

Canada's Indo-Pacific Strategy: Sustained and Sustainable Middle Power Cooperation

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Issue

Canada has not historically held a stable, sustainable commitment to security in the Indo-Pacific and must now rebalance its current portfolio of resources and policies to reflect the interests and security of partners in the region.

Background

A focus on engagement with Japan and South Korea offers a dual opportunity to improve Canadian relationships with two of the largest economies in the Indo-Pacific and contribute to South Korea-Japan cooperation, thus bolstering regional stability while also providing a gateway for greater Canadian involvement in the Indo-Pacific region as a whole. Strengthening Canada's relationships with Japan and South Korea also addresses two main points in the *Minister of Foreign Affairs Mandate Letter*: (1) launching a comprehensive Indo-Pacific Strategy to deepen diplomatic and defence partnerships; and (2) strengthening Canada's relationship with the United States (Government of Canada 2021). Deeper engagement beginning with these regional middle powers will signal a long-term commitment to the Indo-Pacific, while representing a more inclusive and less confrontational approach amidst rising tensions between regional great powers China and the United States.

Commitment to Regional Diplomacy

We believe that Canada should prioritize relations with Japan and South Korea in order to become more involved in the region and make larger contributions. This can be

done through addressing cooperative diplomacy, critical mineral supply chains and naval procurement. Focusing on these key issues also aligns with the department plan of Global Affairs Canada for 2022-23, more specifically addressing the listed core responsibilities. As stated, Global Affairs Canada has been given the responsibility to “coordinate the development and launch of an integrated, whole-of-government Indo-Pacific Strategy that will deepen Canada's diplomatic, economic and defence partnerships and international assistance in the region”. Through deepening relationships with Japan and South Korea, Canada would not only show its sincerity to recommit to the region, but would be fulfilling their mandates and responsibilities as well. Rebuilding these relationships from a security perspective will be necessary, as in the past Canada has been for the most part involved in the region for economic purposes (Manicom, Palomar, and Choi 2015).

Japan and South Korea have had an unstable and complicated relationship since the early 1900s which stems from a history of colonialism and war (BBC 2019). To address historical grievances Japan issued an apology in 2015 and promised to pay €7.9M in reconciliation (BBC 2019), however these grievances cannot easily be solved with money and words. Tensions between the two countries have spoiled a prime opportunity, for themselves and the region, as they are otherwise natural allies with shared interests; cooperation between them would be highly valuable to regional security. These tensions have also negatively impacted intelligence sharing initiatives, which makes both countries, as well as surrounding

regions, more vulnerable to threats from North Korea (Manyin 2015). The General Security of Military Information Agreement (GSOMIA) almost fell apart in 2019 (Sneider and Park 2021). Japan's and South Korea's leaders have not held a bilateral summit since 2015 and have only allowed tensions to continue to rise (Sneider and Park 2021). Tensions flared in 2018 when a South Korean destroyer locked in on a Japanese patrol plane and continued to escalate in 2019 when Japan placed export controls on South Korea (Sneider and Park 2021). Lastly, during the G7 Summit in 2021 in England, a formal meeting between the Japanese Prime Minister and South Korean President failed, and a sideline meeting could not be organized either (Sneider and Park 2021).

Although there are serious tensions between the two nations, it is wrong to view the situation between Japan and South Korea as hopeless. With Yoon Seok-youl's recent presidential victory in South Korea, there is renewed optimism for a more cooperative relationship between Japan and South Korea that Canada can help facilitate through bilateral agreements. President Yoon has stated plans to increase South Korea's efforts to recover bilateral relations with Japan (Cha and Kim 2022). This is a great opportunity for Canada to reinsert itself back into the Indo-Pacific by helping facilitate the recovery of the two nations' relationship while increasing its presence and support through critical mineral supply chains and naval procurement.

Critical Mineral Supply Chains

Rare earth elements (REEs) and critical minerals are essential for the manufacture of high-tech products, especially in the aerospace, clean energy, communications, and defence industries. As the world shifts to a low-carbon and highly digitalized economy, this also means that global demand for the critical resources is only expected to increase in the coming decades. Control over these supply chains is set to become "a powerful currency in the evolving green economy" (Zinck 2022). Rare earths, however, are overwhelmingly mined by and processed in China. According to a CSIS report in 2020, "Beijing exploited its relatively low-cost labour force and lax environmental laws to gain a competitive edge in the global market", producing approximately 90% of rare earth metals, alloys, and permanent magnets in 2019.

Following a maritime incident with Japan near the contested Senkaku/Diaoyu Islands in 2010, China

signaled its willingness to weaponize its global rare earth dominance as a political tool by restricting their exports to Japan for two months. This has become a cause for great concern in other industrialized economies, such as the US and South Korea—who rely on China for nearly all of their rare earth imports (China is the top supplier for 13 of the 35 minerals identified as critical to US national security: Fife 2019; U.S. Department of Energy 2021). As China's own economy and demand for electric vehicles, defence technologies, and consumer goods grows, however, so will its domestic consumption of rare earths. This becomes especially critical as its carbon emission targets become more ambitious, in line with its commitment to achieve carbon neutrality before 2060.

