



HOUSE OF COMMONS  
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CANADA

# **CANADA'S ENGAGEMENT WITH EAST ASIA**

**Report of the Standing Committee on Foreign Affairs  
and International Development**

**Michael Levitt, Chair**

**NOVEMBER 2018  
42<sup>nd</sup> PARLIAMENT, 1<sup>st</sup> SESSION**

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Chair**

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### **Reports from committee presented to the House of Commons**

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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# **THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL DEVELOPMENT**

has the honour to present its

## **TWENTIETH REPORT**

Pursuant to its mandate under Standing Order 108(2), the Committee has studied Canada's Engagement in Asia and has agreed to report the following:





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# LIST OF RECOMMENDATIONS

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*As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.*

## **Recommendation 1**

**The Government of Canada should continue to engage with China to deepen economic and trade relations while actively holding China accountable for its domestic violations of international standards. .... 12**

## **Recommendation 2**

**The Government of Canada should continue to actively seek out opportunities to increase Canada’s economic integration with countries in East Asia through bilateral and multilateral trade agreements..... 23**

## **Recommendation 3**

**The Government of Canada should continue to strengthen the Canadian Trade Commissioner Service and support the work of local Canadian Chambers of Commerce in East Asia as part of a comprehensive strategy to promote Canadian trade and investment in the region. .... 24**

## **Recommendation 4**

**The Government of Canada should increase its efforts, in coordination with similar initiatives at the provincial level, to promote a Canadian brand in East Asia in order to improve local knowledge of Canada and help Canadian firms differentiate themselves from their competitors. .... 25**

## **Recommendation 5**

**The Government of Canada should continue to cooperate with its international partners to pressure North Korea to abandon its nuclear weapons and ballistic missiles programs, and should verifiable progress be made towards that goal, consider renewing its diplomatic engagement with North Korea, including cross accrediting the Canadian Ambassador to South Korea to North Korea. .... 29**

**Recommendation 6**

The Government of Canada should pursue a strategy that blends law enforcement and intelligence approaches with targeted development assistance in order to increase its engagement on counter-terrorism with partner countries in East Asia. .... 31

**Recommendation 7**

The Government of Canada should continue to promote respect for human rights, democracy, gender equality, and the rule of law in East Asia. Engagement strategies should be tailored to local circumstances and focused on supporting positive change in the country in question, including through quiet diplomacy and indirect action, and/or speaking publicly and engaging in open and frank dialogue with governments in the region and where possible, working in concert with likeminded states. .... 33

**Recommendation 8**

The Government of Canada should work with its provincial partners and educational institutions to improve upon existing efforts to attract foreign students to Canada. .... 34

**Recommendation 9**

The Government of Canada should continue to provide assistance to its development partners in East Asia as part of a comprehensive engagement strategy with emerging economies in the region. .... 35



# CANADA'S ENGAGEMENT WITH EAST ASIA

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## INTRODUCTION

Canada is a Pacific nation. And, as we look towards the quarter mark of, what some have termed, the “Asian Century,” Canada’s Pacific character has never been more important.<sup>1</sup> Whether viewed from the perspective of diplomacy, trade or security, Canada’s Pacific neighbours in East Asia are playing a central role in international affairs, with many becoming increasingly indispensable partners in the pursuit of Canada’s foreign policy objectives.

It is with this in mind, that the House of Commons Standing Committee on Foreign Affairs and International Development (the Committee) embarked on a study of Canada’s engagement with East Asia.<sup>2</sup> As part of the study, the Committee undertook two fact-finding missions. The first, in November 2017, consisted of four stops: Beijing and Hong Kong, China; Hanoi, Vietnam; and, Jakarta, Indonesia.<sup>3</sup> The second trip in May 2018 included visits to Tokyo, Japan; Seoul, South Korea; and, Manila, the Philippines. These trips were supplemented by five meetings in Ottawa, where the Committee heard from Canadian experts on the region representing the federal government, academia, civil society and the private sector.

During its study, the Committee found a region in transition. Many of the countries that had lagged behind the early economic successes in East Asia have consistently outperformed their wealthier neighbours over the last decade, and by doing so, have led to shifting regional dynamics. While this development has been generally economic in nature, its effects also have been felt to a large extent in the political, diplomatic and security realms.

China is at the forefront of these shifting regional dynamics. The remarkable economic development China has achieved over the past several decades has fundamentally altered the balance of power in international affairs. According to many, China has

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1 Asian Development Bank, *Asia 2050: Realizing the Asian Century*, August 2011.

2 This study considers the region of East Asia to include the countries of Southeast Asia (generally defined as the country-members of the Association of Southeast Asian Nations (ASEAN), see note 6) and China, Japan, the Democratic People’s Republic of Korea and the Republic of Korea.

3 Hong Kong is a Special Administrative Region within China. Given the region’s unique political system and history compared to mainland China, it is treated as a separate jurisdiction where appropriate in this report.



joined the United States (U.S.) as the world's two global powers. And by doing so, is challenging U.S. prominence in the world. While the consequences of this shifting balance of power are global, the regional effects in East Asia are even more profound. China's interests, and its influence, permeate every aspect of regional relations, and affect the domestic decision-making of every country in the region.

While China is the catalyst for much of the change occurring in the region, the Committee was cautioned throughout the study against equating China with East Asia and was often reminded of the region's dynamism and diversity during its travels. In each country it visited, the Committee encountered a unique situation. No two governments, economies or peoples were alike, and each is adapting to the changing regional dynamics, in particular the rise of China, in their own way. Each is also undergoing its own domestic evolution, which is being shaped by, but also shaping, regional shifts. The Committee came away with not only a genuine respect for the diversity in East Asia, but a firm conviction that these countries are critical to Canada's engagement in the region. While none can rival the power exerted by China, each is an important international actor and a potentially strategic partner for Canada.

The rise of China, along with the growing prominence of other countries in the region in international affairs, means that Canada's engagement with East Asia has never been more important. Canada has much to gain directly from strong relations in the region, particularly in economic terms. But the importance of Canada's relations with its Pacific neighbours extends to every aspect of our foreign policy. From trade liberalization, to environmental protection, to counter-terrorism, there are few areas where cooperation with East Asia cannot help advance Canada's foreign policy objectives.

Even in areas where we disagree, Canada is better placed to succeed when it engages effectively with the region. Areas of disagreement can be greater with East Asia compared with Canada's traditional allies, especially in relation to respect for human rights, democracy, gender equality and the rule of law. This, however, should not be used as justification for doing less, instead, it should motivate Canada to do more.

