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**Indo-Pacific Resilience, Prosperity and Stability:  
Canada's Capabilities-led Approach to Strategic  
Free and Open Indo-Pacific Engagement**

by Stephen Nagy  
March 2021

# POLICY PERSPECTIVE

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## **INDO-PACIFIC RESILIENCE, PROSPERITY AND STABILITY: CANADA'S CAPABILITIES-LED APPROACH TO STRATEGIC FREE AND OPEN INDO-PACIFIC ENGAGEMENT**

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**C**anadian interests in the Indo-Pacific are broadly defined by ensuring the region remains resilient, prosperous and stable. Tangentially connected to those interests is the pursuit of a rules-based order in the region, contributing to its stability through supporting its sustainable, transparent and rules-based development. This includes supporting infrastructure and connectivity, strengthening good governance and championing human rights.

Traditional and non-traditional security challenges in the Indo-Pacific region, such as the proliferation of weapons of mass destruction, threats to sea lanes of communication (SLOCs), piracy, sanctions evasion, humanitarian assistance and disaster relief (HADR), search and rescue and climate change are also critical areas of interest for Canada. Germanely, these are consistent with Canada's middle-power identity and longstanding commitment to development.

A strategic approach to the Indo-Pacific region is essential to successfully realize these national interests and shift away from a tactical approach. A Canadian formulation of a free and open Indo-Pacific vision (FOIP) is critical. It will ensure that Canada is part of shaping the region's rules-based and inclusive evolution, as opposed to being "side-lined from core regional dynamics and damaging the prospects for Canadian trade diversification"<sup>1</sup> for adopting an Indo-Pacific vision, as some commentators have argued.

Working with like-minded polities such as Japan, Australia, India, Taiwan, Southeast Asian states and EU member states will be essential to crafting a Canadian free and open Indo-Pacific blueprint for sustainable, interest-based engagement in the region. At the same time, excluding China from such an exercise would misconstrue such a vision as an anti-China strategy, as some analysts have surmised.<sup>2</sup> China is part of the Indo-Pacific region, it is the largest trading partner for many Indo-Pacific states and it is a needed partner for global and regional challenges. Any Canadian free and open Indo-Pacific vision will need to find a way to balance its shared interests with like-minded states that prioritize a rules-based order and the opportunities and challenges associated with today's China.

### **Rationalizing a Shift from an Asia-Pacific to Indo-Pacific Regional View**

Hitherto, Canada's foreign policy orientation has been traditionally North American and Atlantic-focused. Canada's economic interests in Asia were prompted by Japan's post-Second World War high-growth economics and that of the four Asian tigers of Singapore, Hong Kong, Taiwan and South Korea in the 1960s onward. The region's attractiveness deepened for Canada with China's

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<sup>1</sup> Zachary Paikin, "Canada's 'Indo-Pacific' future? Not so Fast," Global Brief, December 4, 2020. Accessed December 21, 2020. <https://globalbrief.ca/2020/12/canadas-indo-pacific-future-not-so-fast/>.

<sup>2</sup> Jeff Reeves, "Canada and the Indo-Pacific: Diverse and Inclusive, not Free and Open," Asia Pacific Foundation of Canada, September 2020.



re-emergence as an economically dynamic state in the late 1970s as it began its reform and opening.<sup>3</sup>

The end of the Cold War led prominent scholars such as Peter Drysdale to advocate for an Asia-Pacific economic community (APEC) conceptualization of the region.<sup>4</sup> The Asia-Pacific formulation of the region was sound as the Southeast and South Asian economies remained relatively small compared to those in Northeast Asia. Today, the economic dynamism that characterized East Asia and the Asia-Pacific has expanded eastward to include Southeast Asia and South Asia, requiring a new formulation to encompass the region's economic dynamism and the reality that a broader strategic view is needed to secure Canadian interests.

The global economy is centred in the Indo-Pacific region, which is also home to a paucity of rules-based institutions and consequential traditional and non-traditional security challenges. Without proactive, multilateral engagement, these challenges could potentially derail the region's stability and prosperity.

