Australia, China, India, Japan, New Zealand, Russia, South Korea and the United States.

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<sup>158</sup> ASEAN, “[Chairman’s Statement of the 26<sup>th</sup> ASEAN Summit, Kuala Lumpur and Langkawi, 27 April 2015, ‘Our People, Our Community, Our Vision.’](#)”

<sup>159</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 January 2014.

## INCREASING CANADA’S ENGAGEMENT WITH ASEAN

Canada’s history with Southeast Asia dates back some 60 years in the area of development cooperation, which continues today at both regional and bilateral levels; at the bilateral level, 4 of Canada’s 25 development Countries of Focus around the world are in Southeast Asia: Indonesia, Burma, Philippines and Vietnam. Other areas, however, have been less consistent.

More positively, the Committee was encouraged to hear how the past few years have seen increased Canadian government attention to the region, which has been made clear through high-level visits, a strengthened diplomatic presence, increased cooperation with the countries of the region as they pursue inclusive economic growth and prosperity, and strengthened engagement with ASEAN as an organization. The latter point is important, because the Committee holds the firm view that ASEAN is central to the increasing regionalism in Southeast Asia and beyond, and **the Committee underlines that continued engagement with it will serve Canada well in its goals of participating in fora such as the ADMM-Plus and the leader-level East Asia Summit.**

In terms of ongoing development cooperation at the regional level, Canada’s Southeast Asia Regional Program focuses on stimulating sustainable economic growth and strengthening democratic governance, by working to help ASEAN in areas such as reducing the risks of natural disasters and strengthening human rights.<sup>160</sup> Scott Gilmore also noted that development cooperation can provide “win-win” situations, helping address poverty and encourage growth while also providing Canada with a “beachhead” in the countries it is cooperating with.<sup>161</sup> Overall, given Canada’s long track record and expertise, the Committee considers that continued development cooperation amounts to a real Canadian value added in the region.

Although Canada has been a dialogue partner with ASEAN since 1977, Peter McGovern told the Committee that the fact that Burma was a member of that organization while under strict Canadian sanctions affected Canada’s ability to engage with ASEAN more broadly. He stated in 2013 that ASEAN member countries had seen Canada “to a certain extent, as fair-weather friends, that we had not been present in ASEAN particularly for a number of years.”<sup>162</sup>

Canada began to strengthen its engagement with ASEAN in 2012, including through high-level visits such as an official visit of the ASEAN Secretary-General to Canada, and multiple visits to ASEAN meetings and countries by the Canadian ministers of Foreign Affairs and International Development, and in particular by the Minister of International Trade. Mr. McGovern told the Committee that while ASEAN member countries welcomed this attention, they emphasized that it “must be sustained. There must be full commitment.”<sup>163</sup>

Canada and ASEAN signed an ASEAN-Canada Plan of Action in 2010 to identify areas for cooperation to strengthen their overall relationship.<sup>164</sup> In terms of economic engagement, the

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<sup>160</sup> DFATD, [Development: Southeast Asia Regional Program](#).

<sup>161</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>162</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session 41<sup>st</sup> Parliament, 22 May 2013.

<sup>163</sup> Ibid.

<sup>164</sup> DFATD, [The ASEAN-Canada Plan of Action – Overview](#).



Government of Canada has recognized the potential of the countries of Southeast Asia, identifying 8 of the 10 ASEAN states as priorities under its Global Markets Action Plan.<sup>165</sup> This designation means an increase in trade promotion resources devoted to these countries, strengthening the government's ability to encourage and assist Canadian companies – particularly small and medium-sized enterprises – that wish to enter these and other regional markets.

Canada and ASEAN signed a joint declaration on trade and investment in 2011, and the first ASEAN-Canada Economic Ministers Meeting was held in 2012. In 2014, Canada welcomed ASEAN Economic Ministers for a “Road Show” that focussed on a number of key sectors. **Susan Gregson told the Committee that the Road Show “highlighted energy, infrastructure, science and technology and financial services sectors and helped brand Canada as a key economic partner for the ASEAN member countries.”**<sup>166</sup> **One Canadian interlocutor in Singapore, however, noted that unfortunately this road show received relatively little media coverage in Canada.**<sup>167</sup>

The ASEAN-Canada Economic Ministers Meeting in 2012 also saw the launch of a Canada-ASEAN Business Council, a forum for Canadian businesses to increase trade and investment between Canada and ASEAN states through networking, advocacy and education.<sup>168</sup> The Council, whose membership is composed of about 50 larger Canadian businesses active in the region, is based in Singapore. While in that country, the Committee met with its volunteer president, as well as representatives of a number of its member companies. **Although a counterpart council has not yet been established in Canada, the Committee was told that the need for presence in Canada was great, and that the establishment of such a council would be useful for Canadian engagement with the region.**<sup>169</sup> **The Committee agrees.**

While Canada and the ASEAN states have both signed a number of free trade agreements with other countries, they have not begun to negotiate one between them. Although one interlocutor in the region suggested such an agreement be negotiated<sup>170</sup> – and Pierre Lortie told the Committee in early 2014 that “it is critical that we have a trade agreement with [ASEAN.]”<sup>171</sup> – Susan Gregson stated in early 2015 that the government had decided to focus on the TPP as its priority for engagement in the region.<sup>172</sup> The Committee considers that a completed TPP would be very beneficial for all its parties, including Canada and the four ASEAN states of Singapore, Brunei, Vietnam and Malaysia that are currently engaged in the negotiations.

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<sup>165</sup> The [Global Markets Action Plan](#) identifies 6 countries in Southeast Asia – Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam – as emerging markets with broad Canadian interests – and 2 – Brunei and Burma – as emerging markets with specific opportunities for Canadian businesses.

<sup>166</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>167</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 27 February 2015.

<sup>168</sup> [Canada-ASEAN Business Council](#).

<sup>169</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 27 February 2015.

<sup>170</sup> Ibid.

<sup>171</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 February 2014.

<sup>172</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

As noted above, Canada has also strengthened its diplomatic representation in Southeast Asia over the past few years, bringing a presence to all ASEAN countries by announcing that it would have resident representation in Burma, Cambodia and Laos. In addition, while Canada had established the function of ambassador to ASEAN in 2009, this had been carried out by Canada's Ambassador to Indonesia. In 2014, Canada announced that it would in the future have a permanent diplomatic mission to ASEAN headed by a dedicated ambassador based in Jakarta.

While this move signalled an increased recognition of the importance of ASEAN, it will also have other positive effects as well. One Canadian in Singapore told the Committee that since ambassadors to ASEAN have no consular or similar duties, other countries use them to advance advocacy and economic diplomacy with the region.<sup>173</sup> Given the need for increased understanding of the importance of the region to Canada, the Committee believes that the dedicated Canadian Ambassador to ASEAN will also be able to make a real contribution to education and advocacy in Canada about Southeast Asia.

Apart from detailed agreements such as an ASEAN-Canada Plan of Action and continued participation in fora such as the ARF, Canada has also increased support significantly for specific projects across ASEAN's three pillars of political-security, economic and socio-cultural issues. For example, it announced \$30 million in funding for specific projects in 2013, followed in 2014 by \$14 million in funding dedicated largely to projects dealing with security issues, such as biological and nuclear threats, combatting transnational crime including human smuggling, improving regional cybersecurity tools and addressing radicalization to violence and foreign-fighters.<sup>174</sup> Beyond these contributions, ASEAN is interested in the issue of peacekeeping, which Shaun Narine told the Committee is an area where Canada may also be able to share expertise.<sup>175</sup>

Canada has also made clear its desire for deeper engagement with ASEAN, in particular its wish to participate in both the ADMM-Plus as well as the East Asia Summit. In January 2015 Susan Gregson told the Committee that "Southeast Asia and ASEAN are central to Canadian interests in the Asia-Pacific and, indeed, globally. As such, Canada continues to look for ways to increase and improve our visibility and engagement."<sup>176</sup>

## INDONESIA CASE STUDY

Indonesia's elections are important simply because Indonesia is an important country. It is the fourth most populous country in the world, the world's third largest democracy, home to the largest Muslim population, the sixteenth largest economy in the world, a member of the G20, and the largest and arguably the most influential member of ASEAN, the Association of Southeast Asian Nations...<sup>177</sup>

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<sup>173</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 27 February 2015.

<sup>174</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>175</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 January 2014.

<sup>176</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>177</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.



- Vikram Nehru, Senior Associate and Bakrie Chair in Southeast Asian Studies, Carnegie Endowment for International Peace

## A. Introduction

Indonesia is a developing country going through rapid change and facing many challenges, but whose potential is extraordinary. The Committee believes there is significant scope for Canada and Indonesia to further strengthen their relations, notably through increased trade and investment, as well as continued cooperation in the important areas of security, diplomacy and development. Indonesia and Canada both have things the other wants and needs, and the Committee is convinced that this can result in win-win situations for both countries. Put simply, Canada cannot afford *not* to be engaged with Indonesia.

In addition to its hearings in Ottawa, during its fact-finding mission to Southeast Asia in February 2015 the Committee had the chance to meet with a range of interlocutors in Jakarta, including officials, business representatives, senior political leaders – including Indonesia’s Vice President, its Minister of Foreign Affairs and its Minister of Trade – parliamentarians, experts and civil society. It also met with ambassadors and other representatives from ASEAN, whose secretariat is based in Jakarta. While in Indonesia, the Committee was told that its visit would help strengthen Canada’s relationship with that country, and raise Canada’s profile there.<sup>178</sup> The Committee’s later meetings in Singapore also provided it with perspectives on Indonesia’s role in the region.

## B. General Overview

The Committee’s hearings in Ottawa and meetings in the region underlined the unique position of Indonesia in Southeast Asia, both as its most populous country and biggest economy, but also, in the words of Susan Gregson, as it’s “centre of gravity”...<sup>179</sup> David Dewitt of the Centre for International Governance Innovation similarly expressed to the Committee that, “[t]he way Indonesia goes is the way much of ASEAN will go.”<sup>180</sup>

The unique opportunities and challenges of Indonesia begin with its demographic and physical characteristics. The country’s young population of some 251 million – the largest Muslim population in the world – makes it the world’s fourth most populous country, and third largest democracy. The country is also a strategically-located archipelago, made up of some 17,500 islands that stretch the distance between Vancouver and Halifax.

Indonesia is the largest economy in Southeast Asia, with a Gross Domestic Product (GDP) of some CAD\$981.5 billion in 2014. While the Asian financial crisis of 1997–1998 hit the country hard, Indonesia recovered and grew at a rate of more than 5% in seven of the years between 2000 and 2014, weathering the global financial crisis.<sup>181</sup> Although growth has slowed recently, in March 2015, the Asian Development Bank projected Indonesia’s GDP growth rate to reach 5.5%

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<sup>178</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia.

<sup>179</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

<sup>180</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 January 2014.

<sup>181</sup> Asian Development Bank, [Asian Development Outlook 2015: Financing Asia’s Future Growth](#), p. 11.

in 2015 and 6% in 2016, rates higher than those of a number of its neighbours.<sup>182</sup> More generally, some witnesses in Ottawa, and others the Committee met in Jakarta and Singapore, emphasized Indonesia's significant economic potential, given its combination of size, resources and a huge young consumer population. International interest in the country is high, and many countries are attempting to strengthen commercial and other links with it. At the same time, significant poverty and inequality continue to exist in Indonesia, which ranked 108<sup>th</sup> out of 187 countries and territories on the United Nations' 2013 Human Development Index.<sup>183</sup>

In terms of governance, Indonesia is a republic where constitutional amendments have recently increased the role of the legislature. The country has made great strides in consolidating its democracy and improving human rights since the end of the Suharto dictatorship in 1997. At the same time, many institutions remain weak, and the Committee was told that Indonesia's emerging democracy is one where politics rely heavily on individual players.<sup>184</sup> Indonesia's geography, as well as the fact that it includes some 300 ethnic groups and an even larger number of languages, also has significant implications for its governance. While the country requires national policies on issues such as development and infrastructure, it also needs, and has, a significant degree of decentralization.

The legacy of decades of dictatorship undoubtedly plays a role in ongoing and related challenges of accountability, lack of transparency and longstanding and ingrained corruption. On the latter, Transparency International's 2014 *Corruption Perceptions Index* ranked Indonesia 107<sup>th</sup> of 175 countries and territories in terms of how corrupt its public sectors are perceived to be.<sup>185</sup> The Committee heard from Susan Gregson on the topic of corruption that "It's endemic, it's through all layers of government and it's in the legal system...The police force is commonly viewed as the most corrupt institution within Indonesia, and that's in a tie with the legislature. That gives you an indication of how pervasive this problem is."<sup>186</sup>

Along with dynamism and rapid change, the Committee sensed a great degree of optimism while in Indonesia, much of it related to the 2014 election of President Joko Widodo, popularly known as "Jokowi." The fact that President Widodo was not a member of Indonesia's military or traditional elite, unlike previous presidents, is regarded as a key milestone for the country. In addition, his origins and business background have led him to emphasize policies to improve the lives of poorer Indonesians, including through better services. His mandate is also focussed on reducing bureaucratic red tape to attract foreign investment and increase economic growth. This fresh approach has resulted in great popularity for President Widodo, who Joshua Kurlantzick of the U.S. Council on Foreign Relations told the Committee was very much a "direct democracy, social media savvy, appeal to young people" type of politician.<sup>187</sup>

The administration of President Widodo took a number of significant actions in its first months in power aimed at its overall goal of raising the standard of living of Indonesians. Among the

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<sup>182</sup> Ibid., p. XX.

<sup>183</sup> United Nations Development Programme, [Human Development Report 2014, Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience](#), 2014.

<sup>184</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia.

<sup>185</sup> Transparency International, [Corruption Perceptions Index 2014: Results](#).

<sup>186</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>187</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 April 2014.

most important was a cut in the huge fuel subsidy that had long prevented other government expenditures and subsidies to other sectors. It also announced that it would prioritize infrastructure development projects for much-needed ports, airports and roads, change regulations to reduce red tape and attract foreign investors, and emphasize the protection and exploitation of Indonesian waters.

While in Jakarta, the Committee met with members of civil society, some of whom expressed concerns that the government's priorities leave little time or political will for issues such as combatting religious intolerance or the promotion of human rights in Indonesia.<sup>188</sup> One interlocutor, however, suggested that President Widodo knows he cannot do everything at once, and likely sees economic rights and poverty reduction as the most important human rights for Indonesian citizens.<sup>189</sup>

The early months of President Widodo's administration saw controversy over the nomination of Budi Gunawan, a former aide to ex-president Megawati Sukarnoputri, whose party had been instrumental in President Widodo's election, as national police chief. President Widodo was later forced to withdraw this nomination after Mr. Gunawan was named as a corruption suspect. This underlined that, despite the president's personal appeal and popular positions, he must operate within a system in which he is beholden to his own party, while also facing significant opposition in a parliament where he does not have a majority.

In terms of foreign policy, Indonesia has long emphasized the importance of ASEAN for regional stability and security, and has chosen to focus its multilateral trade attention on the ASEAN-led RCEP negotiations. The previous government also placed great emphasis on Indonesia's role on the international stage, including as the representative of Southeast Asia in the Group of 20 (G20). Given the domestic focus of President Widodo's government, it remains to be seen how its foreign policy priorities develop. At the same time, the new government has also taken a number of actions, such as carrying out the death penalty for foreign drug smugglers and being more assertive with vessels operating illegally in Indonesian waters, that resulted in criticism from other countries but were popular domestically and allowed it to look strong and decisive in its relations with other countries.

## **OPPORTUNITIES AND CHALLENGES FOR CANADA**

### **A. Trade and Investment**

The combination of a large working-age population and increasing prosperity has meant a growing middle class in Indonesia that now amounts to some 20-25% of the population, which will continue to result in growing demand for a variety of both goods and services. As well, President Widodo's government has emphasized its interest in attracting foreign investment and strengthening trade relationships. The Committee considers that Canada is well placed to benefit from these developments.