While the Committee saw evidence of effective Canadian engagement in the region during its travels, it believes more can, and should, be done. The Committee heard that as countries around the world focus more on engagement with East Asia, Canada's place in the region is far from assured. If Canada is not proactive and engaged, it is likely to be ignored. Therefore, in order to seize the opportunities presented by the region's growing prominence, Canada must demonstrate its value and show its commitment to mutually beneficial relations.

Demonstrating value requires that Canadian engagement evolve along with the region. Canada must engage productively with China, finding a proper balance that allows for cooperation where our interests align, while continuing to advocate effectively where we disagree. Our relationship with traditional partners, like Japan and South Korea, should be renewed to account for our evolving common interests within the context of shifting regional dynamics and economic landscapes. Relations with emerging economies like Indonesia, the Philippines and Vietnam should transition away from a focus on development towards mutually beneficial cooperation that accounts for the growing prominence of these countries. The Committee saw evidence of this progress and hopes that this report will encourage further positive change along these lines.

This report begins with a discussion of the key regional dynamics driving the need for Canada's increased engagement in East Asia before turning to a consideration of some of the specific elements which should be included in a Canadian engagement strategy. This report is not intended as a comprehensive review of the country-specific information the Committee gathered during its study; rather it seeks to contribute to the broader discussion on Canada's engagement in the region. It makes nine recommendations to the Government of Canada on how it can better engage with East Asia.

## **KEY REGIONAL DYNAMICS**

Fuelled by the rise of China, a questioning of the U.S.'s role in the region, and changing economic and demographic dynamics, East Asia is arguably experiencing perhaps its most profound changes since the end of colonialization and the Second World War. While this was acknowledged, explicitly or implicitly, by many of the people with whom the Committee met, few articulated a clear vision of a likely outcome. Uncertainty and a desire for greater stability underscored many discussions. The region is clearly in the process of establishing a new equilibrium, but few seem sure of the new balance that will be achieved.

This uncertainty is apparent in the broad political trends in East Asia. Past confidence that countries would inevitably follow the path towards liberal democracy – establishing and consolidating democratic and rule of law institutions while pursuing economic liberalization – however slowly or unevenly – has been badly shaken by recent developments. Ferry de Kerckhove, Fellow and Lecturer with the Graduate School of Public and International Affairs at the University of Ottawa, saw the economic crisis of 2008 as a turning point in this regard:



... 2008 had many countries in the world starting to look askance at the western version of the capitalist model and its so-called Adam Smith mantra of the invisible hand. Many Asian countries turned their eyes toward the Chinese version of state capitalism with a far less invisible hand, while still allowing winners and losers to battle it out within the ambit of clearly defined state objectives.<sup>4</sup>

For the first time since the breakup of the Soviet Union, a powerful country, China, is presenting a viable alternative model of governance to liberal democracy. At the same time, the champion of liberal democracy, the U.S., appears less committed to promoting these ideals in the region. Some interlocutors with which the Committee met in East Asia spoke of a regional ideological struggle in East Asia, anchored on either side by China and the U.S., which is influencing the broader power dynamics in the region

## 1. The Rise of China

The single largest contributing factor to the rapid change and uncertainty being experienced in East Asia is the remarkable economic rise of China. As Sarah Kutulakos, Executive Director of the Canada China Business Council, put it:

China has gone from what I would call an interesting emerging market to play to a major driver of the world economy, contributing fully one-third of the world's annual incremental GDP growth. China's growth is now off such a large base that, at 6.8%, it adds an equivalent of a Canada or an Australia every year to world GDP.<sup>5</sup>

China's rise has changed regional dynamics fundamentally, as, given its size and likely continued economic growth, it now towers over other countries in the region. Despite government efforts to limit population growth, the size of China remains overwhelming. The 10 countries that form the Association of Southeast Asian Nations (ASEAN), for example, have a combined population equal to roughly half of China's.<sup>6</sup> Economically, the ASEAN countries could add Japan and the Republic of Korea (South Korea), and still not match the size of the Chinese economy.<sup>7</sup>

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4 Committee on Foreign Affairs and International Development [FAAE], [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

5 Ibid.

6 The 10 members of ASEAN are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, ASEANUp, [4 ASEAN Infographics: population, market, economy](#), 3 July 2018

7 The combined GDP of the 12 countries is \$9.17 trillion compared with China's GDP of \$12.24 trillion. Source: The World Bank, [GDP \(current US\\$\)](#), 29 June 2018.



Despite its current strength, it is important to remember that China is likely still ascendant. It has yet to reach its economic potential and still has significant room for future growth. The Chinese economy is more than twice the size of Japan's.<sup>8</sup> But on a per capita basis, Japan is more than twice as rich and China trails other countries in the region, like Malaysia.<sup>9</sup> Similarly, China ranks 90th on the United Nations Development Programme's Human Development Index, behind Thailand, among others.<sup>10</sup> Clear indicators of both China's strength and its relative weakness come up again and again when looking at both its domestic affairs, and how it interacts with the world. It is a testament to the country's potential as well as the reality that this potential remains unrealized in many respects. While China may be a global power, it also remains a developing country.

China's status, and perception of itself, as a developing country is critical to understanding its international behaviour. Despite its economic might, it lacks many of the advantages of developed economies. Most importantly, as a one-party communist state with relatively weak public institutions, China lacks the stability enjoyed by Canada and other long-established democracies. As James Manicom, former Research Fellow with the Centre for International Governance Innovation, pointed out, this fact is not lost on China's ruling party:

The Chinese Communist Party wakes up every day and thinks about how it can stay in power. That is its only objective all day, every day, and that will not change.<sup>11</sup>

Without the benefit of long established institutions and the popular legitimacy provided by democratic governance, the Chinese government must actively support the political stability of the country. As such, the authoritarian dominance of the Chinese state and the Communist Party in Chinese society is viewed as both a practical tool of coercion and a symbol of strength. This dominance, combined with the government's sustained ability to produce tangible results for the population through economic growth creates the foundation for the state's legitimacy. According to some experts, any deviation from this formula risks destabilizing the country and undermining the government's domestic legitimacy to a degree that would be unlikely in established democracies.

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8 Japan's GDP is \$4.87 trillion. Source: Ibid.

9 Japan's GDP per capita is \$39,002, China's \$15,309 and Malaysia's \$26,808. Source: The World Bank, [\*GDP per capita, PPP \(constant 2011 international \\$\)\*](#).

10 United Nations Development Programme, "[Table 1: Human Development Index and its components](#)," *Human Development Reports*, 29 June 2018.

11 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.



During its time in Beijing, the Committee saw these dynamics at work. Chinese officials spoke often of the need to maintain stability, while promoting the achievements and centrality of the state in China. China's status as a developing country was also regularly invoked in the context of highlighting the progress that had been made, especially in relation to poverty reduction, as well as an explanation for continued governance weaknesses, for example China's ongoing efforts to reduce corruption and need to increase environmental protections.