Climate change and the dearth of infrastructure and connectivity are the most salient examples of non-traditional security challenges. Traditional security challenges in contrast range from the proliferation of weapons of mass destruction to states that eschew international law. We saw this in July 2016 when China rejected all the Permanent Court of Arbitration's decisions<sup>5</sup> on its claims in the South China Sea (SCS), and China's regular, illegal incursions into the contiguous zone or intrusions into the territorial sea surrounding the Senkaku Islands in the East China Sea (ECS).<sup>6</sup>

The SCS and ECS are not the only areas of concern in the region. More recently, we have witnessed a coup d'état in Myanmar, the calcification of military rule in Thailand and an authoritarian tilt in the Philippines, not to mention intra-religious strife in India between the Hindu majority and Muslim minority.

The COVID-19 pandemic has further exacerbated developmental and security challenges in the region, requiring multilateral co-operation to ensure the region's development is not arrested or spirals towards instability.

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<sup>3</sup> M.I.A.O. De-gang, "Economic and Trade Growth in China: 1978-2007 [J]," *Journal of Guizhou College of Finance and Economics* 1, 2010.

<sup>4</sup> Andrew Elek, "APEC: Genesis and Challenges," *APEC at 20*, 2009: 1-14.

<sup>5</sup> PCA Press Release, "The South China Sea Arbitration (The Republic of the Philippines v. The People's Republic of China)," Permanent Court of Arbitration, July 12, 2016. Accessed February 1, 2021.

<https://pca-cpa.org/en/news/pca-press-release-the-south-china-sea-arbitration-the-republic-of-the-philippines-v-the-peoples-republic-of-china/>.

<sup>6</sup> Japanese Ministry of Foreign Affairs, "The Numbers of Chinese Government and other Vessels that Entered Japan's Contiguous Zone or Intruded into Territorial Sea Surrounding the Senkaku Islands," February 12, 2021. Accessed February 18, 2021.

<https://www.mofa.go.jp/files/000465486.pdf>.



## **A Canadian Free and Open Indo-Pacific Vision?**

Canadian interests in the Indo-Pacific depend on how the region's geographical scope is defined, the functional domain that we wish to focus on and the purpose for which Canada decides to engage based on its capabilities and capacities.

The vastness of the Indo-Pacific region demands that Canada identify the broader boundaries of its interests there. Expansive views of the Indo-Pacific that stretch to East Africa and the Middle East do not match Canadian economic interests in the far eastern borders of the Indo-Pacific region. Canada has little economic presence or interest in this Indo-Pacific geographic formulation. In contrast, a free and open Indo-Pacific region that stretches through the Pacific Ocean to the West Indian Ocean is a more suitable and manageable geographic scope to formulate a strategy to engage in the Indo-Pacific based on supporting resilience, prosperity and stability, and grounded in the promotion of a rules-based, inclusive order.

The functional domains that Canada establishes for its free and open Indo-Pacific vision are also important and should be built on, but not exclusive to, pre-existing engagement in the region. This would include multilateral architecture such as the Asia-Pacific Economic Cooperation (APEC), as a dialogue partner in the ASEAN Regional Forum (ARF) and international development in the form of support, co-operation and membership in the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB). Recent activities monitoring ship-to-ship transfers of North Korean-flagged vessels that are prohibited by United Nations Security Council resolutions,<sup>7</sup> participation in the Keen Sword joint exercises alongside the U.S. and Japan<sup>8</sup> and recently in Operation Sea Dragon<sup>9</sup> demonstrate that Canada has an important and appreciated role in lending its capabilities to security as well.

Promoting a free and open Indo-Pacific region that is rules-based and inclusive is in the interests of Canada and of like-minded states that have benefited from the post-Second World War rules-based order.

## **Canada's Capabilities-led Strategic Approach to its Free and Open Indo-Pacific Engagement**

Canadians' support for engagement with Asia is robust, as a "majority of Canadians (83%) feel that Canada should stand up to China as Canadian national values such as the rule of law, human rights, and democracy are on the line", according to a 2020 Asia Pacific Foundation (APF)

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<sup>7</sup> Japanese Ministry of Foreign Affairs, Press Release: "Monitoring and Surveillance Activities by Canada against Illicit Maritime Activities Including Ship-to-Ship Transfers," May 24, 2019. Accessed February 14, 2021. [https://www.mofa.go.jp/press/release/press4e\\_002934.html](https://www.mofa.go.jp/press/release/press4e_002934.html).

<sup>8</sup> Staff, "U.S. Military and Japan Self-Defense Forces Kick Off Keen Sword," *Naval News*, October 26, 2020. Accessed February 8, 2021. <https://www.navalnews.com/>.