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<sup>188</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, Meeting in Indonesia, 24 February 2015.

<sup>189</sup> Ibid.

Indonesia is already Canada's largest merchandise export market and destination for direct investment in Southeast Asia, and is one of very few countries with which Canada has a trade surplus. Bilateral merchandise trade between Canada and Indonesia stood at \$3.5 billion in 2014, while Canada's direct investment there stood at \$4.3 billion. Canadian exports to Indonesia grew at an average annual rate of 5.4% over the period 2008-2013 compared to a decrease of 0.5% worldwide, reaching \$2 billion in 2014. A large proportion of Canadian exports to Indonesia come from Saskatchewan and Quebec, with major exports including: fertilizers, cereals, aircraft and parts as well as wood pulp.<sup>190</sup> The Committee was told in Jakarta that free trade agreements are a sensitive subject in Indonesia, and that the trade priority of the Indonesian government was the conclusion of the RCEP negotiations.<sup>191</sup> **The Committee also heard from witnesses in Ottawa that the Canadian government's current trade priority in the region was the Trans-Pacific Partnership negotiations. Nevertheless, the Committee believes that an effective bilateral free trade agreement between Indonesia and Canada would be of value, and should be pursued.**

The designation of Indonesia as an emerging market with broad Canadian interests under the Global Markets Action Plan has led to an increase in Canadian trade promotion activities related to that country. Trade Commissioners in the region and in Canada are available to help Canadian firms understand the potential of the Indonesian market, and offer advice on the best ways to pursue it. The Global Markets Action Plan fact sheet on Indonesia lists "key opportunities" there as: aerospace, agriculture and processed food, education, information and communications technology, infrastructure, oil and gas and sustainable technologies.<sup>192</sup> The Committee's meetings in Indonesia confirmed a number of these areas of potential, with several interlocutors in particular emphasizing the opportunities for Canadian involvement in the design or building of infrastructure, as well as the provision of financial services.<sup>193</sup>

In Jakarta, the Committee met with a number of Canadian business representatives associated with the Indonesia Canada Chamber of Commerce, which had recently released a policy paper entitled *Accelerating Indonesia's Growth: Opportunities to Enhance the Indonesia-Canada Economic Relationship*.<sup>194</sup> Among those the Committee met were representatives of a number of large Canadian companies active in the Indonesian market, including Sun Life Financial Indonesia, Manulife Indonesia and Blackberry Indonesia.

All business interlocutors provided a consistent message in relation to commercial opportunities in Indonesia. They underlined the tremendous potential of the Indonesian market, particularly given the combination of a growing middle class and the new government's emphasis on streamlining regulation and improving infrastructure, the latter including through public-private partnerships.<sup>195</sup> When asked about her priority for working with Canada, Indonesia's

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<sup>190</sup> Michaël Lambert-Racine, [Canada-Indonesia](#), Library of Parliament Trade and Investment Series, Publication No. 2014-59-E, 12 June 2014.

<sup>191</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meetings in Indonesia.

<sup>192</sup> DFATD, [Global Markets Action Plan, "Fact Sheet: Indonesia-Canada's Priority Market."](#)

<sup>193</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 23 February 2015.

<sup>194</sup> See [Accelerating Indonesia's Growth: Opportunities to Enhance the Indonesia-Canada Economic Relationship](#).

<sup>195</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 23 February 2015.

Ambassador to Canada, Her Excellency Dienne H. Moehario, told the Committee that “We would like primarily to work with you on the economy. We would like Canada to support Indonesia in infrastructure.” She added that “For the infrastructure sectors, Indonesia would promote public-private partnerships that we would like to work on with Canada because Canada is advanced in public-private partnership projects.”<sup>196</sup>

A senior Indonesian official in Jakarta explained to the Committee that Indonesia could benefit from Canadian knowledge, financing and technology in the building of infrastructure.<sup>197</sup> Indonesia has imposed restrictions on the export of unprocessed minerals, and this interlocutor added that the country could also benefit from Canadian investment in areas such as the production and processing of minerals and the processing and marketing of maritime resources.<sup>198</sup>

Recognizing the important role of infrastructure investments in building a resilient and competitive economy and providing services to citizens efficiently and effectively, the Committee was pleased to note that the Government of Canada is already working to strengthen Indonesia’s capacity in relation to public-private partnerships, particularly in the infrastructure sector. Partnering with the Asian Development Bank and other countries, it has contributed \$CAD 5 million over 5 years to establish a pilot Public-Private Partnership Centre to be housed within the Ministry of Finance of Indonesia.<sup>199</sup> Yet the Committee believes still more can be done to help Canadian firms participate in public-private partnerships in the Indonesian market. The announcement in April 2015 that Canada will establish a development finance institution – with a mandate to provide financing, technical assistance and business advisory services to firms operating in developing countries– may also be of assistance in this respect.

Despite the huge potential of the Indonesian market, however, interlocutors also underlined a number of significant challenges to doing business in that country, which the World Bank in 2014 ranked as only the 114th out of 189 economies in terms of the ease of doing business.<sup>200</sup> The Committee heard that specific challenges include the lack of transparency and regulatory uncertainty, poor infrastructure, resource nationalism and protectionism, corruption, and an uncertain court system that leads many foreign companies to arrange for arbitration in countries such as Singapore in the event of disputes.<sup>201</sup>

**The past year also brought uncertainty with regard to bilateral foreign investment promotion and protection agreements, with Indonesia indicating in 2014 that it would cancel at least one such agreement, and later putting on hold the negotiation of others – including with Canada – with the explanation that it wanted to develop a common**

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<sup>196</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 14 May 2014.

<sup>197</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, 23 February 2015.

<sup>198</sup> Ibid.

<sup>199</sup> Prime Minister of Canada, “[Pilot Public-Private Partnership Centre in Indonesia](#),” *Backgrounder*, 8 October 2013.

<sup>200</sup> World Bank Group, “[Economy Rankings](#)”, *Doing Business*, June 2014.

<sup>201</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 23 February 2015.

**template going forward.<sup>202</sup> Given the importance of such agreements, the Committee underlines the need to pursue negotiations with Indonesia in this area.**

The Committee heard that it is important for Canadian businesses to exercise due diligence before entering Indonesia or other markets in the region, and for firms to follow standard operating procedures once there.<sup>203</sup> Testifying in Ottawa, Todd Winterhalt stated that Canadian companies wanting to enter Indonesia or other developing markets must elevate their due diligence, adding that “Canadian companies really do need to have their eyes wide open before they enter in there. Indonesia is not Singapore, I guess, is where I would leave it.”<sup>204</sup>

The Committee has studied the subject of trade promotion at length, and notes the strategic role the federal government can play in this regard. While the responsibility for due diligence remains with Canadian businesses wishing to export, a significant number of federal government and other services are available to help them get market information and thereby reduce the significant costs involved. The Committee believes the Government of Canada should continue to lead efforts to both simplify and publicize such trade promotion services. In addition, the Committee supports the notion that the relevance of trade promotion increases in countries, such as Indonesia, where government and vested interests such as oligarchs play a significant role in the economy.

Interlocutors in Indonesia also emphasized the impact of long-term relationships as opposed to transactional ones, and the benefit of having a presence on the ground when investing or conducting business.<sup>205</sup> As a result, the Committee was told that Canadian firms interested in pursuing opportunities in Indonesia should be ready to make multiple visits, or even better, establish a presence there. Furthermore, some suggested that identifying a trusted local partner or local representative can often be critical to success.<sup>206</sup>

Overall, the Committee is convinced that the economic potential of Indonesia for a range of Canadian businesses is significant. The Committee believes that realism and due diligence on the part of firms interested in the Indonesian market, combined with knowledge and continued support from the Government of Canada, will enable Canadian commercial success in a market that is second to none in Southeast Asia and continuing to grow.

## **B. Security**

National security is necessary if Indonesia is to meet its goals of growth and prosperity, and there are a number of ways in which Canada can assist that country in meeting its security challenges, while at the same time increasing its own security. At one level, such assistance should be directed toward strengthening Indonesia’s capacity in a number of security-related areas, such as countering terrorism and human smuggling. At the same time, increased Canadian assistance to

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<sup>202</sup> Ibid.

<sup>203</sup> Ibid.

<sup>204</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 December 2013.

<sup>205</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 23 February 2015.

<sup>206</sup> Ibid.



ASEAN for security concerns such as transnational criminal activity, cyberattacks as well as radicalization and foreign fighters will also help strengthen Indonesian security. Finally, Canada can also contribute to the security of Indonesia and the region through its ongoing engagement in the ASEAN Regional Forum, and through its eventual participation in arrangements such as the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus) and the East Asia Summit (EAS).

Indonesia's Ambassador to Canada told the Committee in 2014 that at the broadest level of peace and security, Indonesia favours a condition of "dynamic equilibrium" in the Asia-Pacific region, which includes the absence of a dominant state power and relationships based on cooperation and partnership.<sup>207</sup> The Committee was also told that within Southeast Asia, Indonesia has traditionally seen itself as a bridge builder between states in the region, including in relation to maritime and territorial conflicts with China in the South China Sea. James Manicom informed the Committee that while Indonesia was not a claimant in the South China Sea, "Indonesia sees itself as first among equals in ASEAN and as having a role in the bridge-building capacity...Indonesia believes it has a role to play in fostering dialogue on the South China Sea."<sup>208</sup>

With its vast territorial waters, Indonesia is now focussed more on the protection and exploitation of its maritime territory, which includes addressing the security concern of piracy. Here the Committee was pleased to learn of positive developments. James Boutilier testified that while more than a decade ago the world's "centre of gravity" for piratic attacks and sea robbery was the area around the Straits of Malacca and the South China Sea, ground-breaking cooperation between Indonesia, Singapore and Malaysia, supported by others, had improved the situation dramatically.<sup>209</sup> In Indonesia, the Committee was told by security experts that although piracy remains an issue of concern for the various countries in the region, it is not as serious as it once was.<sup>210</sup>

The Bali bombings of the early 2000s showed that Indonesia, which has the largest Muslim population in the world, is not immune to the security threats of extremism and terrorism. The nature of the threat in Indonesia has changed in the years since, with Indonesian terrorists now less sophisticated than those that carried out the bombings in 2002. At the same time, Indonesia has been impacted by current developments, as some of its nationals have declared loyalty to the Islamic State, and a small number have left the country to become foreign fighters in Syria or elsewhere. Security experts told the Committee that, while the technical capabilities of Indonesian extremists are currently very limited and the numbers of their victims low, Indonesian law and domestic opinion mean that jihadist recruiters can essentially operate there with little risk of being jailed as long as they have committed no crime in that country.<sup>211</sup> Despite these concerns, it would appear as though Indonesian authorities closely monitor the activities of such individuals.

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<sup>207</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 14 May 2014

<sup>208</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 29 May 2013.

<sup>209</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 February 2014.

<sup>210</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 24 February 2015.

<sup>211</sup> *Ibid.*

Canada has worked over the years to increase Indonesia's capacity in a number of security-related areas, including counter-terrorism, and Indonesia has achieved some success. Canada has also worked with Indonesia on the issue of human smuggling, including to reduce the chance that smuggled persons will continue on to Canada or elsewhere. Peter MacArthur told the Committee that "Indonesia benefited from approximately \$5.5 million in capacity-building assistance from the department's anti-crime capacity-building, human smuggling envelope. This includes training and equipment to enhance Indonesian law enforcement's ability to prevent human smuggling. This is being delivered in part by Canadian agencies such as [the Royal Canadian Mounted Police and the Canada Border Services Agency]."<sup>212</sup> In one example of Canadian assistance, the Royal Canadian Mounted Police has deployed an officer to the Jakarta Centre for Law Enforcement Cooperation, which the Committee heard continues to enable "the direct delivery of Canadian training to Indonesian and regional security forces."<sup>213</sup>

During its trip to Jakarta, the Committee was told that Indonesia's defence forces have long been weighted toward the army, but that with the announcement of increased attention to maritime security and the protection and exploitation of territorial waters the new government wants to increase emphasis on the navy.<sup>214</sup> Indonesia has had a lower level of defence spending per capita than most regional states, and the previous government had proposed establishing a Minimum Essential Force by 2029 that would see a strengthening of the navy and the air force. President Widodo's administration has also pledged to continue a previous plan to increase defence spending to 1.5% of GDP over 5 years.

In terms of defence cooperation and capacity building, Indonesia has been both a priority member state and one of the top recipients of the Department of National Defence's Military Training and Cooperation Program (MTCP), which has trained Indonesian military personnel in a range of areas. In addition, Indonesia has been named an MTCP "Centre of Excellence," with Canadian and Indonesian forces partnering to provide training in Indonesia.<sup>215</sup> While there, the Committee was informed that, in addition to a range of courses in Canada for personnel from Indonesia and other accredited countries, in fiscal year 2015–2016 the Department of National Defence will be sponsoring at least four different courses and a workshop in Indonesia, as well as providing at least one other course funded through DFATD.<sup>216</sup> Rear Admiral David Gardam also told the Committee that Canada cooperates with Indonesia and other countries such as Malaysia and the Philippines on a "navy-to-navy" basis through port visits, which are "very much strategic engagement opportunities" involving ambassadors and trade shows.<sup>217</sup>

## C. Development Cooperation

Despite success in reducing poverty, Indonesia still faces significant development challenges, with over 40% of its population still living at or below the US\$2 per day poverty line.<sup>218</sup> The

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<sup>212</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>213</sup> Ibid.

<sup>214</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20–28 February 2015, meeting in Indonesia.

<sup>215</sup> Department of National Defence, [Canada's Defence Relations in the Asia-Pacific Region](#), *Backgrounder*, 4 November 2013.

<sup>216</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20–28 February 2015, meeting in Indonesia.

<sup>217</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

<sup>218</sup> DFATD, [Development: Indonesia](#).



country faces major regional economic disparities, and the gap between the poor and the non-poor is rising. Canada has provided development assistance to Indonesia for over half a century, beginning with the Colombo Plan in the 1950s. Over the decades, Canadian development programs have focused on areas such as government decentralization, natural resource management and anti-corruption. In addition, Canada has also assisted Indonesia in other ways, for example, with humanitarian assistance and relief and rebuilding following the 2004 Tsunami, and assistance in building the country's resiliency against natural disasters. In Ottawa, Syed Sajjadur Rahman told the Committee that, "On the reconstruction and rehabilitation side, Canada has been significantly involved in almost all reconstruction efforts. For the aftereffects of the tsunami in Aceh, Thailand or other places, Canada has been one of the first movers ... and it is actually known for the work it did."<sup>219</sup>

The Government of Indonesia has announced a number of development priorities in recent years, including strengthening its ability to provide services, improving the quality of human resources, strengthening economic competitiveness and pursuing reforms related to economic growth in its regions.<sup>220</sup> In 2014, Indonesia was confirmed as a country of focus for Canadian international development efforts, and the current objective of Canada's development assistance there is "to improve sustainable economic prosperity for poor women and men, through building economic foundations, investing in people and strengthening democratic governance."<sup>221</sup> More particularly, during its mission to the country, the Committee heard that the emphasis for Canadian development assistance is on supporting sustainable economic growth, including through improving skills for employment and strengthening the public sector.<sup>222</sup>

Although the volume of Canadian development assistance to Indonesia will never equal the much larger volumes provided by countries such as Australia or the United States, the Committee was told that the Indonesians request technical assistance and do not wish to be seen as aid dependent. The Committee therefore believes that Canada should continue to emphasize non-traditional areas such as technical assistance and private sector growth. In this way, it can continue to contribute to development and inclusive economic growth in that country while also underlining its value as a partner.