These dynamics can be seen in the international forum as the Chinese government attempts to enhance its domestic legitimacy through the projection of global leadership. As with its domestic affairs, the government projects an image of strength abroad, while avoiding any appearance of failure or weakness that would undermine its legitimacy. Initiatives such as One Belt One Road, which seeks to invest in infrastructure projects throughout Asia as part of a policy to establish modern versions of traditional Chinese trade routes, is a prime example of demonstrating strength and global leadership in a manner that, if successful, will also have significant domestic economic benefits.

The expansion of China's role in international governance, as promoted by President Xi during the Communist Party's 19th Congress, was a frequent topic of discussion during the Committee's time in Beijing. China is taking steps – such as the One Belt One Road initiative – to increase the leadership role it plays in global affairs. While this is seen as a challenge to the international status quo, most of the rhetoric, and many of China's actions, suggests a desire to participate within existing multilateral institutions and structures. China has become more assertive, but, generally, it does so in a way that avoids direct confrontation. Territorial disputes, like those in the South China Sea or China's continued coercive behaviour regarding the status of Taiwan aside, China has expanded its influence and become the dominant power in the region without the use or overt threat of conventional military force.<sup>12</sup> As James Boutilier, adjunct professor in Pacific Studies with the University of Victoria, noted: China "doesn't have any appetite for war... because it can achieve everything it wants incrementally."<sup>13</sup> Jeremy Paltiel, professor of Political Science at Carleton University, made a similar observation:

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12 China has longstanding disputes over maritime boundaries with its neighbours in both the South China and East China Seas which has seen China build and militarize artificial islands to bolster its claims. See Council on Foreign Relations, [China's Maritime Disputes](#). A product of the civil war which saw the establishment of communist rule in China in 1949, China maintains that the island of Taiwan is part of China, while the Taiwanese government does not officially recognize the Chinese government, though relations between the two governments do exist. This uneasy ambiguity, generally referred to as the "One China Policy" has led to military tensions between the two governments, as well as between China and Taiwan's main strategic partner, the U.S.. See Council on Foreign Relations, [China-Taiwan Relations](#).

13 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

China is a global competitor in every sense of the term; however, the Chinese are sophisticated global players who are willing to engage proactively to manage competition and pre-empt confrontation. Moreover, China is very sensitive about its global image.<sup>14</sup>

One method frequently invoked for how China expands its influence in the region in a non-confrontational manner is its strategic use of its financial power and ability to lend neighbouring countries large sums on terms that might not be otherwise available. These transactions, including as part of the One Belt One Road initiative, raise concerns over potentially overextended countries becoming beholden to China if they were to later have difficulty servicing their debt. One example of this that was specifically referenced was Sri Lanka's recent decision to grant a 99-year lease for one of its deep-sea ports to a Chinese firm in return for debt relief.<sup>15</sup>

The desire of Chinese officials to cast China's expanding global power in non-confrontational terms was apparent to the Committee during its time in Beijing. For example, when asked about China establishing its first overseas military base in Djibouti – a milestone noted by Professor Paltiel, among others, as an important symbol of China's global ambitions – officials were quick to downplay the development, suggesting it was a natural extension of China's commercial interests in Africa, its increased participation in peacekeeping operations or its involvement in international anti-piracy efforts.

Ultimately, while China is becoming increasingly assertive internationally, problematically so in many cases, it is willing to engage and cooperate within existing international norms, at least to some extent. Where it does challenge existing international structures, it does so in a way that avoids direct confrontation. In his speech during the 19th Congress, President Xi stated: "the Chinese Dream can be realized only in a peaceful international environment and under a stable international order."<sup>16</sup> While his definition of "peaceful" and "stable" may differ from our own, statements like these should not be ignored, and point to China wanting to take a leadership role in the world consensually instead of by force. As Professor Paltiel put it:

... we should have no illusions about the nature of the Chinese government. On a whole range of issues, its values are not our own. However, there can be no doubt about

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14 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.

15 *Reuters*, "[Chinese firm pays \\$584 million in Sri Lanka port debt-to-equity deal](#)," 20 June 2018.

16 Xi Jinping, "[Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era](#)," Delivered at the 19<sup>th</sup> National Congress of the Communist Party of China, October 18, 2017.



China's sincere and abiding commitment to global stability and multilateral institutions centred on the UN system.<sup>17</sup>

Based on discussions during the Committee's travel outside China, the Chinese have significant work to do if they want their neighbours to accept their aspiration to global leadership. In all the other countries that the Committee visited, interlocutors voiced concern regarding Chinese regional hegemony and scepticism regarding the nature of its intentions. As one commentator put it, there is a perception gap between how China sees its behaviour regionally – as a benevolent leader – and how its neighbours view it – often acting as an intimidator. Overcoming this perception gap and getting its neighbours' backing will be a key test of its foreign policy in the near term, as without strong regional support, it will be difficult, if not impossible, for China to achieve its global ambitions.

### **a. Implications for Canada's Engagement**

China's desire to be accepted as a world leader and its domestic political realities present both opportunities and challenges for Canadian engagement. Where mutual interests align, China has the potential to be a powerful and motivated partner for Canada in the pursuit of common objectives, both in terms of our bilateral relationship and our multilateral cooperation. Where we disagree, especially as it relates to respect for human rights, democracy, gender equality and the rule of law, Canada will continue to face challenges in effective engagement.

Canada's economic relationship with China is critical to Canada's long-term prosperity. As Canada seeks to diversify its economic relations away from an overreliance on the North American market, maintaining and increasing two-way trade and investment with China offer opportunities on a scale not available elsewhere. The Committee is of the view that economic relations with China are a necessity and should be a key priority not only for Canada's foreign policy in East Asia, but globally.

Canada's relations with China, however, should not rest solely on economic ties. From peacekeeping and counter-terrorism, to combating climate change and promoting trade liberalization globally, there are numerous areas where Canada and China share enough common interest to be effective partners. Even critics of the Chinese government generally agree that engaging with China is a necessity. Pittman Potter, professor of law

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17 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.

at the University of British Columbia, for example, while fiercely critical of China in his testimony, acknowledged that “[n]on-engagement is just not an option.”<sup>18</sup>

The challenges arise where our interests diverge. Canada cannot ignore China’s widespread and systemic violations of its international human rights obligations.<sup>19</sup> From its treatment of minorities like the Tibetans and Uighurs, its persecution of religious groups like Falun Gong, or accusations of organ transplant abuse on a massive scale, China’s domestic abuses require an international diplomatic response to which Canada should play a part.<sup>20</sup>

However, based on the Committee’s engagement on human rights issues while in Beijing, finding an effective international or bilateral response to these domestic issues will be difficult. The mere mention of human rights often elicits strong negative responses from Chinese officials that preclude constructive dialogue. An effective strategy will require recognition of Chinese attitudes on these issues and an acceptance of the limitations of international action to solve these difficult problems.