<sup>9</sup> Staff, "Sea Dragon 2021 Kicks Off Between US and Partner Nations," *Commander, U.S. 7th Fleet*, January 11, 2021. Accessed January 28, 2021. <https://www.c7f.navy.mil/Media/News/Display/Article/2468589/guam-hosts-partner-nations-in-exercise-sea-dragon-2021/>.



survey.<sup>10</sup> Areas of greatest concern according to the survey include cyber-security, environment and climate change, and public health, which Canadians see as critical for engagement.

Being realistic about its diplomatic bandwidth and the capacities it can bring to the Indo-Pacific, Canada should leverage its comparative advantages to a capabilities-led approach to a strategic, free and open Indo-Pacific engagement by focusing on initiatives that support a resilient, prosperous and stable region.

Canada can lend its capabilities in a number of areas through multilateral co-operation with the region; importantly, these areas are consistent with Canada's longstanding commitment to development, multilateralism and buttressing a rules-based order. These areas include the Quadrilateral Security Dialogue (QUAD) and other forms of multilateral co-operation, pro-active middle-power diplomacy,<sup>11</sup> supporting cyber-initiatives and an open, well-regulated digital economy, contributing to diversifying and making supply chains more resilient, promoting multilateral trade through the CPTPP, and co-operating on non-traditional security issues.

#### *Security Co-operation to Promote Stability*

Canada could engage in some concrete initiatives in the traditional security domain, such as leveraging Canadian intelligence-gathering capabilities to enhance maritime domain awareness in the ESC and SCS. It could also participate in joint exercises with the QUAD members, as we saw with the recent Sea Dragon exercises, and participate in the Malabar exercises, the Keen Sword or the trilateral exercises between the U.S., Japan and Australia as an observer or participant.

These initiatives are critical for contributing to traditional and non-traditional security initiatives in the Indo-Pacific while remaining consistent with Canadian views that Canada should do more to “stand up” to China and invest in the region.

#### *Pro-active Middle-Power Diplomacy Promoting Multilateralism and Non-military Solutions to Indo-Pacific Challenges*

On the diplomatic front, forming [a middle power commission](#)<sup>12</sup> to discuss North Korean denuclearization is another area where Canada can use diplomatic resources to find creative solutions to security challenges in the Indo-Pacific that resonate with U.S. interests. Here, the

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<sup>10</sup> Asia Pacific Foundation of Canada, “2020 National Opinion Poll: Canadian Views on Asia,” November 25, 2020. Accessed February 1, 2021. <https://www.asiapacific.ca/publication/2020-national-opinion-poll-canadian-views-asia>.

<sup>11</sup> Stephen R. Nagy, “Pivoting Towards Neo-Middle-Power Diplomacy: Securing Agency in an Era of Great Power Rivalry,” Policy Perspective, Canadian Global Affairs Institute, November 2020. Accessed January 25, 2021. [https://www.cgai.ca/pivoting\\_towards\\_neo\\_middle\\_power\\_diplomacy\\_securing\\_agency\\_in\\_an\\_era\\_of\\_great\\_power\\_rivalry#Supply](https://www.cgai.ca/pivoting_towards_neo_middle_power_diplomacy_securing_agency_in_an_era_of_great_power_rivalry#Supply).

<sup>12</sup> Jeffrey Robertson, “In Search of a Middle-power Rethink on North Korea Policy,” The Interpreter, The Lowy Institute, November 25, 2020. Accessed January 25, 2021. <https://www.loyyinstitute.org/the-interpreter/search-middle-power-rethink-north-korea-policy>.



precedent has already been set with the January 2018 Vancouver foreign ministers' [meeting on security and stability on the Korean Peninsula](#)<sup>13</sup> but it needs to be regularized.

Coalition building to push back against [hostage diplomacy](#)<sup>14</sup> and [economic coercion](#)<sup>15</sup> are other areas in which Canada can contribute to its allies on the diplomatic front. Here, Canada's Foreign Affairs minister is already setting the stage by presenting a multilateral initiative to link hostage diplomacy to collective sanctions against offending countries. The same could be done when an offending country enacts economic and other forms of coercion.

### *Cyber and Digital Trade Co-operation*

In the cyber-domain, Canada already has a role in bolstering North American cyber-infrastructure with the U.S. through cyber-security regulation and by enhancing the 2012 cyber-security action plan between Public Safety Canada and the Department of Homeland Security. This should be expanded at a multilateral level so that cyber-security can be further promoted in forums such as the G7 and among the Five Eyes through rubrics such as [data free flow with trust \(DFFT\)](#),<sup>16</sup> initially floated at the G20 in Osaka in June 2019. Both levels will be critical to defending against cyber-threats<sup>17</sup> emanating from China, Russia, Iran and North Korea.

