

# Canada's Indo-Pacific Strategy: Economics, Trade, Regional and Cyber Security

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## Issue

The Indo-Pacific region is rapidly growing, both economically and in influence. This transformation requires Canada to strategize its Indo-Pacific policies using an economics and security perspective that will capture key opportunities and address critical regional issues.

## Background

The Indo-Pacific remains the fastest growing economic region globally. It is on track to undergo a massive wealth transformation through the creation of new trade and investment opportunities. Current projections show that the region's total GDP will surpass that of the rest of the world by 2030. Furthermore, by 2030 it is projected to account for 60 percent of global growth, and 90 percent of new consumers being integrated into the global markets (Kucharski 2020). The geopolitical climate of the Indo-Pacific is contentious given the involvement of many states and their varying national interests. These tensions are reflected between American and Chinese opposing interests in creating regional partnerships, ongoing trade discrepancies, and divided security interests. Canada's role in the region should be to create its own conception of a Free and Open Indo-Pacific (FOIP) where it seizes opportunities to expand its connectivity with partners while remaining aligned with regional allies.

## Economics and Trade

The economic and trade opportunities available to Canada in the Indo-Pacific are plentiful. Canada hosts multiple industries that can help fill demand gaps in the region. There are two major trade agreements that encompass the Indo-Pacific: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic

Partnership (RCEP). Canada is currently a member of the CPTPP. Canada should tap into its domestic industries and see how it fits into the larger market that the Indo-Pacific provides (Nagy 2021).

In terms of trade, Canada must maintain its key provisions in its trade agreements and protect local industries while conducting trade negotiations (CCC 2022). Pursuing trade liberalization should be prioritized without sacrificing domestic markets, and trade should be protected through non-tariff barriers. It is also important to recognize the demand gaps that exist in the Indo-Pacific to have a strategic advantage in the region through trade links. The energy sector is the fastest-growing sector given energy trends and demand globally. It is projected that the Indo-Pacific region will account for more than 60 percent of global energy demand by 2040 and requires upwards of US\$1 trillion in energy infrastructure annually (Kucharski 2020). The major economies in the Indo-Pacific such as Japan, India, China and South Korea are reliant on energy imports for up to 80 percent of their needs (Kucharski 2020). Canada hosts a flourishing energy sector and can build strategic ties to fill these demand gaps.

### Energy Sector

Canada is a world leader in energy production and technological innovation. It has large critical earth mineral industries that are essential for clean and renewable energy sources, along with large oil and gas reserves that fill in gaps where renewable energy sources cannot. Canada's energy exports reflect these capabilities, whether it be the clean fuel sector, mined clean energy materials, oil, gas or energy technology (Natural Resources Canada 2021). Canada also produces numerous minerals used in energy generation, electric car batteries, infrastructure and technology (ibid.). Collaborative energy initiatives with several Indo-Pacific countries, including South Korea, China and India, are already in place (Kucharski 2020), putting Canada in a prime position for energy export expansion. Canada also has the capacity to spur innovation in the energy sector while supplying the raw materials, putting it in an optimal strategic position.

#### *Partnership with ASEAN and India*

Trade agreements with regional partners such as the Association of Southeast Asian Nations (ASEAN) and India will provide new and enhanced market opportunities for Canadian goods and services while strengthening Canada's position in the Indo-Pacific. A joint study conducted by Canada and ASEAN has previously projected that a Canada-ASEAN Free Trade Agreement (FTA) could increase Canada's exports to ASEAN countries by US\$2.67 billion while adding US\$2.54 billion to Canada's GDP (Government of Canada 2021). Canada and ASEAN's decision to proceed with negotiations for an FTA in November 2021 therefore presents an excellent opportunity for Canada to expand its regional influence via an increase of exports to the bloc. There is a specific opportunity for Canada's clean technology industries as ASEAN countries' growing demand for cleantech is coupled with a lack of local industry expertise (Côté 2019). Canada is positioned to meet these needs as the GDP of its clean energy sector is projected to grow by 58 percent in the next decade while its exports in clean technology are growing at an annual rate of 9.7 percent, three times faster than all other product exports (Clean Energy Canada 2021; Sawyer 2020). A trade deal could provide opportunities for Canada to meet ASEAN countries' growing demand for solar power, medium and micro-scale hydro power, water quality and wastewater management infrastructure, and energy efficiency technologies as Canadian firms have significant expertise in these areas

(Côté 2019). Thus, it is of great importance that clean technology is a central component of any FTA signed between Canada and ASEAN.

Canada can further reinforce its position within the region by strengthening its relationship with India via an increase in bilateral trade. While trade between the two countries is already significant, it can increase via the ratification of the Comprehensive Economic Partnership Agreement (CEPA) currently being negotiated between the two states. The finalization of a CEPA could provide an opportunity for Canada to supply products and services in the renewable energy sector as India has committed itself to sourcing 50 percent of its energy from renewable sources by 2030 (Safi 2016). Large uranium stores, nuclear technological expertise, a previous nuclear cooperation agreement and nuclear trading relationship with India (World Nuclear Association 2021), may allow Canada to provide India's growing nuclear power sector with the goods and services required for its expansion. Canadian expertise and Indian demand for other forms of renewable energy such as wind, solar and hydroelectricity, as well as clean technology sectors such as water treatment and emissions reduction technology, provide further opportunities for Canadian firms (Papara 2021). Thus, Canada should further strengthen its Indian market access for Canadian firms by ensuring that clean technology is a central component of a final CEPA.

### Security and Stability

Canada needs an innovative strategy to meaningfully engage with Indo-Pacific states. Creating diverse partnerships and stabilizing ties in emerging areas of security will solidify Canada's unique role within the region.