As James Boutilier noted, Canada is “trapped between a commitment to liberal values and the practicalities of forging economic relationships with increasingly unsavoury policies in Asia.”<sup>21</sup> The Committee is convinced that engaging with China while upholding Canadian values, especially those related to human rights, will remain a core dilemma of Canada’s foreign policy in East Asia. Canada needs to find the right balance of cooperating on issues of common interest while also engaging effectively on human rights and other areas of concern.

There is little doubt that trying to hold China accountable for its domestic human rights abuses will not only be difficult, but risks upsetting the relationship in other areas. The risk of a worst-case outcome – where our human rights advocacy is ineffective and also impedes positive outcomes in other areas – is real and should be avoided.

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18 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 24 April 2018.

19 China is a party to six international human rights treaties, see Human Rights in China, [UN Treaty Bodies and China](#).

20 For testimony heard by the Committee related to these issues, see FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 24 April 2018.

21 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.



## Recommendation 1

**The Government of Canada should continue to engage with China to deepen economic and trade relations while actively holding China accountable for its domestic violations of international standards.**

Scepticism of Chinese regional leadership aspirations among its neighbours also presents an opportunity for Canadian engagement. While its neighbours recognize that they need to maintain good relations with China, concerns were expressed regularly about disproportionate Chinese influence and the need for counterweights. The Committee heard repeatedly how countries in the region are trying to diversify their international partnerships to prevent becoming overly dependent on, and potentially beholden to, China. Canada, as a Pacific middle-power, is well positioned to take advantage of this opportunity, and should actively seek to increase engagement with other countries in East Asia in furtherance of Canada's foreign policy objectives in the region.

## 2. The Role of the United States in East Asia

The Committee heard that, partly in response to new regional power dynamics, partly as a reflection of changing policy and political leadership in the U.S., the U.S.'s role in East Asia is changing. As Paul Evans, professor at the School of Public Policy and Global Affairs and Director Emeritus and Interim Director with the Institute of Asian Research at the University of British Columbia, testified: "America isn't disappearing, but America is not going to play the primary role going forward."<sup>22</sup> This marks a significant departure from the established post-war order in the region. Speaking to the U.S.'s traditional leadership in the region, James Manicom pointed out:

[T]he United States is an Asia-Pacific power, and its military strength underwrites much of the security in the region. U.S. forces are based in South Korea, Japan, and Guam, and there's a navy base in Hawaii. All this contributes to all manner of east-Asian security contingencies, from disaster relief operations to what happens to the nukes when North Korea collapses, should that happen.<sup>23</sup>

The relationship between China and the U.S. is often defined as one of competition between great powers. Marius Grinius, Fellow, Canadian Global Affairs Institute, Former Canadian Ambassador, described it as a "new great game being played out between an ascendant China and a United States in retreat."<sup>24</sup> Certainly recent events provide

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22 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 24 April 2018.

23 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.

24 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

numerous possible examples of this competition playing out. Ongoing disagreements over trade and investment practices, including the imposition of trade tariffs by both sides, and regional security concerns, like the threat posed by the Democratic People's Republic of Korea (North Korea) and freedom of navigation in the South China Sea, demonstrate a variety of areas where the two countries do not agree. Moreover, the U.S. government, in its 2018 National Defence Policy, has stated clearly that China is a "strategic competitor" that is "coerc[ing] neighboring countries to reorder the Indo-Pacific region to their advantage."<sup>25</sup> While this relationship is complex, since China and the U.S. can, and do, cooperate, commentators regularly suggested to the Committee that competition between the two is likely to intensify.

Current U.S. foreign policy is also playing a role in the evolving relationship that the U.S. has with other countries in the region. As Professor Evans testified:

[W]e're also dealing with a new United States. Asians certainly realize that. The unpredictability of Donald Trump's "America first" is shaking the region. While the United States continues strong and visible support for its alliances and its military role, it is inconsistent on trade policy; it is inconsistent on what it is promoting in terms of human rights and democratic governance principles. It has negative and very little support for multilateral institutions in the region.<sup>26</sup>

That the U.S. is voluntarily shifting away from some of its own longstanding policies, such as the promotion of liberalized trade and the protection of human rights, at the same time that China is challenging American supremacy further increases uncertainty over the future role of the U.S. in the region as well as its willingness to continue engaging in the previously mentioned ideological struggle with China.

Countries in East Asia have each reacted differently to the dynamics created by the U.S.'s shifting role. Some, like Vietnam, are actively seeking closer ties with the U.S. as a counterweight to growing Chinese influence, seen, for example, by the recent visit of a U.S. aircraft carrier to the Vietnamese city of Danang.<sup>27</sup> Others, like the Philippines, are now doing the opposite, shifting away from the American sphere in favour of China, evidenced by its more conciliatory approach to the ongoing maritime boundary dispute with China in the South China Sea.<sup>28</sup> For its part, Japan is diversifying its international

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25 United States Department of Defense, [Summary of the 2018 National Defense Strategy of the United States of America](#).

26 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 24 April 2018.

27 Minh Nguyen, ["U.S. carrier arrives in Vietnam amid rising Chinese influence in region," Reuters](#), 5 March 2018.

28 Ralph Jennings, ["China's Once Impossible Friendship With The Philippines Hits Another New High," Forbes](#), 12 December 2017.



relations through broader trade and security agreements, like the Comprehensive and Progress Agreement for Trans-Pacific Partnership (CPTPP) or Japan's pursuit of stronger maritime security cooperation with a variety of countries, including France, India and Vietnam.<sup>29</sup> In most cases, countries in the region seem to accept the pragmatic reality that they need to maintain positive relations with both powers. As the Committee heard, China-U.S. competition, in fact, may offer countries the possibility of creating space for themselves by playing one competitor against the other. This is only possible, however, with a continued strong American presence. As James Manicom explained:

[T]here's a tacit consensus in the region that for the majority of governments in that region to pursue a flexible foreign policy, a strong U.S. presence is required. In the absence of that U.S. presence, there's no doubt that China makes the rules.<sup>30</sup>

### a. Implications for Canada's Engagement

The evolving American role in East Asia complicates Canada's engagement in the region. Canada and the U.S.'s longstanding partnership in East Asia can be seen through concrete cooperation, like Canada's participation in the United Nations Command on the Korean peninsula, and in a broader sense through decades-long cooperation as both countries pursued development assistance and the promotion of liberal democratic values in the region. From this perspective, any reduction in U.S. leadership in East Asia could negatively affect Canada. In most cases, reduced American influence likely means reduced Canadian influence, especially when it occurs at the benefit of Chinese expansion.