## D. Diplomacy

Notwithstanding the importance of cooperation in specific areas such as trade and investment, security and development, the Committee underlines that Canada must also maintain its longstanding and good diplomatic relations with Indonesia, at both bilateral and multilateral levels. Indonesia's Ambassador to Canada, Her Excellency Dienne H. Moehario, told the Committee that, "There is no challenge or hindrance between the countries,"<sup>223</sup> while Susan Gregson stated that Indonesia is "one of our most important diplomatic partners" in the region.<sup>224</sup> Among other indications of the importance of this relationship are high-level visits, with former

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<sup>219</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014.

<sup>220</sup> See DFATD, [Development: Indonesia](#).

<sup>221</sup> Ibid.

<sup>222</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia.

<sup>223</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 14 May 2014

<sup>224</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

Minister of Foreign Affairs John Baird being the first foreign minister to meet president-elect Widodo, during the Minister's fourth visit to Indonesia during his mandate.

Friendly bilateral relations between the two countries have continued for over 60 years, and they agreed to a Plan of Action in 2013 for strengthening relations in a variety of areas.<sup>225</sup> In Indonesia, Canadian diplomats carry out a wide range of duties, from economic diplomacy and advocacy to assistance for Canadians in need of consular services, including those who are accused of crimes in a country where the rule of law and court proceedings can be opaque. On the latter, Susan Gregson told the Committee in Ottawa in early 2015 that "...our officials in Indonesia, our consular officials and our ambassador use every opportunity to raise the issues of transparency and the rule of law with the authorities in order to share our concerns with them and encourage them to do whatever they can to achieve a more transparent system."<sup>226</sup>

Canada has engaged Indonesia in a range of diplomatic areas over the years, including as the first country to establish a bilateral human rights dialogue with it in 1997, later establishing an interfaith dialogue at the request of Indonesia to discuss issues such as moderation and tolerance.<sup>227</sup> More recently it also designated Indonesia as a Country of Engagement for Canada's Office of Religious Freedom, and Canada's Ambassador for Religious Freedom visited the country in the spring of 2015.<sup>228</sup>

Although people-to-people ties between Canada and Indonesia are not extensive, they will undoubtedly grow. Canada and Indonesia continue to cooperate in the area of education, with the Indonesia-Canada Plan of Action 2014–2019 stating that the two countries would "[e]nhance educational cooperation between Canada and Indonesia[.]" in a number of ways, including through increasing the two-way flow of students.<sup>229</sup> In 2014, the foreign ministers of the two countries also "stressed the importance of fostering closer cooperation in education, including through the expansion of partnerships between universities and community colleges."<sup>230</sup> In addition, the Committee met in Indonesia with a number of young Canadians living in that country for three months as part of a Canada World Youth exchange program.<sup>231</sup> The Committee considers that projects such as this, which engage young Canadians and increase both their knowledge of and relationships with countries like Indonesia are very valuable.

While the fact that Canada will soon have a dedicated Ambassador and mission to ASEAN has been welcomed by many in the region as evidence of Canada's commitment to that strategic organization, as noted above this will also have a positive impact on Canada's bilateral relationship with Indonesia. Canada's Ambassador to Indonesia has also been serving as Canada's Ambassador to ASEAN since the latter position was created in 2009. For this reason,

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<sup>225</sup> DFATD, "[Indonesia-Canada Plan of Action 2014-2019](#)."

<sup>226</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>227</sup> SCFAIT, *Evidence*, 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>228</sup> DFATD, "[Ambassador Bennett Visits Indonesia and Burma, Announces Religious Freedom Funding](#)," News Release, 6 May 2015.

<sup>229</sup> DFATD, "[Indonesia-Canada Plan of Action 2014-2019](#)."

<sup>230</sup> DFATD, "[The 4<sup>th</sup> Indonesia-Canada Bilateral Consultative Forum: Joint Statement](#)," Jakarta, Indonesia, 5 August 2014.

<sup>231</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Indonesia, 25 February 2015.

the appointment of a dedicated Canadian Ambassador to ASEAN means that Canada's Ambassador to Indonesia will now be able to devote all of his or her attention to this important bilateral relationship.

Beyond bilateral relations, Canada and Indonesia also collaborate in a number of international and regional fora, including the G20, APEC and the ASEAN Regional Forum. While Indonesia is a valuable partner for Canada at the international level, the Committee believes in particular that the country's key position within ASEAN can help Canada achieve its goals of greater integration with that organization and the region. Beyond collaboration in the context of the ASEAN Regional Forum and other mechanisms, for example, Indonesia acts as Canada's ongoing coordinating country for economic issues with ASEAN.

## BURMA CASE STUDY

...one of the last true frontier markets...in a three to five-year span, we will see it eclipse many of the other markets in Southeast Asia in terms of potential.<sup>232</sup>

- Todd Winterhalt, Vice President, International Business Development, Export Development Canada

### A. Introduction

The Committee held several meetings in Ottawa to examine the evolving political and economic situation in Burma – a strategically situated country in Southeast Asia of enormous potential – that has only recently begun to transition from international isolation. Several witnesses remarked on the growing international interest in the possibility of Burma as a strong regional actor, as a source of natural resources, and as an emerging market likely to benefit from the forthcoming ASEAN Economic Community worth an estimated \$2.7 trillion.

The Committee believes that the dynamic situation in Burma presents a great deal of opportunities for bilateral engagement for the Government of Canada, Canadian companies and civil society. They should be seized upon in a timely manner, if Canada hopes to influence and participate in the historic transformation now taking place after 30 years of authoritarian and military rule. The complexity of the social, political, and economic transition also presents significant challenges, which the Committee addresses by exploring ways in which Canada can best support Burma during this pivotal time in its history.

### B. General Overview

Burma, a multi-ethnic and multi-lingual country of 51 million people,<sup>233</sup> is comprised of nine main national ethnic minority groups and many other smaller ones. These ethnic and religious minority groups constitute approximately one third of the country's population and 60% of its

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<sup>232</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 December 2013.

<sup>233</sup> According to the 2014 national census. Economist Intelligence Unit, [Myanmar Basic Data](#), 14 April 2015.

territory; the majority ethnic group is the Burmar people, who are primarily Buddhist.<sup>234</sup> Burma is currently considered one of the Least Developed Countries in the world according to the United Nations Development Programme's Human Development Index.<sup>235</sup> It has a high level of poverty and a GDP per capita of only \$1,349. However, due to a high profile political and economic transition in recent years and easing Western sanctions, Burma has begun to attract significant foreign direct investment, primarily from Chinese, Thai, Hong Kong and Singaporean investors.<sup>236</sup> Significant challenges remain, including an uncertain future of the political transition, strong military interference in political and economic matters, an ongoing peace process and growing violations of ethnic and religious minority rights.

Burma has undergone a near constant state of armed conflict and unrest since its independence from Britain in 1948. Originally intending to transfer the country into a federal structure, General Aung San (father of the current opposition leader Aung San Suu Kyi) and several other leaders were assassinated in 1947 by paramilitaries linked to former Prime Minister U Saw, resulting in "a centralized state dominated by the Burman ethnicity" post-independence.<sup>237</sup> Conflicts and the fear of secession by states largely populated by ethnic groups such as the Shan, Kachin, Karen and the Rohingya, led to a coup by the Burman-led military in 1962. The country was led by a military dictatorship until 2011, when the junta was formally dissolved; however, the military continue to play an important formal and informal role in the Burmese political system. Myanmar was previously known as Burma in the post-Independence period, until the military junta changed the British colonial names (of the country, states, cities and towns) to Burman language names in 1989. Canada, like several other countries who supported a return to civilian control of the government, does not recognize the current official name of Myanmar.<sup>238</sup>

The Committee heard on several occasions of the ongoing process of political transition, which began in 1988-1989 with student demonstrations and then national elections in 1990 which were overwhelmingly won by the opposition National League for Democracy (NLD) party headed by Aung San Suu Kyi, though the military did not respect the outcome. As a result of the lack of democratic reform and a poor human rights record, Canada and other likeminded countries imposed various sanctions on the Burmese regime.<sup>239</sup> In 2010, the current process of political and economic transition began, including national elections and then the release of Aung San Suu Kyi from house arrest in 2010, the transition to a military-backed civilian-led government, by-elections in 2012 overwhelming won by Aung San Suu Kyi's National League for Democracy party, and various legal reforms including liberalization of the press.<sup>240</sup> Witnesses provided a range of explanations to the Committee of why this transition finally occurred ranging from a deepening socio-economic crisis, a desire to reduce the junta's dependence on China, to the efficacy of the international sanctions. Most of the Canadian economic sanctions were removed in April 2012, although a prohibition on interacting and conducting business with

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<sup>234</sup> "[Briefing: Myanmar's ethnic problems](#)", IRIN, 29 March 2012; Chizom Ekeh and Martin Smith, "Minorities in Burma", Minority Rights Group International, 20 October 2007.

<sup>235</sup> UNDP, [Myanmar](#), Human Development Index, 2014.

<sup>236</sup> "[Myanmar: Market Profile](#)", Hong Kong Trade Development Council, 3 November 2014.

<sup>237</sup> U Nu, a colleague of Gen. Aung San in the Anti-Fascist People's Freedom League, ultimately became the first Prime Minister of Burma in 1948 upon independence. SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 June 2014.

<sup>238</sup> DFATD, [Burma](#), April 2015.

<sup>239</sup> Canadian sanctions under the *Special Economic Measures Act* came into force in December 2007.

<sup>240</sup> "[Timeline: Reforms in Myanmar](#)", BBC News, 11 November 2014.

designated persons and entities remains in place pursuant to regulations made under the Canadian *Special Economic Measures Act*, as well as several other military-related sanctions.<sup>241</sup>

The Committee learned of various instances of democratic progress. Lex Rieffel, Non-resident Senior Fellow, Brookings Institute, noted:

In the process of building a democratic political system, Myanmar has adopted a constitution that creates three branches of government with many classic checks and balances...the legislature has become increasingly powerful, directly challenging the executive and overriding it in some key instances.<sup>242</sup>

Other witnesses pointed to increasing civil society activity and greater latitude for Burma's growing commercial media, particularly in Yangon. However, there were concerns about the regression in press freedom recently, including the arrest of local journalists, the expulsion of foreign journalists and restrictions on minority ethnic media.<sup>243</sup>

Several notable setbacks in the process of political transition were also brought to the attention of the Committee, namely a growing concern about human rights, including land grabs due to economic development projects (often linked to natural resources) and growing anti-Muslim hate speech. The systematic exclusion of the Muslim minority Rohingya people in Rakhine State from a national census was noted in particular as having disenfranchised Rohingyas from upcoming elections while reinforcing their status as stateless "Bengalis".

This and other forms of social, political and economic exclusion and persecution have contributed to a growing migration crisis of the Rohingya, as well as associated challenges with human trafficking and refugee camps in neighbouring countries. Noting the potential for an acceleration in the number of Rohingya boat people to undermine progress on human rights within the region and to divert scarce resources from other development priorities, **the Committee urges ASEAN and its member states to seek a sustainable solution that upholds the right of the Rohingya and all minorities to live free of discrimination, and that respects the humanitarian and international legal principles pertaining to the treatment of refugees. The Committee further encourages the Government of Canada to continue to raise concerns with respect to the treatment of refugees and the persecution of ethnic and religious minorities, including the Rohingya, in its interactions with the Governments of Burma, Bangladesh, Indonesia, Malaysia, and Thailand, as well as regional and international organizations working on the issues of human and refugee rights.**

Several witnesses were cautious about pronouncing on the overall impact of recent reform efforts due to their observation that this was a "military-led transition".<sup>244</sup> Joshua Kurlantzick, Senior Fellow for Southeast Asia, Council of Foreign Relations, cautioned that "the political reform in

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<sup>241</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 December 2013.

<sup>242</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 26 March 2014.

<sup>243</sup> Currently, Burma is ranked 144 out of 180 in the Reporters without Borders 2015 World Press Freedom Index, a slight improvement over previous years. Reporters Without Borders, "[Details about Myanmar](#)", 2015 World Press Freedom Index, 2015; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 June 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

<sup>244</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 26 March 2014.

Myanmar [should] not yet be called a democratic revolution. We are on the cusp of serious change, but it's unclear what direction that change will go."<sup>245</sup> Brian Joseph, Senior Director for Asia and Global Programs, National Endowment for Democracy, further remarked that "Despite the breadth, depth and speed with which [the reforms have] been introduced, to date the process of transition in Burma has left nearly all institutional power in the hands of the military or former generals, raising questions about the aim of the reforms."<sup>246</sup>

The Committee notes that constitutional reform efforts have thus far failed to address the issue of military accountability to civilian authorities,<sup>247</sup> a constitutional guarantee of 25% seats in the national and regional legislatures for the military,<sup>248</sup> undue influence of the polity through former members of the armed forces,<sup>249</sup> and provisions to exclude Aung San Suu Kyi from running for the presidency.<sup>250</sup>

This year also marks a critical time for Burma's political transition due to upcoming national elections likely to be held in November 2015. Several witnesses raised the issues of ethnicity and identity politics in relation to the upcoming elections.<sup>251</sup> Duncan McArthur, Partnership Director, Border Consortium, summarized the stakes at hand, "[The] elections need to be perceived in the context of federalism and the ethnic struggle for greater self-determination within a union."<sup>252</sup> Mr. Joseph, further elaborated "Some of the Burmans are concerned that the state will be redefined in a way that undermines their domination of the state".<sup>253</sup> The Committee believes that international monitoring of developments in Burma should consider how the national elections will be conducted, their impact on the ongoing peace process with various rebel armed groups, as well as the overall political transition, including constitutional reform and the role of the military in political and economic affairs. The Committee encourages the Government of Canada to monitor and support the ongoing political transition and peace process, and – where necessary – to find a balance between encouraging and maintaining pressure on relevant stakeholders, including the Burmese government, military officials, opposition parties and civil society.

## OPPORTUNITIES AND CHALLENGES FOR CANADA

### A. Trade and Investment

While the world is watching the political situation in Burma, as an emerging market it is generating considerable international interest due to its significant natural resources,

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<sup>245</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 April 2014.

<sup>246</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014.

<sup>247</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

<sup>248</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014.

<sup>249</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 26 March 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

<sup>250</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014.

<sup>251</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 26 March 2014.

<sup>252</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

<sup>253</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014.



urbanization, middle class growth, and potential for consumer demand expected to triple to \$100 billion over the next 15 years.<sup>254</sup> Under Canada's Global Markets Action Plan, Burma has been identified as a priority market.<sup>255</sup> Canada's bilateral trade with Burma had grown from \$4.8 million in 2012 to \$35.7 million in 2014; however "two-way investment activity has so far been limited as a result of economic sanctions".<sup>256</sup> Moreover, while total foreign investment at the end of 2014 totalled US\$50 billion, Canadian investments have comprised less than 0.10% of this total.<sup>257</sup> The Committee was concerned by this finding and other reports that Canadian companies may be lagging behind others in seizing investment and trade opportunities in Burma, despite efforts by Canada's resident trade commissioner and DFATD to gain a "first mover advantage" particularly in strategic priority sectors such as the extractive industries.<sup>258</sup> For example, no Canadian energy company is currently "on the ground" in Burma, and only Manulife has established a physical presence in the country.<sup>259</sup> DFATD officials surmised that Canadian companies may be hesitant to invest until the results of the 2015 elections are known.<sup>260</sup>

The Committee learned of several areas offering a potential comparative advantage for Canadian companies. DFATD has identified opportunities for Canadian companies in the following sectors: electric power; infrastructure; aerospace; information and communications technologies; agriculture (e.g. potassium); mining; oil and gas (e.g. onshore and offshore drilling and exploration, related technology).<sup>261</sup> In addition, the Burmese Ambassador, His Excellency Hau Do Suan, cited value-added and high-tech industries and capital intensive industries,<sup>262</sup> while other witnesses suggested transport, insurance, construction, logistics sectors and institutional support for large infrastructure projects (e.g. regulation, management).<sup>263</sup>

Although many witnesses remained bullish on the investment and market potential of Burma, the Economist Corporate Network's Asia Business Outlook Survey in 2015 noted that investment intentions of large international companies weakened over the past year; Burma slipped from 4th to 12<sup>th</sup> place amongst Asian destinations, due to poverty levels, "weak institutions and a difficult business climate".<sup>264</sup> The World Bank ranked Burma 177 out of 189 in terms of the ease of doing business in 2014,<sup>265</sup> while Transparency International rated Burma 156 out of 175 countries in its Corruption Perceptions Index;<sup>266</sup> although both rankings demonstrate an incremental

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<sup>254</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>255</sup> DFATD, [Fact Sheet: Burma – Canada's Priority Market](#), 24 April 2015

<sup>256</sup> *Ibid.*, SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>257</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 11 December 2014.