### *Supply Chain Resilience and Diversification*

Diversifying and making supply chains more resilient is another area where Canada can and should work with like-minded countries in the Indo-Pacific. Here, Canada can lend its technical expertise, good governance and private sector to help contribute to a bilateral supply chain initiative and lobby for both Canada and the U.S. to join the [resilient supply chain initiative \(RSCI\)](#)<sup>18</sup> initiated by Australia, Japan and India.

### *High-standard Multilateral Trade Promotion*

Canada's participation in the CPTPP gives it an opportunity to work with current members to advocate for the inclusion of additional members such as, but not exclusive to, South Korea, Taiwan, Thailand and the U.K., as well as the U.S. and China. The core principle for inclusion should be based on meeting the agreement's standards. Additional members would inculcate a 21<sup>st</sup> century rules-based approach to trade with protection for intellectual property rights, high

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<sup>13</sup> Global Affairs Canada, "Canada and United States to Co-host Vancouver Foreign Ministers' Meeting on Security and Stability on Korean Peninsula," December 19, 2017. Accessed February 6, 2021. [https://www.canada.ca/en/global-affairs/news/2017/12/canada\\_and\\_unitedstatestoco-hostvancouverforeignministersmeeting.html?wbdisable=true](https://www.canada.ca/en/global-affairs/news/2017/12/canada_and_unitedstatestoco-hostvancouverforeignministersmeeting.html?wbdisable=true).

<sup>14</sup> John Ivison, "Canada Leads Multilateral Move to Fight China's 'Hostage Diplomacy': Foreign Affairs Minister," *The National Post*, November 25, 2020. Accessed February 6, 2021. <https://nationalpost.com/news/canadas-multilateral-move-on-fighting-chinas-hostage-diplomacy>.

<sup>15</sup> Stephen R. Nagy, "Mitigating China's Economic Coercion," *The Japan Times*, May 2, 2020. Accessed January 27, 2021. <https://www.japantimes.co.jp/opinion/2020/05/21/commentary/mitigating-chinas-economic-coercion/>.

<sup>16</sup> Rachael Stelly, "Japan, G20 Shine Spotlight on Digital Trade," *The Disruptive Competition Project (DisCo)*, July 3, 2019. Accessed January 28, 2021. <https://www.project-disco.org/21st-century-trade/070319-japan-g20-shine-spotlight-on-digital-trade/>.

<sup>17</sup> Staff, "Chinese Malicious Cyber Activity," Cybersecurity and Infrastructure Security Agency (CISA). Accessed February 2, 2021. <https://us-cert.cisa.gov/china>.

<sup>18</sup> Japanese Ministry of Foreign Affairs, "Australia-India-Japan Economic Ministers' Joint Statement on Supply Chain Resilience," September 1, 2020. Accessed January 28, 2021. <https://www.meti.go.jp/press/2020/09/20200901008/20200901008-1.pdf>.





labour and environmental standards, digital chapters to protect data and limits on state-owned enterprises to ensure that rules-based market forces determine the outcome of economic competition, not state intervention.

## **Conclusion**

Any Canadian free and open Indo-Pacific vision requires a broader vision of how Canada understands its interests in the region and a strategy to achieve them. Instability, stunted development and a region that is characterized by a “might is right” set of rules is neither in Canada’s interests, nor those of our friends in the region. Such situations would make trade engagement less predictable, and lead to the balkanization of trade, technology and the digital economy, making it more difficult to seize the economic opportunities that exist in the region.

Erosion of a rules-based order in the Indo-Pacific would also make it more difficult to deal with regional challenges such as climate change, and development and militarization of the region, among others. All of these have the potential to cascade into unprecedented humanitarian and economic crises that would not remain in the region.

The suggestions forwarded in this policy brief are not exhaustive but meant to be constructive ways for Canada to conceptualize a capabilities-led approach to strategic free and open Indo-Pacific engagement. Importantly, they are consistent with Canada’s middle-power identity, longstanding commitment to development and support for a rules-based order which strengthens and supports Canadian national interests and the interests of our friends and allies. These are mutually beneficial and reinforcing.



## ► About the Author

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