While reduced U.S. influence in East Asia could make Canadian engagement more difficult in some ways, the Committee heard in several countries, that such a situation may offer opportunities for Canada in some areas. What the Committee was told during its travels was that, in practice, the advantages that the U.S. has enjoyed because of its longstanding leadership in the region are diminishing and Canada is facing a more (but still far from completely) level playing field in areas where it competes directly with the U.S., such as in trade and investment as well as in attracting foreign students and workers.

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29 *Nikkei Asian Review*, "[Japan passes bills to ratify trans-Pacific trade deal](#)," 29 June 2018; Daisuke Kikuchi, "[Japan and France agree to deepen maritime security ties in 'two plus two' meeting](#)," *The Japan Times*, 26 January 2018; Dipanjan Roy Chaudhury, "[India, Japan target maritime security pact during Shinzo Abe's September visit](#)," *The Economic Times*, 11 July 2018; Mari Yamaguchi, "[Japan, Vietnam to bolster maritime security cooperation](#)," *The Seattle Times*, 6 June 2017.

30 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.



The U.S. being seen to step away from its traditional leadership in some areas also provides an opportunity for Canada to play a larger role. As Stewart Beck, President and Chief Executive Officer of the Asia Pacific Foundation of Canada, noted:

The wave of isolationist, national rhetoric that has been sweeping the U.S. and Europe has sent a chill through legacy alliances and trusted relationships in the Asia Pacific. As these countries look for new friends, Canada is receiving renewed attention for its social and economic openness, transparent business culture, and good governance.<sup>31</sup>

Overall, reduced U.S. leadership in East Asia will present challenges for Canada, particularly as the space left behind is filled by China. Despite this challenge, the Committee believes the shifting power dynamics in the region may present opportunities, if properly targeted through an effective engagement strategy.

### 3. Economic and Demographic Shifts

East Asia is undergoing profound economic and demographic changes that are the product of decades of development. While the dynamics are different in each country, taken together, these changes are altering the makeup of East Asia in ways that affect Canada's engagement in the region. In each jurisdiction that the Committee visited, interlocutors spoke of the need for reform to adapt to the changing domestic and regional environment. Though China is part of this story, it is in many ways unique, and the regional trends currently playing out are more evident in the other jurisdictions the Committee visited.

Of the seven jurisdictions that the Committee visited, Indonesia, the Philippines and Vietnam have the lowest gross domestic product (GDP) per capita.<sup>32</sup> Despite being relatively poor, however, all three countries have had a prolonged period of economic success in recent decades that has seen significant reductions in poverty and allowed for broad-based development. Since 2000, these three countries have significantly outperformed the higher income economies that the Committee visited in Japan, South Korea and Hong Kong, with annualized growth averaging 6.4% in Vietnam and 5.3% in Indonesia and the Philippines.<sup>33</sup> This sustained period of strong growth has had a profound effect on these economies, and by extension their societies. Even when

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31 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

32 From highest to lowest, GDP per capita for 2017 was \$56,055 for Hong Kong, \$39,002 for Japan, \$35,938 for South Korea, \$15,309 for China, \$11,189 for Indonesia, \$7,599 for the Philippines and \$6,172 for Vietnam. Source: The World Bank, *GDP per capita, PPP (constant 2011 international \$)*.

33 Between 2000 and 2017, annual GDP growth averaged 4.1% in South Korea, 3.9% in Hong Kong and 1% in Japan. Source: The World Bank, *GDP Growth (annual %)*.



accounting for inflation, GDP per capita has more than doubled in Vietnam since 2000, and nearly done the same in Indonesia and the Philippines.<sup>34</sup>

While economic inequality remains a serious issue in all three countries, this sustained growth has allowed a significant portion of the population to escape poverty, with many entering the middle class. Indonesia, for example, has reduced the percentage of its population living on \$1.90 a day from 39.3% in 2000 to 6.5% in 2016.<sup>35</sup>

Though this success has been remarkable, the Committee also heard about the need for reform to ensure that this trend continues. Concerns were raised about the “middle income trap,” where rising wages make middle-income countries uncompetitive against lower-wage jurisdictions, while continued development challenges also prevent them from competing with more established economies. Leaders in each country expressed a desire to take the next step economically, diversifying away from the sectors that had previously fuelled growth in order to move into more high-value areas that could support the higher wages increasingly expected by their populations.

These three countries also share the characteristic of having relatively young populations. The percentage of the population under 14 years of age in Indonesia, the Philippines and Vietnam are 27%, 32% and 23%, respectively, significantly higher than in Hong Kong, Japan and South Korea, none of which exceeds 13%. This “youth bulge” in Southeast Asia, as Stewart Beck described it, combined with these countries’ continued economic success, means there is a large generation of relatively well-off young people for which governments must find education and employment opportunities.<sup>36</sup> With the right policies, these large cohorts, which are now beginning to enter their economically productive years, could produce a “demographic dividend” that fuels economic growth for years to come. But if this challenge is not met, high levels of youth unemployment could lead to political disenfranchisement and instability. The scale of this challenge should not be underestimated, according to one interlocutor in Jakarta, the Indonesian economy needs to grow by 7% annually just to meet the increasing employment needs of the country’s youth.

The Committee learned about the reverse of these trends in more mature economies in the region. In Hong Kong and South Korea, commentators spoke about facing rising competition from the rest of Asia in sectors they once dominated and feared becoming

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34 GDP per capita in constant 2011 international \$ for Indonesia was \$5,806 in 2000 and \$11,189 in 2017, the Philippines was \$4,224 in 2000 and \$7,599 in 2017, Vietnam was \$2,562 in 2000 and \$6,172 in 2017. Source: The World Bank, [GDP per capita, PPP \(constant 2011 international \\$\)](#).

35 The World Bank, [Poverty](#).

36 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

uncompetitive in these areas before being able to diversify into new sectors. Japan has faced similar economic challenges for decades, averaging annualized growth of just over one 1% since 1990.<sup>37</sup> During its time in Tokyo, the Committee heard about the economic reforms introduced by Prime Minister Shinzo Abe, widely known as “Abenomics”, which included three policy “arrows” related to monetary policy, fiscal policy and structural reform.<sup>38</sup> The reforms were credited with fuelling the country’s longest streak of quarterly economic growth in nearly 30 years, though scepticism was expressed as to whether Prime Minister Abe would be able to fully implement his policy proposals and the extent to which the reforms would have a significant long-term effect.<sup>39</sup>

The exact nature of the economic dynamics at work and each of the three economies response is unique, but, in each case there is a sense of losing ground to the rest of the region. In Hong Kong, conversations centred on its evolving economic relationship with mainland China, which is becoming less dependent and more competitive in key sectors. In South Korea, debate highlighted the push to greater entrepreneurship and the promotion of small- and medium-enterprises. In Japan, the need to encourage more women to enter and stay in the workforce was highlighted, in addition to discussions of Prime Minister Abe’s economic reforms. The clear implication in each case was that there was a need for change.