<sup>258</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 December 2013; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>259</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 11 December 2014.

<sup>260</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 December 2013.

<sup>261</sup> *Ibid.*

<sup>262</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 11 December 2014.

<sup>263</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>264</sup> The Economist Corporate Network, "[Chapter 6 Investment priorities in 2015](#)", Asia Business Outlook Survey 2015, January 2015.

<sup>265</sup> World Bank Group, "[Economy Rankings](#)", Doing Business, June 2014.

<sup>266</sup> Transparency International, "[Myanmar](#)", Corruption by Country, 2015.

improvement over previous years. Mining Watch Canada testified that revenue transparency is also lacking, in particular military reporting of revenues and expenditures to the government, despite the military's significant business interests and alleged links to major business players.<sup>267</sup>

It was noted that the Government of Canada could help Canadian companies by increasing awareness of Burma's market potential and remaining risks, encouraging early engagement to capture market share, providing greater market research on less obvious investment and trade opportunities within priority areas, and leveraging the local knowledge of like-minded countries with deeper ties to Burma. In particular, the Committee notes the comparative advantages that exist for Canadian companies in the agriculture and mining sectors.

## B. Security

Whilst major economic projects may provide burgeoning growth opportunities, some witnesses linked land issues and large infrastructure projects (e.g. hydroelectric dams, pipelines) to ongoing ethnic conflicts.<sup>268</sup> Currently, the Burmese government is in conflict with 16 different armed ethnic groups; it has signed peace agreements with 14 of them,<sup>269</sup> and recently made progress in negotiating a nationwide ceasefire. However, the more difficult political issues are being left out of a political dialogue process that will likely occur after the 2015 elections.<sup>270</sup> Complications in resolving the various armed conflicts have been compounded by heavy handed approaches by the majority Burman military,<sup>271</sup> identity issues tied to demands for greater political devolution to ethnic states,<sup>272</sup> new forms of conflict involving gangs and drug lords,<sup>273</sup> rising ultra-nationalism amongst Buddhists targeting ethnic and religious minorities, particularly Muslim communities,<sup>274</sup> and the question of the repatriation of ethnic minority refugees in neighbouring states.<sup>275</sup> The Committee believes that these issues should continue to be monitored by DFATD and efforts to support the peace process should be sustained, even if the process is prolonged. Special consideration should be given to the role that Canada could play in supporting the national reconciliation process once the peace process is finalized. Furthermore, the Committee encourages the Government of Canada to continue its support for the UN Special Rapporteur on Human Rights in Burma, to monitor the situation in country, and to utilize fora such as the Universal Periodic Review of the Human Rights Council to note the progress, or lack thereof, on issues such as religious rights, minority rights, freedom of expression, and meaningful constitutional reform.

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<sup>267</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014.

<sup>268</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 March 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

<sup>269</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 11 December 2014.

<sup>270</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015. Kyaw Myo Tun and Lawi Weng, "[President Attends Ceremony Where Govt, Rebels Signal Support for Draft Nationwide Ceasefire](#)", The Irrawaddy, 31 March 2015, Lawi Weng, "[Disagreements Signal Long Road Ahead for Nationwide Peace](#)", The Irrawaddy, 1 April 2015.

<sup>271</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 9 April 2014,

<sup>272</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

<sup>273</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 9 April 2014,

<sup>274</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 26 March 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

<sup>275</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.



## C. Development Cooperation

The Committee noted that some of Burma's greatest challenges lie in the social and economic fields, including food security, environmental issues, religious and ethnic tensions, internally displaced peoples, and the return of refugees. Burma is considered one of the world's Least Developed Countries, with a United Nations Development Programme (UNDP) Human Development Index ranking of 150 out of 187.<sup>276</sup> Moreover, the World Bank in a recent report estimates that past official statistics significantly under-reported poverty, which the Bank believes affects 37.5% of the population and 76% of Burma's rural population. The Burmese government itself recognizes the difficulties; Ambassador Hau stated "One of the most important drawbacks for the country is human resources development... Consequently, we need to upgrade the education system and the health care system for the social sector... Seventy per cent of the population lives in rural areas, and the livelihood of that 70 per cent of the population depends on agriculture, so agricultural development is at the top of the agenda in our economic strategy."<sup>277</sup>

Due to the imposed sanctions, between 1988 and 2012, Canada provided only humanitarian assistance within Burma and longer term assistance to Burmese people in border areas. For example, DFATD provided CAD\$15.9 million over five years (2010–2015) to provide basic services to approximately 126,000 Burmese refugees in Thailand and 500,000 to conflict affected minorities living in border areas. In addition, DFATD has recently committed around \$2.7 million over to Burma-related projects through the Global Peace and Security Fund. As part of thawing relations, in 2014, Burma was named a country of focus for Canada's official development assistance (ODA) programme. The Committee was told that DFATD's programming priorities include sustainable economic growth, poverty reduction, support for the peace process, human rights, and democratic governance in Burma. Several witnesses suggested focusing on: developing Burma's human resources through a focus on education and health; establishing the rule of law; the sustainable extraction of natural resources; and power sharing and financial arrangements related to the extractive sectors to support democratization and the peace process.

The Committee believes that Canada is particularly well-placed to work with Burma with respect to best practices in resource extraction and development, including where such activity affects and can benefit from the involvement of ethnic and religious minorities. **Throughout these efforts, the Government of Canada should continue to underscore the importance of socially responsible corporate practices, while supporting the Burmese government's efforts to become a full participant of the Extractive Industries Transparency Initiative.**

On several occasions the Committee heard of significant challenges for Burma in absorbing the recent influx of ODA and coping with growing investment interest; in particular, the lack of government capacity to develop policies and plans, and to regulate, were highlighted. Another caution included one sided programming that risks exacerbating conflicts and competition between ethnic and religious communities in conflict. Due to the ongoing conflict and tension between religious and ethnic communities, the Committee believes development programming in areas such as health and education should be particularly sensitive to working with communities

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<sup>276</sup> UNDP, [Myanmar](#), Human Development Index, 2014.

<sup>277</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 11 December 2014.

on both sides of the conflict to so as not to exacerbate ongoing grievances and as a means of conflict management. Witnesses discussed key social actors to consider in development programming, such as: Burmese women, youth, Buddhist monks, civil society actors including the media, and the military.

## D. Diplomacy

In many ways, the Committee found that recent diplomatic activity, both regional and bilateral, provided the greatest source of optimism. Since the lifting of Canadian economic sanctions, bilateral relations with Burma have significantly increased as noted by DFATD officials and Burma's Ambassador to Canada, H.E. Hau Do Suan. Canada appointed a trade commissioner to Burma in 2012 and a resident Ambassador the following year. Susan Gregson, the Assistant Deputy Minister for the Asia-Pacific at DFATD, stated "Having a Canadian presence in the country has greatly assisted in monitoring the evolving developments on the ground in Burma."<sup>278</sup> High-Level Visits, including parliamentary exchanges and visits in 2014 by Canada's Minister of Trade Ed Fast and then-Minister of Foreign Affairs John Baird were successfully concluded. In addition, Ambassador Hau applauded Canada's decision to cancel Burma's debt and a recent announcement to grant Generalized System of Preferences status to Burmese products as "significant developments in our relations".<sup>279</sup> The Committee strongly believes that sustained and deepening political engagement with Burma, including a permanent diplomatic presence in-country, will support Canada's commercial interests in the country going forward.

Diplomatically, 2014 was a significant year for Burma in its region. It successfully chaired the ASEAN summit and hosted the East Asia Summit, re-enforcing ASEAN's engagement strategy of encouraging Burma's economic and political transition despite the many challenges that still remain. One witness suggested that Burma has "enormous potential as a player in South and Southeast Asia".<sup>280</sup>

## E. People-to-People Ties

Currently, Canada has limited people-to-people engagement with Burma. While the Committee heard from several individuals from research organizations and non-governmental organizations who regularly work in Burma, links between Canadian and Burmese civil society are relatively under-developed compared to Canadian ties with other states in Southeast Asia. The Committee recognizes this is likely due to the recent renewal of diplomatic ties and Canada's lack of an immigration program in Burma. However, the Committee notes that around 5,000 refugees have been resettled in Canada over the past 30 years,<sup>281</sup> and a dynamic diaspora community of

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<sup>278</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 12 December 2013.

<sup>279</sup> The Generalized System of Preferences (GSP) program provides non-reciprocal, duty-free tariff treatment to certain products imported from designated beneficiary developing countries. SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 11 December 2014.

<sup>280</sup> SCFAIT, [Evidence](#), 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, 22 May 2013.

<sup>281</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 February 2015.

Burmese from all linguistic groups and origins are contributing to Canada's bilateral ties with their homeland.<sup>282</sup>

The Committee was made aware of concerns surrounding the worsening humanitarian situation and cross-border and regional tensions associated with the rising number of ethnic Rohingya Muslims fleeing persecution in Burma. The Committee encourages the Government of Canada to continue to monitor and express its concerns in relation to this situation, and the need for a sustainable and rights-based solution.<sup>283</sup>

## SINGAPORE CASE STUDY

Singapore remains at the economic heart of Southeast Asia and continues to punch above its weight internationally...<sup>284</sup>

- Susan Gregson, Assistant Deputy Minister, Asia-Pacific, DFATD

### A. Introduction

Singapore is unique in Southeast Asia for a number of reasons that make it important to Canada. Foremost among them, it is a financial and other hub that provides an excellent base for Canadian companies wishing to expand into Southeast Asia or beyond. The Committee also learned that the country has worked for decades to ensure that it is influential within ASEAN. As a result, some of the Committee's witnesses suggested that Singapore offers the best window into developments in ASEAN.<sup>285</sup> Beyond the important potential to strengthen commercial relations with Singapore, the Committee considers that closer cooperation with it in the areas of security and defence and diplomacy will also help Canada in its efforts to integrate more fully with the region and its institutions. The overall challenge is to raise awareness of Canada in Singapore, while demonstrating a sustained commitment to the region and proving to be a valuable partner at both bilateral and multilateral levels

While in Singapore in February 2015 – the first Canadian official delegation to visit the country as it celebrates both its fiftieth year of independence and also the fiftieth year of bilateral relations with Canada – the Committee had the opportunity to meet with a range of Canadian businesspersons, as well as officials, senior political leaders including Singapore's Second Minister (Foreign Affairs) and its Minister of Trade and Industry, parliamentarians and others.

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<sup>282</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 April 2014.

<sup>283</sup> "[South-East Asia: Irregular Maritime Movements](#)", United Nations High Commissioner for Refugees, January-March 2015; Thomas Fuller, "[Muslims Flee to Malaysia and Indonesia by the Hundreds](#)", New York Times, 11 May 2015; Gabriel Dominguez, "[UNHCR warns pushback of boats could trigger humanitarian crisis](#)", Deutsche Welle, 14 May 2015; Kanupriya Kapoor, "[Meet Asia's new boat people: Abused and abandoned at sea to starve](#)", Globe and Mail, 15 May 2015.

<sup>284</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>285</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

## B. General Overview

Located at the southern end of the strategic Strait of Malacca, the multi-ethnic city-state of Singapore gained full independence from Britain in 1963, and from the Federation of Malaysia in 1965. Despite a high level of poverty, few natural resources and tensions between ethnic groups, over the next decades the Government of Singapore under the leadership of Prime Minister Lee Kuan Yew and the People's Action Party emphasized stability, harmony and economic growth. In the process, the dynamic country of only 5.4 million people became a model of Asian development for some, and worked hard to make itself a regional “hub” in areas such as finance and shipping. As one Singaporean told the Committee there, most city-states have not lasted long, and in order to survive you have to be extraordinary.<sup>286</sup>

Singapore is Southeast Asia's most important financial centre, with a gross domestic product per person that is higher than Canada's, and more than five times that of the next major economy in the region. Although the cost of living is high and the cost of labour is increasing as foreign labour regulations are tightened, factors such as a strong legal tradition, a low level of corruption and generous tax laws have led to Singapore being ranked by the World Bank as the easiest country in the world in which to do business in 2015.<sup>287</sup> Thousands of multinational companies are therefore present in the country, many using it as a base for regional operations. As Toh See Kiat, Chairman and Director of Goodwins Law Corporation, told the Committee in Ottawa,

...Singapore is the place to locate your business headquarters, not to sell to. It is within seven hours' flight time to 3.1 billion people with a GDP of US\$10.6 trillion, in 2010 figures. It is the port of call for more than 100 shipping lines linked to 600 international seaports and 100 airlines linked to some 200 cities, with 5,400 flights taking off from Changi International Airport every week.<sup>288</sup>

With virtually no natural resources and a small population, Singapore has risen from poverty to be the only Asian country in the top ten rankings of the UN Human Development Index,<sup>289</sup> developed world-class education and infrastructure and become a regional and global hub for innovation and investment as well as trade. Given its reliance on trade, it has also signed a number of bilateral free trade agreements, while also participating in both the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) negotiations and the Trans-Pacific Partnership (TPP) negotiations.

Beyond economics, Singapore's small size and sense of vulnerability among larger and less stable neighbours has led it to emphasize security and its defence capabilities. Singapore spends significantly on its military, and the Committee was told that defence accounts for roughly one fifth of nominal government spending.<sup>290</sup> Increases in defence spending have been gradual in recent years, with the defence budget due to increase from some 3.2% of its large GDP in 2014

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<sup>286</sup> Ibid.

<sup>287</sup> The World Bank, “[Economy Profile 2015: Singapore](#),” *Doing Business 2015*.

<sup>288</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

<sup>289</sup> United Nations Development Programme, [Human Development Report 2014, Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience](#), 2014.

<sup>290</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

to 3.3% in 2015.<sup>291</sup> Singapore's air force and navy are staffed mainly with professionals and its army is largely composed of conscripts and reservists. Its military forces are the best equipped in Southeast Asia, with procurement through a combination of domestic production and foreign purchases.

While in Singapore, the Committee heard that in addition to security and defence, the country also prioritizes diplomacy and dialogue. Given that it does not wish to be dominated by any one country, Singapore pragmatically pursues good relations with all, whether Asian neighbours such as China, India or North Korea, or the United States and other western countries.

Beyond bilateral relations, Singapore's influence and expertise in a wide range of areas allows it to play a key role in regional politics and economics. One example of this role is shown in its support for regional organizations, for example, hosting the APEC Secretariat as well as the Secretariat of the Pacific Economic Cooperation Council (PECC), both of which the Committee visited while in that country.<sup>292</sup>

However, the organization Singapore places the most emphasis on is ASEAN, which it sees as a means of increasing trust among member states while increasing security and prosperity by building a broader economic and political community. Singapore also emphasizes the need to narrow the development gap between ASEAN member states, which is one reason it hosts the ASEAN Infrastructure Centre of Excellence, which it co-financed with the Asian Development Bank, Canada and a number of other countries.