#### **Engaging in Diverse Security Partnerships**

Using a FOIP strategy centred on multilateral and bilateral connections will give Canada the flexibility to promote the interests it shares with allies and partners while engaging in opportunities to strengthen diverse Indo-Pacific connections. Canada is traditionally strong in promoting multilateral engagement within Asia through a variety of regional forums including ASEAN and APEC (Miller 2021). Canada has also previously engaged bilaterally with key partners such as Japan on peacekeeping and development projects to foster stability (Welch 2019, 450). Canada must maximize engagement in these

relationships along with using its traditional strengths in diplomacy and conflict reduction or risk being locked out of the region's economic, diplomatic and security benefits (Nagy 2021). Doing so will require strengthening engagement mechanisms by coordinating with Indo-Pacific partners on economic diversification and order-building. Such actions will create a united and connected region that may remain resilient against any potential insecurity while ensuring Canada's influence is embedded in the Indo-Pacific for the future.

### Expanding Cyber Connections

Traditionally, Canadian security interests have been projected through innovation and critical connections. To expand on these qualities, cyber security should be an ideal area of expansion to protect our institutions as well as those that bind us with Indo-Pacific partners. Canada has an opportunity to help Indo-Pacific partners bolster their cyber infrastructure to ensure the internet is open and secure (Nachiappan 2022). India and Japan have both expressed a willingness to cooperate with Canada on several security related initiatives including cyber security. Japan and Canada have agreed that cooperation in security is a key next step following the signing of the Acquisition and Cross-Servicing Agreement in 2018. Meanwhile India and Canada agreed in 2018 to coordinate on cyber security initiatives at bilateral and multilateral forums. Given the mutual interest in cooperation on cyber security initiatives with India, as well as a recognition of similar threats, expanding cyber coordination with India should be a priority. Growing these ties through a bilateral agreement with India would allow for security threats to be dealt with in a timely manner while boosting economic connectivity and technology sharing (Shull 2019, 5). Similarly, given Canada and Japan's willingness to collaborate on security and defense problems, cyber security would be a logical new dimension to Canada-Japan bilateral relations (Pontbriand 2016). By strengthening bilateral cyber security coordination with Japan and India, Canada will be able to coordinate much more effectively on security and development initiatives using a Free and Open Internet. These cooperative cyber steps will maximize Canada's regional connectivity and optimize engagement in promoting security within the Indo-Pacific.

### Understanding the Cultural Context

The AUKUS deal between Australia, the United States and the United Kingdom in 2021 has caused some friction in the Indo-Pacific region. Many countries in the region are concerned about the increased Anglosphere presence, especially through the increased presence of nuclear submarines (Pant and Kamath 2021). Therefore, having a non-proliferation approach for Canada in their energy trade is key. Many countries in the region are concerned about an arms race occurring within their waters and the potential consequences (Sobarini 2021). They want to promote safety and security and avoid furthering the tensions with China in its power projection race with non-regional players. Canada must be mindful of the current geopolitical environment in the region and work with countries in the region. This insecurity is furthered by Russia's invasion of Ukraine since Russia has close ties with major actors in the Indo-pacific region such as China (Hill 2022). Understanding the geopolitical, historical and cultural perspectives within the region can help Canada make an informed decision about its role.

It is important to acknowledge Canada should not overstep in the region by imposing its core beliefs as there are already systems and partnerships in place. In this case, Canada would benefit by emphasizing regional security within the Indo-Pacific region with like-minded allies. Due to the insecurity caused by the AUKUS pact, working with countries within the region can increase security while mitigating concerns about the increased Anglosphere presence. Canada should support countries that may feel insecure about the growing tensions between Washington and Beijing. Working with like-minded countries in the region such as Japan and India can help to build security. For this reason, Canada's Indo-pacific strategy should resonate with aspects of Japan's Free and Open Indo-Pacific Strategy in the fact that it should work to build partners in the region through beneficial partnerships. Canada should join Indonesia and other ASEAN countries in their aim to help ease the growing tensions and promote cooperation within the region (Weatherbee 2019). Through this strategy, Canada can promote connectivity and inclusivity as well as empowering like-minded middle powers in the region through strategic partnerships with Canada to help build up countries economically and socially.

## Recommendations

1. **Adopt a Free and Open Indo-Pacific approach that focuses on diverse partnerships and regional connectivity to promote a secure, rules-based order.** By promoting both bilateral and multilateral partnerships with actors that have divergent national interests, Canada is reinforcing the stability it needs to engage in the region for the long term. This approach to FOIP will allow Canada to engage with a diverse range of Indo-Pacific actors while remaining in solidarity with the values that bind its allies and key partners together.
2. **Pursue bilateral agreements with like-minded partners to decrease economic reliance on China and build economic security within the region through energy investments and infrastructure.** Energy demand is projected to be the fastest growing in the Indo-Pacific region, and there is currently a dependence on energy imports. Canada should take a bilateral approach to building energy infrastructure, investment and energy collaboration networks in the region with India.
3. **Engage with key partners on cyber security.** India has previously agreed to collaborate with Canada on expanding cyber capabilities while Japan wishes to expand Canadian security collaboration. Canada should utilize its cyber capabilities to expand bilateral relations and security ties with both countries. This will not only expand economic linkages and technology sharing but also promote cohesive action and connectivity against online threats.
4. **Respect the cultural differences and the current geopolitical environment in the Indo-Pacific region to make Canada's involvement more meaningful.** Respecting cultural differences and acknowledging the current geopolitical environment within the region can help Canada make a meaningful and positive impact. Canada's involvement should be careful to not impose Western values in the region. Increasing the anglosphere presence within the region is bound to cause some insecurity and therefore working with regional allies to promote safety and security is incredibly important.

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