These jurisdictions are also facing similar demographic challenges. All three have aging populations. With 13.5% of its population over 65, South Korea has the lowest proportion of elderly citizens among the three, but is still more than double the Philippines’ 4.7%.<sup>40</sup> Japan has by far the highest percentage of elderly citizens, at 26.6%, and is already facing the consequence of a declining overall population.<sup>41</sup> Governments in all three jurisdictions are struggling to cope with the reduced labour productivity and increased social costs of an aging population. At the same time, they are trying to meet the needs of young workers, who are entering mature economies that offer fewer opportunities, while also facing unaffordable housing markets.

Though the specifics vary, the Committee heard about the need for reform in all seven jurisdictions it visited, adding to the sense that East Asia is a region in transition. The balance of economic power between the early economic successes in the region, like

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37 The World Bank, [GDP Growth \(annual %\)](#).

38 The Government of Japan, [About Abenomics](#).

39 Hudson Lockett and Robin Harding, [“Japan records longest growth spurt since 1989,”](#) *The Financial Times*, 13 February 2018.

40 The World Bank, [Population Ages 65 and above \(% of total\)](#).

41 Ibid.



Hong Kong, Japan and South Korea, and those that lagged, like Indonesia, the Philippines and Vietnam, has already shifted significantly in the last two decades as a result of sustained growth by the still relatively poorer economies. Whether these developing countries close this gap and reach the status of high-income economies will depend on their ability to continue to build on their recent successes while properly managing the demographic challenges of their “youth bulge.” In the mature economies the Committee visited, leaders expressed the need to diversify their economies into new areas of growth while managing the consequences of their aging populations. The one constant in all cases was the reality of, and need for, change.

### **a. Implications for Canada’s Engagement**

The economic and demographic shifts underway in East Asia present opportunities for Canada to deepen engagement in the region. In developing countries like Indonesia, the Philippines and Vietnam, continued strong economic growth and the desire to diversify economies into more sophisticated sectors make these markets some of the most attractive in the world. The Committee heard in all three countries about the desire for increased economic cooperation with Canada.

Mature economies, like Japan and South Korea, are similar in many ways to Canada. They are diversified high-skill economies with a strong reliance on exports, which are facing challenges related to an aging workforce and increased global competition. As such, these jurisdictions are natural allies in pursuit of common international economic objectives. In these two jurisdictions, the Committee heard a desire to uphold and expand the international economic system, a natural area of cooperation with Canada.

## **ENHANCING CANADA’S ENGAGEMENT IN EAST ASIA**

Canada’s role in East Asia is far from secure. During its travels, the Committee heard repeatedly that Canada’s reputation was good, but weak. People thought positively of Canada but did not know much about our country. Leaders wanted strong ties with Canada, but it was not a priority. Canada has a history of good relations with many countries in the region, and a strong base on which to further engage, but our influence is not assured.

Simply put, without effective and consistent engagement, Canada risks being ignored or even seen as irrelevant. Engagement, therefore, is as much about demonstrating Canada’s value as it is about pursuing our immediate interests. Canada has a great deal to offer countries in East Asia, and it was suggested to the Committee that Canada can do more to promote the benefits of engagement to our partners.

Experts who testified before the Committee in Ottawa generally believed that Canada is not giving East Asia the attention it deserves. Professor Boutilier, for one, bemoaned the lack of emphasis on the region. As one possible explanation, he suggested Canada is perhaps overly focused on traditional alliances: “[T]he overwhelming dependence on the U.S. market, ties across the Atlantic, and institutional responsibilities to NATO and other organizations have deflected us from Asia.”<sup>42</sup> He also pointed to our cultural, linguistic and other differences with countries in the region as another reason for preferring to deal with traditional allies, putting East Asia “subconsciously in the all-too-difficult file.”<sup>43</sup>

In order to be effective in East Asia, witnesses emphasized that Canada needs to engage consistently over the long-term across the spectrum of foreign policy areas. As David Welch, CIGI Chair of Global Security, Balsillie School of International Affairs, testified:

One key cultural characteristic of diplomacy in the region is that one cannot fully engage at one table without engaging at all tables. Canada does not have the luxury of playing *carte blanche* politics, seeking only economic opportunities without addressing other issues of concern to the region. The Asia-Pacific is not a transaction place; it is a place where serious diplomacy, serious politics, requires sustained relational engagement.<sup>44</sup>

The Committee heard similar views during its time in East Asia. It was reminded repeatedly of the importance of building long-term relationships in many countries and that even temporary or inadvertent disengagement can prove costly. It was suggested to the Committee that Canada needs to take a longer term, less “transactional”, view of its engagement with East Asia. Similarly, Canada’s engagement in the region has been criticized for being overly focused on economic issues. While higher levels of trade and investment may be the most immediate and tangible outcome of greater engagement in East Asia, pursuing it with a “single-minded focus”, as Mr. Welch put it, is not an effective strategy.

From environmental concerns, like combating the effects of climate change and addressing ocean pollution, to promoting greater gender equality, to assisting on governance challenges like corruption, the Committee heard about a variety of areas where Canada’s partners in East Asia believed there are opportunities for greater engagement. As such, Canada should not attempt to demonstrate its value to the countries in East Asia on purely economic terms. Instead, opportunities should be seized across issue areas in an effort to improve Canada’s broader relations in the region. From

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42 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

43 Ibid.

44 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.



the Committee's perspective, if Canada believes in the importance of the region, then we need to have confidence that consistent investments in long-term relationships will pay dividends.

Therefore, the Committee believes that Canada can improve its engagement with East Asia based on a strategy that promotes consistent and long-term efforts to build strong relations with countries across the spectrum of international issues. The inter-connectivity of issues should be kept in mind, and engagement in any given area should be evaluated on its value to Canada's relations as a whole, with a view to building robust and well-rounded relationships with countries in the region. The remainder of this report considers aspects of Canada's engagement in East Asia based on the information the Committee gathered during its study and makes recommendations where the Committee believes improvement can be made.

## 1. Trade and Investment

During its study, the Committee heard what were, at times, contradictory comments with respect to Canada's economic relationship with the countries of East Asia. On one hand, it was pointed out that trade and investment has been the focus of our foreign policy in the region for decades, perhaps overly so. On the other hand, the Committee heard that East Asian markets are not a priority for Canadian firms and that the level of business being conducted was much less than was possible. The Committee ultimately saw evidence supporting both sides of this argument. There have clearly been successes in terms of fostering trade and investment in East Asia, though it is apparent that opportunities exist to significantly increase economic activity.