At the same time, Singapore also sees ASEAN contributing to regional stability and security by facilitating dialogue with non-ASEAN countries such as China and the United States through mechanisms such as the ASEAN Regional Forum (ARF) and the ASEAN Defence Ministers' Meeting-Plus. In this and other ways, ASEAN gives the ten countries of the region a stronger collective voice in relation to larger powers. Singapore even goes beyond ASEAN fora in advocating dialogue. For example, it hosts an annual "Shangri-La Dialogue" that brings together defence ministers and officials from the region and beyond. In early 2015, an official from DFATD articulated that "Given the country's importance in the region, it is no surprise that [then-Minister John] Baird chose to deliver a key speech in Singapore in August 2014, outlining Canada's vision for its relationship with the entire Asia-Pacific region."<sup>293</sup>

In terms of domestic politics, Singapore has been ruled by a single party since independence – led by Lee Kuan Yew from 1959 to 1990 – whose emphasis on stability and the collective good of the nation has been criticized by some for its effect on rights such as freedom of speech and of the press. In Ottawa, Dominique Caouette commented to the Committee that "...it seems that there is a pact between the people and the state: economic growth in exchange for a vote for the

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<sup>291</sup> Craig Caffrey, "[Singapore increases defence budget by 5.7%](#)," HIS Jane's 360, 17 March 2015.

<sup>292</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>293</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

party in power.”<sup>294</sup> For his part, Mr. Toh told the Committee that “[t]he peace we have painstakingly built is carefully guarded, preserved and treasured.”<sup>295</sup>

The most recent elections in 2011, however, saw a significant increase in the popular vote and a number of seats won by opposition parties. While in Singapore, the Committee heard that this had led to a “national conversation” in order to listen to the needs and priorities of Singaporeans going forward.<sup>296</sup> Notwithstanding its prosperity and stability, the country faces debates and challenges in a number of sensitive areas, including foreign workers, wealth inequality, healthcare, infrastructure and education. The death of Lee Kuan Yew in March 2015 may add impetus to debates on these and other issues in the months before the next election, due by January 2017, but widely expected sooner. These debates and their outcomes should be monitored as Singapore adjusts to this a new phase in its political history.

## OPPORTUNITIES AND CHALLENGES FOR CANADA

### A. Trade and Investment

Although economic relations between Canada and Singapore are stable, the Committee believes they can be strengthened further to the benefit of both countries. Given Singapore’s role as a regional economic hub, reinforcing commercial relations with it will also help increase such relations with other countries.

As a country with a small domestic market and few natural resources, Singapore emphasizes high-end services, as well as adding value to imports before re-exporting them. The country is already an important economic partner of Canada’s in the region, and has been identified as a priority in the Global Markets Action Plan, whose fact sheet on Singapore lists “key opportunities” there as including aerospace, agriculture and processed food, defence and security, education and financial and professional services.<sup>297</sup> Bilateral merchandise trade with Singapore stood at \$2.4 billion in 2014, with Canadian exports amounting to \$1.3 billion. Major Canadian exports include machinery, precious stones and metals and aircraft, spacecrafts and parts. Singapore is also a key services trading partner for Canada. Services trade stood at some \$2.6 billion in 2013, with Canada exporting some \$881 million in services while importing some \$1.7 billion in services. Canada’s stock of foreign direct investment in Singapore in 2014 was over \$2.2 billion, while Singapore’s foreign direct investment in Canada stood at some \$983 million.<sup>298</sup>

Susan Gregson told the Committee in Ottawa that “Over 100 Canadian companies have established a regional presence in Singapore.”<sup>299</sup> While visiting the country the Committee heard

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<sup>294</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014

<sup>295</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

<sup>296</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>297</sup> DFATD, [Global Markets Action Plan](#), “[Fact Sheet: Singapore-Canada’s Priority Market](#).”

<sup>298</sup> The Committee was told in Singapore that as a result of transshipment and also investment made through third countries, official statistics may understate the true size of the bilateral economic relationship somewhat.

<sup>299</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.



that many Canadian companies used the country either as an easy first step into the region, or as a respected base from which to deal with or expand into the markets of neighbours with a more difficult business climate.<sup>300</sup> For example, while Indonesia represents a much larger market for BlackBerry than does Singapore, the company runs its businesses in Southeast Asia from the latter. Singapore is also one of two Asian hubs for Scotiabank (the other is Hong Kong). The central role of Singapore was also underlined in Ottawa by Todd Winterhalt, who told the Committee that his organization has

chosen Singapore as our regional hub. My vice-president for all of Asia is positioned in Singapore not only because of the opportunities in Singapore but also the connection to the rest of the region and the opportunities to partner in particular with the banking community in Singapore, which is a very strong financial centre in the region.<sup>301</sup>

In Singapore, the Committee met with representatives of a number of Canadian businesses active in that country, some of which were large with a global footprint, while others were smaller and more regionally-focused. Some of these businesses were also members of the Canada-ASEAN Business Council, which is itself based in Singapore, and whose volunteer president the Committee also met while there.

Overall, these business representatives emphasized the unique role of Singapore as a regional financial and trade hub, as well as the potential for enhancing Canada's commercial relationship with it. They added that while increased Canadian engagement in recent years has been noticed and made a difference, still more must be done by both various levels of government and the private sector to raise Canada's profile in a country – and region – that is being actively courted by others from around the world.<sup>302</sup>

In particular, a number of these business representatives underlined the importance of trade promotion activities, emphasizing that more could be done, and also the benefits of promoting Canada as a whole rather than specific regions or provinces. Others stated that Canada is well-regarded in Singapore for a number of reasons, including the fact that it carries less historical baggage than larger states such as China or the United States, or even than key competitors such as Australia. In addition, one individual argued that Canada is seen in Singapore as embodying important and respected values such as safety, longevity, integrity and multiculturalism, which can help Canada distinguish itself from other countries, including the United States.<sup>303</sup> In previous reports, the Committee has recommended that greater effort be put into the marketing of a “Canada Brand” to help Canadians compete worldwide. The Committee's meetings in Singapore emphasized the potential of such branding in that country, as well as Southeast Asia more broadly.

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<sup>300</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>301</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 December 2013.

<sup>302</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 27 February 2015.

<sup>303</sup> *Ibid.*

As two countries highly dependent on international trade, Canada and Singapore have worked together on trade agreements. While eight rounds of negotiations for a bilateral free trade agreement were held between 2001 and 2007, negotiations have been on hold by mutual agreement since 2009; the Committee was told in both Ottawa and Singapore that the two countries were now focused on the Trans-Pacific Partnership negotiations. The successful conclusion of TPP negotiations would result in significant benefits for all the negotiating parties, including enhanced access between Canada and Singapore.

Beyond trade and investment, the combination of financial expertise and generous tax laws have led to significant private wealth management expertise in Singapore, which can sometimes lead to international tax evasion. In 2011, Canada and Singapore signed an agreement to update and strengthen the exchange of tax information between them in order to combat this problem. While in the country, the Committee heard from one non-Singaporean that, while aggressive, Singapore follows international norms in this area.<sup>304</sup>

## B. Security

The importance Singapore places on security and defence and its sophistication in these areas means that bilateral cooperation with it can go beyond capacity building to the sharing of more information on issues of common concern such as counter-terrorism, cybersecurity, the necessary balance between security and efficiency at ports and elsewhere, and the mitigation of natural disasters.

Canada already has strong links with Singapore in the area of defence and security. Officials from DFATD told the Committee that “Singapore is ...an important partner for Canada on security and defence. We have cooperated in areas such as pilot training, maritime security, non-proliferation of weapons of mass destruction, and counterterrorism.”<sup>305</sup>

The Department of National Defence likewise sees Singapore as a priority engagement partner in the region. In addition to Singapore’s participation in Canada’s Military Training and Cooperation Program, while discussing joint naval exercises Rear-Admiral David Gardham indicated that “Our closest relationship actually is with Singapore. We have many technical arrangements with Singapore.”<sup>306</sup> Having heard about the importance Singapore places on security and defence during its fact-finding mission to the region, the Committee considers that continued cooperation in this area – including Canadian participation in the Shangri-La Dialogue – is a valuable way to strengthen relations and increase the security of both countries.

In terms of regional security challenges, the Committee was told in both Jakarta and Singapore that the latter sees a strengthened ASEAN as key to stability and the management of regional security. Given the priority Singapore places on ASEAN, Canadian recognition of ASEAN’s role in this area will align with the priorities of Singapore. Canada’s participation in the ASEAN Regional Forum (ARF) has demonstrated its commitment to dialogue and the peaceful resolution

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<sup>304</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>305</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

<sup>306</sup> *Ibid.*



of disputes in the region, and its eventual participation in the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus) and East Asia Summit (EAS) mechanisms in the future would also allow it to contribute to this goal.

### C. Diplomacy

Singapore and Canada are celebrating 50 years of good bilateral relations in 2015, which have been demonstrated in recent years through such mechanisms as high-level visits by the Canadian Governor General in 2011, as well as visits by ministers of Foreign Affairs, International Trade and Defence and at least two provincial premiers. At the same time, a senior Singaporean told the Committee that there was still room for further interactions.<sup>307</sup> While the Committee supports the emphasis on economic diplomacy in Singapore, it also underlines the need to ensure that political relations with that country are not neglected.

Beyond security, the Committee heard while in Singapore that the country's small size and sense of vulnerability mean it has an inherently outward-looking perspective, emphasizing diplomacy both in regard to bilateral relations with other states and to international dialogue, cooperation and institutions.<sup>308</sup> Particular emphasis was placed on Singapore's sense of vulnerability to changes in Indonesia, where a deterioration of governance or a reversal of the country's positive development trajectory could seriously impact Singapore.

At the regional level, many individuals who met the Committee in Singapore emphasized the importance that country places on strengthening ASEAN, with several telling the Committee that from Singapore's point of view, the *process* of ASEAN integration is as important as the result achieved. Given this fact, the Committee was told that increased Canadian efforts in relation to ASEAN have been noticed and welcomed, and should be continued. Singapore, acting as ASEAN's coordinating country for non-economic matters with Canada from 2012-2015, has worked closely over the past several years as Canada increased its engagement with ASEAN. Although this coordination role will pass to the Philippines in 2015, continued cooperation with Singapore in the context of ASEAN will help advance the shared goal of strengthening ASEAN, while also helping Canada achieve the goal of further integration into regional fora.

Singapore recognizes that Canada is a member of such important international fora as the G7 and G20, and as a result values cooperation with it. Another area of possible cooperation relates to the Arctic, given that Singapore's interest in climate change and its implications for global shipping led it to apply for and be accepted as an Arctic Council observer state in 2013. **The Committee therefore believes that cooperation with Singapore on a range of international issues outside Southeast Asia will help Canada meet its international goals, but also those it is pursuing in the region.**

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<sup>307</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 26 February 2015.

<sup>308</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meetings in Singapore, 26-27 February 2015.

## D. People-to-People Ties

The Committee also believes that Canada can also work to strengthen its already strong people-to-people ties with Singapore. In terms of educational links, sending young Canadians to study in Singapore will increase their understanding of both that country and of the region. Mr. Toh thanked Canada for investments that helped Singaporeans study in Canada years ago, stating that “[m]any of our ministers and leaders in business and universities... were on the Colombo Plan. They have studied in Canada and they have enriched Singapore.”<sup>309</sup> While Canada is popular for short-term educational exchanges, and the Committee was told that “[m]ore than 20 Canadian universities have exchanges or other ties with Singaporean universities,”<sup>310</sup> it also heard from some in Singapore that further effort was needed to ensure that young Singaporeans think of Canada when considering studies abroad. One person the Committee met stated that while many such students did not need scholarships, they do not think of Canada even though it has a number of world-class educational institutions.<sup>311</sup>

Overall, while many countries are attempting to strengthen their economic and other relationships with Singapore, the Committee considers that Canada has a comparative advantage given its long-standing diplomatic ties and ongoing commercial and defence relations. In addition to economic diplomacy to help strengthen commercial relations, the importance Singapore places on security, defence and diplomacy means that Canada can also leverage cooperation in these areas. Given Singapore’s unique role in the region in economic and other respects, the Committee is confident that strengthening relations with it will pay real dividends not just at the bilateral level, but also in terms of furthering Canada’s further integration with ASEAN and the region.

## PHILIPPINES CASE STUDY

The inherent investment attractiveness of the Philippines revolves around the hospitable and westernized lifestyle conditions in the country and by having one of the biggest consumer markets in the world, 100 million population and counting.<sup>312</sup>

- Eric Gerardo Tamayo, Chargé d’Affaires, Minister and Consul General, Embassy of the Republic of the Philippines to Canada

### A. Introduction

The Philippines is one of the largest and fastest growing consumer markets in the world and a significant partner for Canada in Southeast Asia.<sup>313</sup> Bilateral relations between the two countries are warm and growing, as indicated by the recent designation of the Philippines as a priority country for Canada’s trade and development strategies, various high-level visits, including a

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<sup>309</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

<sup>310</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

<sup>311</sup> SCFAIT Fact-Finding Mission to Indonesia and Singapore, 20-28 February 2015, meeting in Singapore, 27 February 2015.

<sup>312</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>313</sup> Ibid.

recent state visit to Canada by Philippine President Benigno S. Aquino III, and ever-growing people-to-people links. Overall, the Committee believes that continued emphasis on these people-to-people links with the Philippines will contribute to the shared priorities of both countries.

## B. General Overview

The Philippines is the second largest archipelago in Southeast Asia, comprising close to 7,000 islands, where more than 70 different languages are spoken.<sup>314</sup> With a young and growing population estimated at 100 million, the country was described to the Committee as "one of the biggest consumer markets in the world" in "a demographic sweet spot forecast[ed] to span the next 50 years."<sup>315</sup> With a steadily growing economy and a government willing to address many structural problems, the Philippines has attracted increasing foreign investor interest. Blessed with significant biodiversity and natural resources, Eric Gerardo Tamayo, Chargé d’Affaires, Minister and Consul General, Embassy of the Republic of the Philippines to Canada, told the Committee that the country “is one of the most mineral-rich nations on the planet, with a potential mining wealth of over \$840 billion. [It] ranks third in gold reserves, fourth in copper, fifth in nickel and sixth in chromite.”<sup>316</sup> The Committee learned that the Philippines is also "one of the most disaster-prone countries in the world”, currently facing the dual challenges of consolidating its democracy through decentralization and developing an island economy.<sup>317</sup> Although, its GDP per capita is \$3,165 and rising, significant inequality and persistent poverty amongst certain groups remain ongoing concerns.<sup>318</sup>

The process of democratization in the Philippines began in the late 1980s, with a popular revolution that toppled the martial law regime under then President Ferdinand Marcos.<sup>319</sup> One witness, Dominique Caouette, told the Committee "Since then, the democracy has been fragile: they have elections all the time, but, on three occasions, the people have taken to the streets to demand that the president be deposed."<sup>320</sup> Brian Joseph of the National Endowment for Democracy was more optimistic, citing the significant progress the Philippines had made in its process of democratization, including “...the creation of independent institutions, more civil society organizations have become active, and the political parties are developing and beginning to introduce policies and moving away from personality politics.”<sup>321</sup>

The Committee also learned that since the 1990s decision-making powers have been slowly decentralized to the islands and local levels, although budgetary authorities still largely remain

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<sup>314</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>315</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>316</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>317</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>318</sup> "[Philippines – Market Access Plan 2015-2017](#)", DFATD, 8 May 2015.

<sup>319</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 9 April 2014.