But despite their name, rare earths are not that rare. Canada is host to an estimated 14M tons of rare earth oxides, advanced stage mineral projects, and began shipping concentrate from its mine in the Northwest Territories earlier this year (NRCAN 2022). Canada was also welcomed to the 'Trilateral EU-US-Japan Conference on Critical Minerals' along with Australia in 2021. With its entry into these annual collaborative supply chain talks, which have since been renamed 'Conference on Critical Materials and Minerals', Canada stands to deepen ties with key partners and signal a long-term commitment to shared values of upholding a free, open, and inclusive global economy. Mining projects have been hindered by high investment costs and environmental concerns in other countries particularly because rare earths are expensive to extract sustainably. The consequences for unregulated mining practices can be observed in the major rare earth mining region of Jiangxi in China. With high levels of wastewater contamination due to the high levels of pollutants released during the extraction process and false reports on the extent of erosion control, the human and ecological impacts are immense (Standaert 2019).

Canada, however, has a reputation of environmental responsibility and the resource potential to develop its domestic capacity. Canadian policymakers should capitalize on this opportunity to position Canada as an environmental leader and a serious global player in the industry to leverage agreements with South Korea and Japan while helping to diversify these critical supply chains more broadly. In doing so, Canada can position itself as a responsible and reliable supplier of these minerals, both for the support of green and defence technologies domestically, and to promote an open, sustainable, and more resource-secure Indo-Pacific.

Naval Procurement

Canada's engagement with the Indo-Pacific region has recently been defined largely by the pursuit of economic interests, while Canada's commitment to preserving Indo-Pacific security and fostering closer security ties with Indo-Pacific partners has been sporadic and lacking. In order to demonstrate to South Korea and Japan that Canada intends to make serious contributions to maintaining a secure Indo-Pacific, more hard security resources must be committed to the region. Recent developments, such as Canada's contribution to sanctions enforcement of North Korea (Operation NEON) and the navigation of Canadian vessels through the South China Sea and Taiwan Strait in support of international law, suggest that Canada is ready to enhance its role in maintaining Indo-Pacific security. However, Canada's available naval forces are insufficient to contribute meaningfully to regional security issues, and current domestic strategies of naval procurement have been ineffective at updating and expanding the Canadian navy. Russia's invasion of Ukraine has provided additional impetus for Canada to expand the scope of its military spending and review current policies of naval procurement.

Canada's current naval procurement policy as outlined in the National Shipbuilding Strategy (NSS) is intended to provide for the updating and replacing of Canadian naval forces domestically, through contractors Irving Shipbuilding and Lockheed Martin operating out of shipyards in Vancouver and Halifax. The appeal of this domestic procurement strategy is its impact on the domestic economy as it provides employment and contributes to the national GDP (Public Services and Procurement Canada 2022). Despite these economic benefits, the strategy has suffered from ever increasing costs and extensive delays. These have been further exacerbated by supply chain issues and inflation resulting from the COVID-19 pandemic. In 2021, the Office of the Auditor General filed a report detailing how the NSS's slow delivery of naval vessels has the potential to cause gaps in Canadian naval capabilities, as old ships are retired before new vessels become operational (Office of the Auditor General 2021). The skyrocketing costs of certain vessel procurements has also reduced public and political support for the NSS.

Canada has the opportunity to address its floundering naval procurement plan while at the same time strengthening its economic and security ties with Indo-Pacific partners South Korea and Japan. Both Pacific countries possess highly advanced and competitive shipbuilding industries that have not suffered from the same setbacks as Canada's NSS and could be ready suppliers in potential naval procurement deals. South Korean firms have shown interest in increasing their market share of Canada's defence industry and can offer some of the most advanced destroyers and frigates in the world (Manicom, Palomar, and Choi 2015). In addition, Japan is a leader in submarine technology. Its recently launched diesel-electric Taigei-class submarine is the first submarine designed to be powered by lithium-ion batteries (Takahashi 2022). More immediately available to Canada is Japan's Soryu-class submarine, which would represent a significant upgrade on Canada's current fleet. Canadian companies have much to offer in return, including aircraft, radar, and unmanned combat systems, as well as light armoured vehicles (LAVs) (Manicom, Palomar, and Choi 2015). Global Affairs Canada should take caution to open up the defence procurement market equally to other potential partners as well. However, existing free trade agreements between Canada and both South Korea (CKFTA) and Japan (CPTPP) can help facilitate bilateral procurement deals as well as joint weapons systems development agreements (Global Affairs Canada 2021). The expanded market for Canada's defence products would make the most of Canadian comparative advantages, increasing economic efficiency and mitigating the loss of the NSS's economic value. All three countries would also be reducing their traditional reliance on American suppliers and markets through greater procurement cooperation with each other.

Global Affairs Canada can partner with the Department of National Defence and the Department of Public Services and Procurement to pursue a diplomatically strategic naval procurement policy that will modernize Canada's navy in a more effective and timely way than the NSS, while directly contributing to closer ties between Canada, South Korea, and Japan. At the same time, Canada would be demonstrating its commitment to Indo-Pacific security through an enhanced naval capacity provided for by regional partners.

Recommendations

1. **Broaden and deepen Canada's security relationships with both South Korea and Japan.**
2. **Subsidize research and development projects that facilitate environmentally responsible rare earth mining/processing practices.**
3. **Begin policy and trade negotiations with South Korea and Japan to facilitate a sustainable, reliable supply of rare earths.**
4. **Shift away from domestic naval procurement policies in favour of foreign procurement, specifically bilateral agreements with Indo-Pacific partners Japan and South Korea.**

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Acknowledgements

The authors would like to thank David Welch, Jacob Benjamin and officials at Global Affairs Canada for all of their guidance and mentorship throughout the course of the fellowship program.

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