There is little doubt that Canada's trade with Asia is important. According to the Asia Pacific Foundation of Canada, Canada's trade with the Asia/Oceania region, which includes East Asia, matched its combined trade with Europe and Latin America in 2017.<sup>45</sup> Neither inward nor outward investment with the region reach the same proportional importance as trade, but nonetheless still amount to over \$130 billion combined per year, and only trails investment flows with the U.S. and Europe.<sup>46</sup>

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45 Canada's trade with Asia/Oceania region was \$186.2 billion in 2017, equal to combined trade with Europe (\$119.9 billion) and Latin America (\$66.3 billion). Source: Asia Pacific Foundation of Canada, [Canada's Trade with the World, by Region](#).

46 Inward foreign direct investment from Asia was \$75.7 billion in 2016, outward Foreign direct investment was \$65 billion. Sources: Asia Pacific Foundation of Canada, [Canadian Inward Foreign Direct Investment from the World](#), Asia Pacific Foundation of Canada, [Canadian Foreign Direct Investment to the World](#).

Despite this success, the Committee heard, throughout its study, that Canada's economic relationship with East Asia was not meeting its potential, as witnesses suggested that Canada is not placing a strong enough focus on East Asia. Speaking of Canadian trade with China specifically, Sarah Kutulakos, Executive Director of the Canada China Business Council, noted that exports to China grew by 13% in 2017 without Canada "trying very hard":

When I say "trying very hard", I don't mean to diminish the efforts by all the institutions that I consider tools in the China tool box; but as a country, we don't have a strategy for China and we are not focused enough.<sup>47</sup>

While pointing out our significantly lower export numbers compared to Australia or Germany, Stewart Beck made a similar point: "Asia has just not been on our radar screen, and we have had little or no reason or desire to connect."<sup>48</sup>

While the Committee believes significant efforts have been made to enhance Canada's economic relationship with East Asia, it believes there are opportunities to improve our engagement strategy in a manner that can support tangible improvements to current levels of trade. In order to get Canadian firms to do more business in East Asia, the federal government needs to ensure that Canada is competitive, while helping to lower the costs that firms face in entering unfamiliar markets.

### **a. Free Trade Agreements**

Discussions of Canada's economic relationship with East Asia invariably included talk of free trade agreements (FTAs). Whether it be agreements that Canada has concluded, like the CPTPP or the Canada-Korea Free Trade Agreement (CKFTA), or is in the process of exploring, like initial discussions with ASEAN and China, or regional agreements involving other countries, FTAs are seen as an integral part of the economic landscape in the region. During its study, the Committee heard that agreements like the CPTPP and CKFTA can give Canadian firms an advantage over foreign competitors, but these opportunities must be seized while they last as countries in the region are aggressively pursuing further trade agreements that may undermine Canadian competitiveness in the future.

Concluded in 2014, the CKFTA is Canada's only operating FTA in East Asia. During its time in Seoul, the Committee heard that while the CKFTA was a welcomed improvement to Canada and South Korea's economic partnership, it had yet to significantly increase trade between the two countries. Given the large number of FTAs concluded by South

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47      FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

48      *Ibid.*



Korea, one commentator suggested that the agreement should be considered a success because it prevented trade from declining. Others were more pessimistic about the outcomes achieved to date, suggesting that while governments in both countries want greater trade, their respective business communities had struggled to find compatible partnerships, with each more focused on their larger, closer neighbours.

In Japan and Vietnam, the two members of the CPTPP visited by the Committee, commentators were optimistic about the trade benefits that the new agreement would bring once it comes into force.<sup>49</sup> Local interlocutors expressed a desire for the inclusion of other countries within the agreement, most commonly the U.S., but also China. In terms of the agreement's potential benefits to Canada, commentators in Japan pointed to information technology, artificial intelligence and agri-food as sectors that are well positioned to take advantage of the CPTPP.

The Committee also heard about FTAs that are under consideration or being negotiated by countries in the region, the largest of which is the Regional Comprehensive Economic Partnership currently being negotiated among 16 countries.<sup>50</sup> While generally acknowledged as having the potential to significantly influence regional trade dynamics, commentators whom the Committee met expressed varied views on the state of negotiations, with many being sceptical of an agreement being reached in the near future. While on a smaller scale, a possible China-Japan-South Korea FTA and a Japan-U.S. FTA, among others, were also discussed. Whether or not these agreements come to fruition, the sheer number of different FTAs being negotiated or considered illustrates the continually shifting economic environment in the region. Canadian business people in East Asia emphasized that any new FTA in the region to which Canada is not a party is likely to affect Canadian competitiveness and firms must seize opportunities when they present themselves.

The process of exploring and negotiating trade agreements was also highlighted as an important signal of a government's engagement in the region. As Sarah Kutulakos pointed out in reference to China, the act of negotiating an FTA can have positive effects independent of the eventual outcome:

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49 The agreement will come into force 60 days after at least six members have completed ratification procedures. Canada has yet to ratify the agreement. Source: Government of Canada, [Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\) – Frequently asked questions](#).

50 Countries currently participating in negotiations of the RCEP are the 10 ASEAN members as well as Australia, China, India, Japan, Korea and New Zealand. Source: Association of Southeast Asian Nations, [Regional Comprehensive Economic Partnership](#).



[W]e consulted with companies across Canada last year about an FTA, many said there would not be that much for them in an agreement, and yet they knew that the process of negotiating it would keep the relationship warm and healthy, and would be good for their business.<sup>51</sup>

Given the value of FTAs and the very competitive environment it heard about during its time in the region, the Committee is convinced that Canada must continue to actively seek out opportunities for greater economic integration in East Asia. As new FTAs continue to be negotiated, Canada must keep pace or risk falling behind Canada's economic competitors in the region.

## **Recommendation 2**

**The Government of Canada should continue to actively seek out opportunities to increase Canada's economic integration with countries in East Asia through bilateral and multilateral trade agreements.**

### **b. Trade Commissioners and Chambers of Commerce**

The Committee had the pleasure of meeting with members of the Canadian Trade Commissioner Service throughout its time in East Asia. With over 161 offices around the world, the Canadian Trade Commissioner Service is part of Global Affairs Canada and, assists Canadian firms operating in foreign markets, or seeking to enter such markets, while promoting Canada economic interests overseas.<sup>52</sup> In each country where the Committee met with local trade commissioners, it came away impressed with the knowledge and professionalism of the service. This view was reaffirmed by significant positive feedback the Committee received from Canadian businesspeople, who expressed a firm belief in the value of the Trade Commissioner Service.