<sup>320</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>321</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014;

with the central government.<sup>322</sup> Canada has provided capacity building assistance to the local government units in developing planning processes. The process of devolution has continued under the current government of President Aquino, who the Committee was told has focused his six year mandate on five priorities: "good governance, poverty alleviation, sustained economic growth, justice and human rights and environmental protection, and climate change mitigation and adaptation."<sup>323</sup>

## OPPORTUNITIES AND CHALLENGES FOR CANADA

### A. Trade and Investment

President Aquino's reform agenda has had an impact in the economic realm, as the government has attempted "to render one of the fastest growing economies in the region" more attractive as an investment environment, by improving the competitiveness of Philippine industries, rooting out corruption, and exercising prudent fiscal management.<sup>324</sup> Currently the 40<sup>th</sup> largest economy in the world, according to the International Monetary Fund, the Philippines is projected to become the 16<sup>th</sup> largest economy by 2050.<sup>325</sup> At present, growth is largely in the service sector staffed by "a highly educated, highly adaptable, English-speaking workforce", including IT-related services, logistics support, call centres and caregiving, which employ many women.<sup>326</sup> The Committee was told that other sectors of anticipated growth include: agri-business, business process outsourcing, the creative industries, manufacturing and logistics, mining, tourism, medical travel and retirement, and infrastructure projects, such as airports, power, roads and rail, seaports, telecommunications and water.<sup>327</sup>

While the Committee believes that there are many interesting sectors for potential Canadian investment, it also learned of several areas on a "blacklist" that are restricted only to Filipino companies by law.<sup>328</sup> These include the retail industry, and "public services" such as those delivering energy, water and telecommunications.<sup>329</sup> In order for Canadian companies to operate in these sectors, they would be required to partner with a Filipino enterprise or the Filipino constitution would require amendment to open up these particular industries for foreign investment.<sup>330</sup> The Committee was told by Leonora C. Angeles, Associate Professor of Community and Regional Planning and Women's and Gender Studies, University of British Columbia, that foreign direct investment is now coming primarily from within the region,

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<sup>322</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014.

<sup>323</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>324</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 February 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>325</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; Karen Ward, [The World in 2050](#), Hong Kong and Shanghai Bank Global Research, January 2012.

<sup>326</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>327</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>328</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>329</sup> Ibid.

<sup>330</sup> Ibid.

including from investors in Japan, Taiwan, Korea and China, who have now eclipsed the United States in terms of importance.<sup>331</sup> Other challenges to investing in the Philippine market include: poor infrastructure, accountability, transparency, application of the rule of law, in particular commercial law.<sup>332</sup> Dominique Caouette remarked, "The Philippines has the greatest number of laws and regulations on how things are to be produced, environmental matters, and the width of sidewalks. But the state is too weak. So there are a lot of corruption and patronage networks. This is why civil society groups are worried about a very rapid shift to free trade without any protections or rights guarantees."<sup>333</sup> Transparency International rated the Philippines 85 out of 175 countries in its Corruption Perceptions Index.<sup>334</sup> The Philippines is currently ranked 95<sup>th</sup> of 189, in the World Bank's 2014 survey of the ease of doing business<sup>335</sup>; however, there has been a significant recent improvement in the country's ranking and the bullishness of major credit rating agencies of the Philippines investment grade status.<sup>336</sup>

Currently, the Philippines is Canada's sixth-largest trading partner in Southeast Asia, with bilateral trade totalling \$1.8 billion in 2014, only a slight increase over the previous year.<sup>337</sup> Minister of International Trade Ed Fast has, however, underlined the growing importance of the Philippines to Canada, as "one of the fastest-growing and most dynamic markets in Asia", and a priority country under the government's Global Markets Action Plan.<sup>338</sup> Although the Philippines is not a party to the TPP negotiations, it is part of the RCEP negotiations between ASEAN and six major regional economies (Australia, China, India, Japan, South Korea and New Zealand). The Committee believes that developing partnerships in-country may provide a strategic opportunity for Canadian companies to establish "beachheads in ASEAN through the Philippines" as the launch of the ASEAN Economic Community, a single integrated market in Southeast Asia, approaches.<sup>339</sup>

The Committee notes an agreement that was recently reached to launch exploratory talks on a bilateral free-trade agreement during President Aquino's trip to Canada in May 2015.<sup>340</sup> Both Ottawa and Manila have also agreed to upgrade their 1996 Foreign Investment Promotion and Protection Agreement.<sup>341</sup> Moreover, the Committee notes the commitment of both parties to deepen trade and investment ties in areas such as agri-food, transport, energy, infrastructure, education, defence and security, while seeking to resolve several market access issues.<sup>342</sup> To this

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<sup>331</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>332</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 30 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>333</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>334</sup> Transparency International, "[The Philippines](#)", Corruption by Country, 2015.

<sup>335</sup> World Bank Group, "[Economy Rankings](#)", Doing Business, June 2014.

<sup>336</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; [Economy Rankings](#), World Bank, June 2014.

<sup>337</sup> Government of Canada, "[PM announces new initiatives that will deepen relations between Canada and the Philippines](#)," News Release, 8 May 2015; DFATD, "[Minister Fast Talks Trade with Philippine Undersecretary](#)", News Release, 28 April 2015.

<sup>338</sup> DFATD, "[Minister Fast Talks Trade with Philippine Undersecretary](#)", News Release, 28 April 2015.

<sup>339</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>340</sup> Ibid; Mike Blanchfield, "[Harper decries permanent underclass, and predicts more Filipino immigrants](#)", Globe and Mail, 8 May 2015.

<sup>341</sup> Randall Palmer, "[Canada, Philippines launch talks toward free-trade deal](#)", Reuters Canada, 8 May 2015.

<sup>342</sup> DFATD, "[Joint Statement by International Trade Ministers of Philippines and Canada](#)," News Release, 20 March 2015.

end, various trade missions have occurred or are planned.<sup>343</sup> The Committee was struck by the number of Canadian companies who have already established a presence in the Philippines, including Sun Life Financial, Manulife, and more recently Telus, CAE, and Blackberry, for whom the Philippines is the second largest market amongst ASEAN countries, with mobile penetration rates of over 100%.<sup>344</sup> The Committee was encouraged to learn of the support offered in country by Canada's trade commissioner service, in particular to Canadian small and medium-sized enterprises (SMEs).<sup>345</sup> It also noted EDC's investment strategy of promoting collaboration with local SMEs with cross-sectoral exposure, who are reputable, creditworthy, strong, family-owned firms.<sup>346</sup> The Philippine Chargé d'Affaires told the Committee that local SMEs "comprise more than 99 per cent of the business in the Philippines, [but] are only responsible for about 35 per cent of total economic output..."<sup>347</sup> The Committee believes the Government of Canada should continue to raise awareness amongst Canadian companies of the market potential and opportunities for collaboration in the Philippines, particularly with small and medium-sized enterprises.

The Committee was also made aware of another significant economic group: an estimated 10–11 million Filipinos who work overseas, contributing some US \$24.3 billion to the country's Gross National Product in 2014.<sup>348</sup> These remittances are an important source of income for many families, amount to more than all international aid received by the Philippines and are a key driver of private consumption.<sup>349</sup> According to the Filipino Central Bank, the amount of remittance sent back from Canada in recent years has varied from US\$1.97 billion in 2012 to US\$65 million in 2014.<sup>350</sup> The Committee was told by Ms. Angeles that those who send back money are often "temporary foreign workers who have not been able to bring their family members to Canada. [Due to] the bilateral kinship system in the Philippines, as well as close family ties, which has several degrees of affiliation, it is not uncommon for families in Canada who already have their nuclear family here to still send remittance to nieces, nephews, cousins, especially during times of disaster."<sup>351</sup> In recent years, Canada has become the third most important source of remittances for the Philippines, after the United States and Saudi Arabia.<sup>352</sup>

Finally, the Committee was reminded of the past practices of mining companies operating in the Philippines, including Canadian companies or their agents. The Committee notes this background, and believes there is an opportunity for the Government of Canada to leverage Canada's enhanced Corporate Social Responsibility (CSR) Strategy with a view to assisting the Philippines' efforts to ensure the responsible development of its extractive industries.

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<sup>343</sup> DFATD, "[Joint Statement by International Trade Ministers of Philippines and Canada](#)," News Release, 20 March 2015, [Minister Fast Talks Trade with Philippine Undersecretary](#)", DFATD, 28 April 2015.

<sup>344</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 May 2014.

<sup>345</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014;

<sup>346</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 December 2013.

<sup>347</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>348</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014; [Philippines - Remittances hit all-time high in 2014](#), Focus Economics, 16 February 2015.

<sup>349</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>350</sup> [Overseas Filipinos' Cash Remittances](#), Bangko Sentral ng Pilipinas, 2015.

<sup>351</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>352</sup> Ibid.



## B. Security

The Committee learned from several witnesses that the Philippines faces a number of security challenges both domestic and international. According to the Philippine Chargé d’Affaires in Ottawa, major preoccupations for the government include "...the ongoing Mindanao conflict in the Philippines... the national democratic front-led insurgency in many parts of the country [and]... the elite competition that has been a long-standing feature of Philippine political culture and political economy."<sup>353</sup> In particular, grievances amongst the country’s Muslim minorities regarding regional under-development, poverty and greater autonomy have led to decades of civil war between the government and various armed groups, weak rule of law and even the existence of terrorist groups in the southern archipelagos.<sup>354</sup>

In March 2014, after more than 20 years of negotiation, the Comprehensive Agreement on the Bangsamoro, a landmark peace deal was signed between the Aquino government and the Moro Islamic Liberation Front (MILF), a Muslim rebel group which has been seeking independence for Mindanao since the 1970s. Details of the peace agreement, including annexes on power and wealth-sharing, and transitional measures are still under negotiation.<sup>355</sup> A plebiscite, expected in 2016, may then lead to the creation of a new autonomous Bangsamoro political entity.<sup>356</sup> The Committee noted Canada’s assistance to support the peace process, including providing the chair of the Independent Commission on Policing in Mindanao, contributions to a multi-donor Mindanao Trust Fund for post-conflict reconstruction and social recovery, and humanitarian assistance to conflict-affected and displaced peoples on the island.<sup>357</sup> The Philippine government hopes the peace process will receive wide public support, assist with the resolution of other insurgencies, and lead to greater national economic growth.<sup>358</sup>

Internationally, the Philippines is concerned about border and maritime security, including piracy, trafficking (of humans and drugs), and ongoing maritime and territorial disputes in the South China Sea.<sup>359</sup> Canada recently announced support through its counter-terrorism and anti-crime capacity building programs to improve maritime security at Philippine trading posts, as well as assistance to local police in addressing transnational organized crime.<sup>360</sup> This support builds on a 2012 bilateral memorandum of understanding on military procurement between the Canadian Commercial Corporation and the Philippine Department of National Defence, under

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<sup>353</sup> Ibid.

<sup>354</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015, Luke Hunt, "[Philippines Peace Deal Again Under Threat, The Diplomat](#)", 16 March 2015.

<sup>355</sup> "[Give Peace in Mindanao a Chance](#)", Office of the President, Philippines, 2015

<sup>356</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015; SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>357</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014; SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; DFATD, "[Canada Providing Humanitarian Assistance to Vulnerable Women and Children in the Philippines](#)", News Release, 10 August 2014.

<sup>358</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>359</sup> Ibid.

<sup>360</sup> Prime Minister of Canada, "[Canada provides security assistance to the Philippines](#)," News Release, 8 May 2015.

which that ministry purchased eight Canadian-manufactured combat utility helicopters valued at \$120 million.<sup>361</sup>

Due to frustrated efforts to bilaterally negotiate and resolve ongoing maritime and territorial disputes, particularly with China, the Philippines has attempted to seek multilateral mechanisms in managing conflicts in the South China Seas. These include seeking consensus at ASEAN to apply diplomatic pressure and develop a code of conduct of parties in the South China Seas (to increase transparency and mutual trust), referring the maritime dispute to the Arbitral Tribunal under the UN Convention on the Law of the Sea (UNCLOS), and seeking to engage and educate international partners of the potential impacts of an armed conflict on the "peace and security [in] Asia-Pacific, freedom and safety of navigation and commerce, and the long term economic prospects and stability of the region."<sup>362</sup> The Committee is cognizant of Canada's reputation in the region as an expert on international maritime law and as a proponent of the peaceful and rules-based settlement of maritime and territorial disputes.<sup>363</sup> The Committee is satisfied that the Government of Canada is following closely the bilateral and multilateral developments in the ongoing disputes. Furthermore, the Committee believes Canada should continue to advocate for the peaceful and rules-based settlement of disputes in the South China Sea in accordance with the universally recognized principles of international law.

## C. Development Cooperation

Although recent economic growth in the Philippines is impressive, the Committee notes that approximately a quarter of the 100 million Filipinos are considered to be living below the World Bank's poverty threshold, and are even more vulnerable due to the prevalence of natural disasters. Nearly 18.4 per cent of the population lives on less than \$1.25 a day, while a further 41% of the people lives on less than \$2 a day. The Committee was told by Dominique Caouette that in the Philippines "wealth remains relatively concentrated and thus very poorly distributed";<sup>364</sup> compared to others in the region, per capita income is fairly low at only US \$2,700. Since the 1980s, the Philippines' human development indicators have not demonstrated significant progress and the UNDP rated the country 117 out of 187 in its 2014 Human Development Index. To address the situation, the current President has sought not only economic growth, but also "inclusive and sustainable growth".<sup>365</sup> As well, "[e]ducation and social services are given priority in the national budget", with functional literacy rates of 86.4 per cent, rising to 92.3 per cent of the population for simple literacy rates.<sup>366</sup> Other achievements include high rates of economic participation and opportunity for Filipina women, and the best ranking amongst Asian states in the Global Gender Gap 2014 report of the World Economic Forum.

The Committee notes the designation of the Philippines as one of Canada's development countries of focus, with an emphasis on "increasing opportunities for women, youth and

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<sup>361</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; "[Canada-Philippines MOU on Military Procurement](#)", Prime Minister's Office, 10 November 2012.

<sup>362</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; "[Diplomatic Access – The Philippines](#)", The Diplomat, 1 April 2015.

<sup>363</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>364</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 March 2014.

<sup>365</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>366</sup> Ibid.



marginalized groups, as well as improving the environment for inclusive growth throughout the country.”<sup>367</sup> In late 2012, Prime Minister Harper announced support of \$15.5 million over four years (2013–2016), for a project to promote economic growth and employment in the Philippines and to reduce poverty. The Fostering Inclusive Growth initiative contributes to the Philippine Government’s efforts to improve the regulations governing investment in infrastructure projects, in particular, a public-private partnership infrastructure program that aims to improve transparency and accountability, minimizing corruption; the Canadian initiative will also increase economic opportunities for Philippine youth by providing training in market-ready skills. In addition, the Committee notes that the Canadian Government has supported education and entrepreneurship through the Philippine Commission on Women for a project on women’s economic empowerment and transformation.

Canadian development programming, in areas such as poverty reduction, sustainable entrepreneurship and microenterprise, supporting employment facilitation and workforce development, fostering a better business environment, and increasing the competitiveness of the tourism and agribusiness sectors, accord well with the priorities of President Aquino’s emphasis on inclusive growth. Moreover, the Committee was told that Canada has made considerable efforts in the promotion of democratic development, governance, rule of law, peace and security, and human rights in the Philippines, by enhancing the capacities of local government units, providing humanitarian assistance in post-conflict areas, and supporting the Bangsamoro peace process in the Southern Philippines. The Committee encourages the continued focus of Canadian development assistance on education, human resource development and entrepreneurship, particularly in private sector development for domestic economic expansion to reduce dependence on remittance money. Additional programming in the Philippines could focus on environmental and resource management, areas where Canadian expertise and leadership are recognized.

Despite these efforts, the Committee recognizes that a significant challenge for the Philippine government is addressing the social and economic costs of the approximately 20 typhoons that storm the Philippines every year. The Committee applauds the assistance the Canadian government has provided to facilitate disaster mitigation measures and provide timely disaster relief, and notes that President Aquino acknowledged Canada’s assistance to his country after Typhoon Yolanda (Haiyan) killed more than 6,300 Filipinos and displaced 4 million people in November 2013. In response, Canada deployed the Disaster Assistance Response Team (DART), and created the Typhoon Haiyan Relief Fund, which resulted in \$85.59 million in donations from individual Canadians to registered charities, with an additional commitment from the Government of Canada of over \$90 million. Canada was the third largest international donor after that natural disaster. Last year, in December 2014, Canada also deployed an Interdepartmental Strategic Support Team prior to Typhoon Ruby (Hagupit), “to provide immediate on-the-ground assessments and contributed \$5.13 million in humanitarian assistance.”<sup>368</sup> The Committee heard that these humanitarian efforts have endeared Canada to Filipinos and contributed to growing people to people ties between the two countries. According to the Philippines Chargé d’Affaires in Ottawa “Canada has stood by the Philippines. The

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<sup>367</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

<sup>368</sup> Ibid.

generosity and kind-heartedness of Canada is indelibly etched in the hearts and minds of Filipinos.”<sup>369</sup>

## D. Diplomacy

The Committee heard that Canada enjoys warm bilateral relations with the Philippines. According to the Philippine Chargé d’Affaires “The excellent relations between the Philippines and Canada provide the impetus to a robust socio-cultural and entrepreneurial partnership...”<sup>370</sup> Officials from DFATD also pointed to strong development cooperation, increasing political and economic ties and collaboration in multilateral fora.<sup>371</sup> A recent agreement, signed in 2012, established the Joint Commission on Bilateral Cooperation (JCBC), with the aim of forming “a mechanism to regularly review progress in bilateral cooperation activities and explore opportunities for future collaboration” around three pillars of mutual interest: trade and economic cooperation; political relations, governance and human rights; and security cooperation, labour and technical cooperation, regional and bilateral issues.<sup>372</sup> It builds on previous key agreements in investment protection, avoidance of double taxation and a recent air transport agreement.<sup>373</sup>

Various high-level visits and exchanges have solidified bilateral relations and supported growing trade and investment opportunities. Most recently President Aquino conducted a state visit to Canada in May 2015, reciprocating an earlier visit by Prime Minister Stephen Harper to Manila in November 2012. Several federal ministers and provincial premiers have also held meetings or led missions to the Philippines, including: then-Foreign Minister John Baird; International Trade Minister Ed Fast; former Environment Minister Joe Oliver; Development Minister Christian Paradis; Parliamentary Secretary to the Foreign Minister Deepak Obhrai; Provincial premiers Christy Clark of British Columbia, Brad Wall of Saskatchewan; and Greg Selinger of Manitoba.<sup>374</sup>

The Committee found that Canada’s strong bilateral relations with the Philippines are also reflected at the multilateral level. The federal government has repeatedly expressed Canada’s desire to become a member of the East Asia Summit as well as the ASEAN Defence Ministers’ Meeting-Plus. In November 2014, President Aquino publicly endorsed Canada’s inclusion in the EAS and offered the Philippines’ support as it becomes Canada’s ‘coordinating country’ within ASEAN in 2015.<sup>375</sup> In addition, the Committee is encouraged by the alignment of priorities between Ottawa and Manila as the Philippines assumes the Chair of the Asia-Pacific Economic Cooperation (APEC) forum in 2015. Canada has promoted the role of small and medium-sized

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<sup>369</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>370</sup> Ibid.

<sup>371</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014; SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015; Neil Reeder, “[Philippines is Canada’s country of focus in development cooperation](#)”, The Philippine Star, 5 March 2015.

<sup>372</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; Florida Mayo, “[Philippines and Canada Hold Second Meeting of the Joint Commission on Bilateral Cooperation](#)”, Embassy of the Philippines in Canada, 27 November 2014; “[First Philippines-Canada Joint Commission for Bilateral Cooperation meeting – Joint Press Statement](#)”, Department of Foreign Affairs, Government of the Philippines, 7 February 2013.

<sup>373</sup> SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>374</sup> Ibid.

<sup>375</sup> *Ibid.*, SCFAIT, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015.

enterprises (SME) and international education as integral parts of its Global Markets Action Plan, and is supporting private-public partnership infrastructure projects in Asia, while the Philippines has announced its key priorities for the November 2015 APEC leader's summit would include SMEs, human capital development, and regional economic integration.<sup>376</sup>

## E. People-to-People Ties

The Committee believes that one of the growing strengths of bilateral relations with the Philippines is the result of strong people-to-people connections. Tagalog is the fastest growing language in Canada, and Statistics Canada projects that by 2020, a million Canadians will be of Filipino origin. Currently, the Filipino are the third largest ethnic community from abroad with approximately 800,000 people of Philippine origin calling Canada home, not including the 75,000 temporary foreign workers also from the Philippines.<sup>377</sup> In recent years, the Philippines has consistently remained near the top of the list of temporary foreign workers and immigrant source countries. In 2014, the Philippines was the number one source country for permanent residents with more than 40,000 Filipinos choosing to settle in Canada.<sup>378</sup> This was a significant increase from the previous year when the number of new Filipino permanent residents in Canada exceeded 27,000 (only outnumbered by immigrants from China and India).<sup>379</sup> According to Susan Gregson, “[These] people-to-people ties give Canada a high profile in the Philippines and greatly enhance the overall bilateral relationship.”<sup>380</sup> The Philippine Chargé d’Affaires felt “the shared values between both peoples of the Philippines and Canada facilitate such seamless people-to-people interactions and relations.”<sup>381</sup>

The Committee was told that many of the Filipino temporary foreign workers and immigrants fulfil specialized labour force requirements in Canada, such as health care professionals, or skilled oil and gas workers in Western Canada.<sup>382</sup> Canadian provincial governments and the government in Manila are seeking to facilitate the immigration process of such workers to Canada through labour cooperation agreements. One such agreement already exists with the government of Manitoba,<sup>383</sup> where nearly 5% of the province’s population is of Filipino origin.<sup>384</sup> The Philippine government would like to explore the possibility of a similar agreement at the federal level.<sup>385</sup>

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<sup>376</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 January 2015; “[Harper Government Continues Support of Small and Medium-Sized Enterprises Exporting Abroad](#)”, DFATD, 7 May 2015; “[Minister Paradis Announces New Support for Public-Private Partnerships to Create Jobs and Opportunities in Asia-Pacific Region](#)”, DFATD, 6 May 2015; “[Canada’s International Education Strategy](#)”, DFATD, 14 January 2014; “[APEC 2015 Priorities](#)”, APEC, 2015.

<sup>377</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014; SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014; SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 2 April 2014.

<sup>378</sup> DFATD, [Minister Fast Highlights Benefits of Improvements to Remittance Services in Canada](#), News Release, 17 May 2015.

<sup>379</sup> Hugh Stephens, “[Canada and the Philippines: Step up the commitment](#)”, Globe and Mail, 4 May 2015.

<sup>380</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

<sup>381</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>382</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

<sup>383</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>384</sup> Ibid.

<sup>385</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 3 April 2014.

In addition, the number of Filipino students choosing to study in Canada is increasing, having doubled to nearly 3,000 students in the past two years.<sup>386</sup> However, these figures significantly lag in comparison to other Asian countries such as China or Vietnam.<sup>387</sup> It is expected that the number of Filipino students will rise in the future as a Joint Plan of Action for Education Cooperation was recently signed between the Philippines Commission on Higher Education and the Canadian Bureau for International Education.<sup>388</sup> The Committee encourages the Government of Canada to consider including the Philippines as a priority market for Canada's International Education Strategy. Other linkages have developed through increasing tourism flows. According to the Philippine government, approximately 131,000 tourists from Canada visited the Philippines in 2013, while nearly 65,000 tourists from the Philippines came to Canada as of 2012.<sup>389</sup> Canadians rank within the top ten visiting tourists to the Philippines, and a special tourism program targeted for Canadian snowbirds is planned for the future. Finally, the Canadian government notes that the Philippines is the only ASEAN country with direct, non-stop commercial air service to Canada; one-way passenger trips between Canada and the Philippines have increased 22.5 percent since 2008 to 430,000 trips in 2013.<sup>390</sup>

The Committee puts forward the following recommendations with respect to Canadian interests and advantages in Southeast Asia:

#### RECOMMENDATION 4

**The Committee recommends that the Government of Canada identify the development of relations with the Association of Southeast Asian Nations (ASEAN) and its member states as a critical focus of Canada's deepening engagement in the Asia-Pacific Region.**

#### RECOMMENDATION 5

**The Committee recommends that the Government of Canada make security cooperation an integral part of its overall strategy for strengthening its relations in Southeast Asia, including through engagement with the Shangri-La Dialogue and by continuing to actively seek admission into the East Asia Summit and the ASEAN Defence Ministers' Meeting-Plus.**

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<sup>386</sup> Hugh Stephens, "[Canada and the Philippines: Step up the commitment](#)", *Globe and Mail*, 4 May 2015.

<sup>387</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>388</sup> Florida Mayo, "[Philippines and Canada Hold Second Meeting of the Joint Commission on Bilateral Cooperation](#)", Embassy of the Philippines in Canada, 27 November 2014.

<sup>389</sup> SCFAIT, *Evidence*, 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 18 June 2014.

<sup>390</sup> "[Canada reaches expanded air transport agreement with the Philippines making more flights options and routes possible](#)", Transport Canada, 6 June 2014, "[Canada welcomes code share agreement between PAL, Westjet](#)", DFATD, 18 February 2015.

## **RECOMMENDATION 6**

**The Committee recommends that the Government of Canada continue its focus on technical assistance aimed at strengthening governance, the rule of law and public sector resource management in Southeast Asian countries where such assistance is deemed to have the greatest potential impact.**

## **RECOMMENDATION 7**

**The Committee recommends that the Government of Canada, in cooperation with Canadian educational institutions and their Southeast Asian counterparts, foster two-way education and research partnerships as a key driver for deepening Canadian relations and commercial interests in the region.**

## **RECOMMENDATION 8**

**The Committee recommends that the Government of Canada work with Southeast Asian countries to improve adherence to key United Nations human rights treaties, and to promote adherence to key anti-corruption and corporate social responsibility practices among businesses and governments throughout the region.**

## **RECOMMENDATION 9**

**The Committee recommends that the Government of Canada continue to strengthen its comprehensive engagement with Indonesia, including in the areas of diplomacy, security and development, advocacy for continued reform and support for Canadian businesses that wish to enter the Indonesian market. In particular, the Government of Canada should prioritize infrastructure financing and development, as well as security and defence training and human rights development as key sectors through which to strengthen relations with Indonesia.**

## **RECOMMENDATION 10**

**The Committee recommends that the Government of Canada continue to pursue a multi-faceted approach to engaging Burma, including through trade and investment opportunities, a growing in-country diplomatic presence and development programming. Particular emphasis should be placed on technical cooperation and capacity building in areas such as governance, resource management, health and education, and on ensuring that Canada's initiatives are inclusive of the country's diverse ethnic groups.**

## **RECOMMENDATION 11**

**The Committee recommends that the Government of Canada continue in its efforts to raise Canada's profile and commercial relations with Singapore, and to prioritize**

**the country as a hub for deepening security, defence, financial and diplomatic cooperation throughout Southeast Asia and with ASEAN structures, including such fora as the ASEAN Defence Ministers' Meeting-Plus and the East Asia Summit.**

## **RECOMMENDATION 12**

**The Committee recommends that the Government of Canada continue to emphasize people-to-people ties with the Philippines, including by leveraging Canadian expertise in education, human resource development and entrepreneurship, as well as corporate social responsibility and public sector resource management.**

## CONCLUSION

Amid important political, security and economic developments, the Asia Pacific region has become the focus of unprecedented global attention. As a trading nation situated on the Pacific Ocean, with an abundance of human and natural resources, it is today more critical than ever that Canada take concerted measures to deepen its engagement in the region.

This report builds on the Committee's previous studies on India, China and other emerging markets. It presents the Committee's key findings, and highlights the need for Canada to pursue a foreign policy underpinned by consistent and sustained engagement within the region. Towards this end, it recommends that the Government of Canada lead a "whole of country" effort that recognizes the importance of the Asia-Pacific region for Canada's future prosperity and better prepares Canadians to seize regional opportunities.

The report puts special emphasis on Canada's relations within Southeast Asia and the Association of Southeast Asian Nations. ASEAN is central to economic integration and other developments now underway in Southeast Asia, and so will likewise be key to the achievement of Canada's goals in the region. Recognizing the importance of security for stability and economic growth in Southeast Asia, the report also highlights opportunities that exist for Canada to strengthen relations through security cooperation in the region, and recommends that the Government make security cooperation an integral part of its overall strategy for strengthening its relations in Southeast Asia.

Cooperation in the areas of governance and institution building, human rights and corporate social responsibility, education and research partnerships, infrastructure and development are among several areas highlighted, in which Canadian advantages can be leveraged to advance mutual priorities and partnerships in the region.

Although Canada has begun to take the actions necessary to capitalize on the important political, security and economic developments now underway in the Asia Pacific region, and Southeast Asia more specifically, more can yet be done. The Committee is confident that the present report provides a roadmap towards enhanced Canadian engagement in this promising region, and looks forward to following developments towards this end in the months and years to come.





## APPENDIX A – WITNESSES

### First Session, Forty-first Parliament

Meeting Date	Agency and Spokesperson
May 22, 2013	<p><b>Foreign Affairs and International Trade Canada:</b></p> <p>Peter McGovern, Assistant Deputy Minister, Investment, Innovation, Business Development and Asia;</p> <p>Marvin Hildebrand, Director General, Trade Negotiations Bureau;</p> <p>Peter MacArthur, Director General, South, Southeast Asia and Oceania;</p> <p>Cindy Termorshuizen, Acting Director General, North Asia;</p> <p>Artur Wilczynski, Director General, Security and Intelligence Bureau and Acting Assistant Deputy Minister, International Security, Africa, Latin America and the Caribbean.</p> <p><b>Canadian International Development Agency:</b></p> <p>Jeff Nankivell, Regional Director General, Asia, Geographic Programs Branch.</p>
May 23, 2013	<p><b>Centre for International Governance Innovation:</b></p> <p>Simon Palamar, Researcher.</p> <p><b>Asia Pacific Foundation of Canada:</b></p> <p>Yuen Pau Woo, President and CEO (by video conference).</p>
May 29, 2013	<p>Centre for International Governance Innovation:</p> <p>James Manicom, Research Fellow, Global Security (by video conference).</p> <p><b>Dawson Strategic:</b></p> <p>Laura Dawson, President.</p>
May 30, 2013	<p><b>Conference Board of Canada:</b></p>

Danielle Goldfarb, Associate Director, Global Commerce Centre (by video conference).

**Trans-Pacific Connections:**

Hugh Stephens, Principal (by video conference).

**Second Session, Forty-first Parliament**

**December 4, 2013**

**As an individual:**

John M. Curtis, Senior Fellow, CD Howe Institute, and International Centre for Trade and Sustainable Development (Geneva).

**Canadian Defence and Foreign Affairs Institute:**

Colin Robertson, Vice President, and Fellow, School of Public Policy, University of Calgary.

**December 5, 2013**

**Export Development Canada:**

Todd Winterhalt, Vice President, International Business Development.

**December 12, 2013**

**As individuals:**

Don Campbell, Senior Strategy Advisor, Davis LLP, and Former Deputy Minister of Foreign Affairs and International Trade;

John Weekes, Senior Business Advisor, Bennett Jones, and Former NAFTA Chief Negotiator and Ambassador to the WTO.

**Foreign Affairs, Trade and Development Canada:**

Susan Gregson, Assistant Deputy Minister (Asia);

Peter MacArthur, Director General of South, Southeast Asia and Oceania;

Jeff Nankivell, Director General for Development (Asia Pacific).

**January 29, 2014**

**Canadian Manufacturers & Exporters:**

Mathew Wilson, Vice President, National Policy.

**Canadian Federation of Agriculture:**

Ron Bonnett, President.

**Association of Universities and Colleges of Canada:**

Paul Davidson, President.

**Carleton University:**

Roseann O'Reilly Runte, President and Vice-Chancellor.

**January 30, 2014**

**As an individual:** (by video conference)

Shaun Narine, Associate Professor, Department of Political Science,  
St. Thomas University.

**Centre for International Governance Innovation:** (by video  
conference)

David Dewitt, Vice-President of Programs;

David Welch, Senior Fellow, and CIGI Chair in Global Security,  
Balsillie School of International Affairs, University of Waterloo.

**February 5, 2014**

**As an individual:** (by video conference)

Rex Hughes, Visiting Professor, Canada Centre for Global Security  
Studies, Munk School of Global Affairs, University of Toronto.

**February 6, 2014**

**Fisheries Council of Canada:**

Patrick McGuinness, President.

**As an individual:** (by video conference)

Peter A. Petri, Carl J. Shapiro Professor of International Finance,  
Brandeis University.

**February 12, 2014**

**As individuals:** (by video conference)

James A. Boutilier, Associate, Centre for Asia-Pacific Initiatives,  
University of Victoria;

Peter Chalk, Senior Political Scientist, RAND Corporation.

**Canadian Security Intelligence Service:**

Michael Peirce, Assistant Director, Intelligence.

**Canada Border Services Agency:**

Brian Rumig, Director General, International Region;

Lesley Soper, Acting Director General, Enforcement and Intelligence Programs.

**February 13, 2014**     **Amnesty International Canada:**

Alex Neve, Secretary General.

**As an individual:**

Pierre Lortie, Senior Business Advisor, Dentons Canada.

**Canadian Council of Chief Executives:**

Ailish Campbell, Vice President, Policy, International and Fiscal Issues.

**March 5, 2014**     **As an individual:**

Manuel Litalien, Assistant Professor, Department of Social Welfare and Social Development, Nipissing University (by video conference).

**Saskatchewan Trade and Export Partnership (STEP):**

Lionel LaBelle, President and CEO (by video conference).

**March 6, 2014**     **As an individual:**

Dominique Caouette, Associate Professor, Department of Political Science, Director, CETASE (centre for East Asian studies), Coordinator, REDTAC (network for studies in transnational issues and collective action), University of Montréal (by video conference).

**Canadian Council for International Co-operation:**

Denis Côté, Coordinator, Asia-Pacific Working Group.

**Canadian Bureau for International Education:**

Karen McBride, President and CEO.

**As an individual:**

Pitman Potter, Professor of Law, HSBC Chair in Asian Research, University of British Columbia (by video conference).

**Building Markets:**

Scott Gilmore, Chief Executive Officer.

**March 26, 2014**

**As individuals:**

Bruce Matthews, Professor Emeritus, Comparative Religion, Acadia University (by video conference);

Lex Rieffel, Non-resident Senior Fellow, Brookings Institute (by video conference).

**Canadian Pacific Railway:**

Michael Murphy, Vice-President, Government Affairs.

**March 27, 2014**

**As individuals:**

Toh See Kiat, Chairman and Director, Goodwins;

Ken Sunquist, Former Assistant Deputy Minister, Asia and Africa and Chief Trade Commissioner, DFAIT and Former Canadian Ambassador to Indonesia.

**April 2, 2014**

**As individuals:**

Vikram Nehru, Senior Associate and Bakrie Chair in Southeast Asian Studies, Carnegie Endowment for International Peace (by video conference);

Leonora C. Angeles, Associate Professor of Community and Regional Planning and Women's and Gender Studies, University of British Columbia (by video conference).

**April 3, 2014**

**National Defence:**

Rear-Admiral David Gardam, Director General International Security Policy.

**Foreign Affairs, Trade and Development Canada:**

Susan Gregson, Assistant Deputy Minister (Asia);

Peter MacArthur, Director General of South, Southeast Asia and Oceania;

Jeff Nankivell, Director General for Development in Asia;

Leslie Norton, Director General, International Humanitarian Assistance Directorate.

**April 9, 2014**

**As an individual:**

John Roosa, Department of History, University of British Columbia (by video conference).

**April 10, 2014**

**As an individual:**

Syed Sajjadur Rahman, Part-time Professor, School of International Development & Global Studies, University of Ottawa.

**April 30, 2014**

**Council on Foreign Relations:**

Joshua Kurlantzick, Senior Fellow for Southeast Asia (by video conference).

**As individuals:**

Richard Barichello, Director, UBC Centre for Southeast Asia Research (by video conference);

Robert Anderson, Professor, Simon Fraser University (by video conference).

**May 1, 2014**

**MiningWatch Canada:**

Catherine Coumans, Research Coordinator and Asia-Pacific Coordinator.

**National Endowment for Democracy:**

Brian Joseph, Senior Director for Asia and Global Programs (by video conference).

**May 14, 2014**

**Embassy of the Republic of Indonesia:**

Her Excellency Dienne H. Moehario, Ambassador to Canada;

Cicilia Rusdiharini, Minister Counselor for Politics;

Hikmat Moeljawan, Counselor for Economy;

Sulistya Widayanta, Trade Attaché;

Sylvia Masri, Second Secretary for Politics.

**May 15, 2014**

**Foreign Affairs, Trade and Development Canada:**

Susan Gregson, Assistant Deputy Minister, Asia-Pacific;

Evelyn Puxley, Director, Southeast Asia & Oceania Relations.

**May 28, 2014**

**Foreign Affairs, Trade and Development Canada:**

Richard Arbeiter, Director and G8/G20 Sherpa Assistant, International Economic Relations and Summits Division;

Evelyn Puxley, Director, Southeast Asia and Oceania Relations Division.

**May 29, 2014**

**Blackberry:**

Morgan Elliott, Vice President, Government Relations.

**June 5, 2014**

**Inter Pares:**

Rebecca Wolsak, Program Manager.

**As individuals:**

Dr. Cynthia Maung, Director, Mae Tao Clinic;

Saw Nay Htoo, Program Director, Burma Medical Association;

Nang Snow, Deputy Director, Back Pack Health Worker Team;

Nai Ley Ye Mon, Director, Mon National Health Committee;

Gary Rozema, Program Coordinator, Burma Relief Centre.

- June 18, 2014**      **Embassy of the Republic of the Philippines to Canada:**
- Eric Gerardo Tamayo, Chargé d'Affaires and Minister and Consul General;
- Porfirio Mayo, Jr., First Secretary and Consul;
- Flerida Ann Camille P. Mayo, Minister and Consul.
- June 19, 2014**      **North Atlantic Treaty Organisation (NATO):**
- James Appathurai, Deputy Assistant Secretary General for Political Affairs and Security Policy and NATO Secretary General's Special Representative for the Caucasus and Central Asia. (by video conference)
- December 11, 2014**      **Embassy of the Republic of the Union of Myanmar:**
- H.E. Hau Do Suan, Ambassador.
- January 29, 2015**      **Foreign Affairs, Trade and Development Canada:**
- Susan Gregson, Assistant Deputy Minister, Asia-Pacific;
- Peter MacArthur, Director General, South and Southeast Asia and Oceania;
- Jeff Nankivell, Director General, Asia Programming.
- February 5, 2015**      **The Border Consortium:**
- Sally Thompson, Executive Director;
- Duncan McArthur, Partnership Director.
- Inter Pares:**
- Kevin Malseed, Program Director;
- Rebecca Wolsak, Program Manager.



## APPENDIX B –FACT-FINDING MISSION TO ASIA (INDONESIA AND SINGAPORE)

### (Jakarta)

Ambassador Donald Bobiash, Embassy of Canada to Indonesia  
Tracy Reynolds, Senior Trade Commissioner, Embassy of Canada to Indonesia  
Hélène Viau, Counsellor (Political and Public Affairs), Embassy of Canada to Indonesia  
Jacob Thoppil, Director of International Cooperation/Counsellor (Development), Embassy of Canada to Indonesia  
Col. J. Knackstedt, Canadian Defense Attaché, Embassy of Canada to Indonesia  
M-J Wason, Counsellor (Management) and Consul, Embassy of Canada to Indonesia  
Chris Bendl, CEO and President Director, Manulife Indonesia  
Eddy Belmans, President Director, Sunlife Indonesia  
Tony Costa, President, Commonwealth Bank Indonesia  
Sumit Dutta, Country Manager and Chief Executive, HSBC Indonesia  
Richard Emmerson, Lawyer, SSEK Indonesia  
Francisco Goncalves, President Director, McElhanney Indonesia  
Kusuma Lienandjaja, Government Relations, BlackBerry Indonesia  
Cameron Tough, Investor Relations, Adaro  
Tracy Diehl, First Secretary Commercial, Embassy of Canada to Indonesia  
Nyoto Irawan, President, Dusaspun.  
Nico Kanter, President, PT Vale Indonesia Tbk.  
Jefferson Jauwena, Director of Corporate Planning & Business Development, PT Sriwijaya Air  
Ir. Helmi Maemozax, President, PT Ilham Tredi Industri  
Edwin Pieroelie, President, Klirkom  
Huy Nguyen, Second Secretary (Political and Public Affairs), Embassy of Canada to Indonesia  
Dewi Fortuna Anwar, Deputy Secretary for Political Affairs of Vice-President Jusuf Kalla and Deputy Chair for Social Sciences and Humanities, the Indonesian Institute of Sciences (LIPI)  
Judith J. N. Dipodiputro, Political Advisor to Chief of the President Staff Luhut Panjahitan.  
Retno Shanty Ruwyastuti, Senior Editor Metro TV and Political Advisor of Surya Paloh’ NASDEM party  
H.E. Rachmat Gobel, Minister of Trade  
Bachrul Chairi, Director General for International Trade Cooperation  
H.E. Retno Marsudi, Minister of Foreign Affairs  
Mr. Abdurrahman Mohammad Fachir, Vice Minister of Foreign Affairs  
Dana Smith, First Secretary (Political and Public Affairs), Embassy of Canada to Indonesia  
Paul Rowland, Reformasi Information Services  
Sidney Jones, Director, Institute for Policy Analysis of Conflict (IPAC)  
Dr. Hermanwan Sulisty, Chair, the National Security Studies Center  
Terry Burkin, Senior Advisor, Sanctuary Intelligent Risk Solutions  
Hon. Setya Novanto, Speaker of the Indonesian House of Representatives  
Fadli Zon, Deputy Speaker, Indonesian House of Representatives  
Fahri Hamzah, Deputy Speaker, Indonesian House of Representatives  
Tantowi Yahya, Deputy Chairman of the Commission 1 (Defense, Foreign Affairs and Information), Indonesian House of Representatives

Hon. Winantuningtyastiti Swasanany, Secretary General of the Indonesian House of Representatives  
Tatang Sutharsa, Deputy Secretary General for Session and Inter-parliamentary Cooperation of the Indonesian House of Representatives  
Kadir J. Rajagukguk, Deputy Secretary General for Bill Deliberation of the Indonesian House of Representatives  
Jaka Dwi Winarko, Head of Protocol and Media, Indonesian House of Representatives  
H.E. Periowsamy Otharam, Secretary General of the ASEAN Inter-Parliamentary Assembly  
Robert McCubbing, Counsellor (ASEAN), Embassy of Canada to Indonesia  
Aditya Gana, Political Officer, Embassy of Canada to Indonesia  
Emilia Renita, Coordinator, Ahlul Bayt for Social Support and Education  
Ferdinand Irwandi, Legal Advisor, Ahlul Bayt for Social Support and Education  
Yuzia Johanis, Legal Advisor, Ahlul Bayt for Social Support and Education  
Monica Tanuhandaru, Director, Partnership for Governance Reform  
Wawan Suyatmiko, Program Manager, Transparency International Indonesia  
Anindya Restuviani, Project Officer for MDG Post, International NGO Forum on Indonesian Development (INFID)  
H.E. Jusuf Kalla, Vice President of Indonesia  
Ambassador Mohamad Oemar, Secretary to the Vice President of Indonesia  
H.E. Tan Hung Seng, Permanent Representative of Singapore to ASEAN  
H.E. Chombhala Chareonying, Permanent Representative of Thailand to ASEAN  
H.E. Rahmat Pramono, Permanent Representative of Indonesia to ASEAN  
Mohamad Razdan Jamil, Deputy Permanent Representative of Malaysia to ASEAN  
Tin Maung Naing, Deputy Permanent Representative of Myanmar to ASEAN  
Noel Novicio, Deputy Permanent Representative of the Philippines to ASEAN  
Hani Nadiah, Deputy Permanent Representative of Brunei to ASEAN  
H.E. Vu Dang Dzong, Permanent Representatives of Vietnam to ASEAN  
Professor Dr. K.H. Ali Mustafa Ya'qub, Grand Imam, Istiqlal Mosque  
Mubarak, Head of Istiqlal Mosque Management  
Subandi, Secretary of Istiqlal Mosque Management  
Abu Huroiroh, Public Relation Bureau of Istiqlal Mosque  
Andi Ali Rizqi, Interpreter of Istiqlal Mosque  
Zulyan Hendra, Finance Administration (Development), Embassy of Canada to Indonesia  
Hari Basuki, Senior Development Officer, Embassy of Canada to Indonesia  
Donovan Simpson, (Whati, NWT), Canada World Youth  
Alexis Demers, (Mont Tremblant, Quebec), Canada World Youth  
Pascale Leveault Allaird, (Gracefield, Quebec), Canada World Youth  
Aaron Ginn, (Dartmouth, NS), Canada World Youth  
Nura Yunus, (Toronto, ON), Canada World Youth  
Graham Shonfield, (Toronto, ON), Canada World Youth  
Christen Kong, (Toronto, ON), Canada World Youth  
Laura Tassie, (Coldstream, BC), Canada World Youth  
Paul Dirks, (Gretna, Manitoba), Canada World Youth  
Stephanie Xu, (Oshawa, ON), Canada World Youth  
Tammy Hoblak, Program Manager, Canada World Youth

**(Singapore)**

Heather Grant, High Commissioner, High Commission of Canada to Singapore  
Kapil Madan, Counsellor (Commercial), Senior Trade Commissioner, High Commission of Canada to Singapore  
Lisa Rice Madan, Counsellor, (Political and Public Affairs), High Commission of Canada to Singapore  
Shirley Ong, First Secretary & ASEAN Regional Economic Advisor, High Commission of Canada  
Florence Charbonneau, Counsellor and Consul (Management and Consular Affairs), High Commission of Canada to Singapore  
Martin Barry, Counsellor (Immigration), High Commission of Canada to Singapore  
Barry Irvine, Liaison Officer (Canada Border Services Agency), High Commission of Canada to Singapore  
Rob Simmons, Managing Director, Alberta Singapore Office  
Sitoh Yih Pin, Member of Parliament  
Zaqy Mohamad, Member of Parliament  
David Ong, Member of Parliament  
Penny Low, Member of Parliament  
H.E. Philip Green, High Commissioner of Australia to Singapore  
H.E. Bernadette Cavanagh, High Commissioner of New Zealand to Singapore  
H.E. Tormod Cappelen Endresen, Ambassador of Norway to Singapore  
H.E. Haruhisa Takeuchi, Ambassador of Japan to Singapore  
Grace Fu, Second Minister (Foreign Affairs)  
H.E. Philip Eng, High Commissioner of Singapore to Canada  
Dr. A.E. Bollard, Executive Director, APEC Secretariat  
Eduardo Pedrosa, Secretary General, Pacific Economic Cooperation Council  
Sarah Gleave, Project Specialist, APEC Secretariat  
Chia Wan LIEW, Chief Representative Southeast Asia, Export Development Canada  
Rajesh Sharma, Representative, Southeast Asia, Export Development Canada  
Wayne Farmer, President, Canada-ASEAN Business Council  
Irshad Naveed, President & CEO, Manulife Singapore  
Cameron Vernest, Managing Director for Singapore and Philippines, Blackberry  
Karen Cvornyek, President, Asia, B+H Architects  
Daniel Moore, Regional Head of Global Capital Markets, Asia Pacific, Scotiabank  
Tommy Koh, Ambassador-at-Large, Ministry of Foreign Affairs  
Ravi Velloor, Foreign Editor, Straits Times  
LIM Hng Kiang, Minister of Trade and Industry