The Committee was also fortunate to meet with members of local Canadian Chambers of Commerce in Indonesia, Hong Kong, Japan and South Korea. Like with the trade commissioners, the Committee was impressed with these independent organizations, whose members demonstrated a remarkable dedication to promoting Canadian business interests in their respective countries. The Committee believes these organizations are a valuable asset in support of Canada's economic interests in the region.

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51 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

52 The Canadian Trade Commissioner Service, *About Us*.



The Committee heard repeatedly during its travels that, in order to succeed, firms need to foster strong local relationships and gather information in order to understand the peculiarities of the markets they are entering. This significant initial investment, along with cultural and linguistic unfamiliarity, were frequently highlighted as barriers to entry in East Asia, especially for small- and medium-enterprises. By providing information and networking opportunities, trade commissioners and chambers of commerce can help to reduce these initial costs as well as the uncertainty around entering a new market.

### **Recommendation 3**

**The Government of Canada should continue to strengthen the Canadian Trade Commissioner Service and support the work of local Canadian Chambers of Commerce in East Asia as part of a comprehensive strategy to promote Canadian trade and investment in the region.**

### **c. Branding**

One issue that was raised repeatedly during the Committee's study, from an economic perspective as well as during broader discussions, was the problems Canada faced in offering a "Canadian" brand in East Asia. As James Boutillier put it: "Canada has a profound branding deficit in Asia. Canadians are seen as nice people, but frankly irrelevant."<sup>53</sup> Though not as blunt, the Committee heard a similar message from interlocutors in several countries it visited. Local commentators explained how firms struggled to leverage being Canadian as a means of differentiating themselves from foreign competitors because of a lack of general knowledge about Canada. Some suggested that within the general public, it would be common for people to not know of Canada at all. In other cases, it was suggested people would be aware of Canada only in the vaguest of terms. Where people had knowledge of Canada, there was also suggestions that it would be perceived as too distant and not relevant to the market.

Commentators noted that this was a significant missed opportunity as Canada's international reputation aligns with traits valued by consumers in East Asia. An example given was Canada's meat exports, as consumers in countries like China, Japan and South Korea are willing to pay a premium for meat they believe is of a higher quality. Canada's reputation for having high health standards and well-regulated industries, along with its image of having a clean natural environment would help signal to customers that Canadian products should be preferred.

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53 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

This feedback is particularly significant in relation to markets in East Asia with a rapidly growing middle class. As the Committee heard, people entering the middle class are developing tastes and preferences which are likely to solidify over time and Canada has an opportunity to establish a brand that will have long-term benefits.

Several commentators also highlighted the lack of cooperation between Canada's federal and provincial governments as a particular problem with current Canadian branding efforts. The Committee was told that provincial trade missions often promote provincial industries without relating it to national initiatives or a unique Canadian brand. Commentators noted that this fragmentation ultimately weakened the overall message as it confused audiences who have limited knowledge of Canada. It was also pointed out that when multiple provinces promote the same industry in this manner, they are effectively competing against each other, instead of collaborating to strengthen a common brand.

While the Committee heard about Canadian branding successes that linked Canadian characteristics to consumer preferences, such as the efforts of Canada Wood in China or the marketing of Canadian pork in Japan, the example most often provided of branding done well was that of Australia.<sup>54</sup> Australia was regularly highlighted as a major competitor to Canada in East Asia, one that has gained ground through a coherent strategy that includes effective branding efforts. In its 2017 Foreign Policy White Paper, the Australian government commits to building a "stronger nation brand" as branding complements the government's "broader trade and investment policies and add impetus to our major economic partnerships."<sup>55</sup>

#### **Recommendation 4**

**The Government of Canada should increase its efforts, in coordination with similar initiatives at the provincial level, to promote a Canadian brand in East Asia in order to improve local knowledge of Canada and help Canadian firms differentiate themselves from their competitors.**

## **2. Security**

While trade and investment should remain a top priority for Canada, the Committee heard repeatedly during its study of the importance of Canadian engagement on

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54 The branding of Canadian wood products, including in China, Japan and South Korea, is one of the two focuses of the Canada Wood Group. Source: Canada Wood, [About Us-Canada Wood Overview](#).

55 Australian Government, "[Soft power](#)," *2017 Foreign Policy White Paper*.



security issues in East Asia. Fuelled in part by the shifting balance of power in the region and the continuing threat of international terrorism, commentators in many countries the Committee visited expressed significant concerns about their country's overall security. Security issues like attacks by Islamic State-linked terrorist groups, North Korea's nuclear weapons and ballistic missiles programs or territorial disputes in the East and South China Seas, are of direct concern to Canada and engagement on these issues is an important opportunity to advance Canada's security.<sup>56</sup>

Security experts who testified before the Committee described a region with significant security challenges. Beyond specific situations, witnesses highlighted the lack of security cooperation as a key weakness that increases the likelihood of conflict. Marius Grinius testified that despite the growing economic interdependence of the region, which makes armed conflict more costly, "the level of political and security co-operation there remains low."<sup>57</sup> Ferry de Kerckhove made a similar comment, stating that the region is "in need of a security architecture" as it "is primarily built around a patchwork quilt of bilateral security arrangements rather than the kind of multilateral framework we enjoy within NATO."<sup>58</sup> Paul Evans noted that there is an "arms buildup under way" as most countries "are increasing their defence spending considerably" while a "repositioning" of existing security alliances is taking place in response to the shifting balance of power.<sup>59</sup>

Another point made repeatedly by witnesses was the importance of the military in many East Asian countries. As James Boutilier testified: "This is something we tend to forget, the degree to which militaries, in and out of uniform, are in fact major opinion-makers in many of the polities we're dealing with."<sup>60</sup> While this is most obvious in communist countries like China and Vietnam, it was also a point made to the Committee while in Indonesia, and highlights the interconnectivity between security concerns and other areas of engagement.

This testimony generally conforms with what the Committee heard during its time in East Asia. Security concerns were an important element of the discussions the Committee had in all its stops in the region, and they were often raised by local

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56 For a discussion of these security challenges, see Nuclear Threat Initiative, *North Korea*; Greg Raymond, *Counterterrorism Yearbook 2018: Southeast Asia*, Australian Strategic Policy Institute, 4 April 2018; Council on Foreign Relations, *China's Maritime Disputes*.

57 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

58 Ibid.

59 See testimony of James Boutilier, FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018, and Paul Evans, FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 24 April 2018.

60 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

counterparts. It was clear to the Committee that security concerns were a priority for decision-makers in the region, in many cases on par with, or above, economic interests.

Yet, a number of witnesses in Ottawa testified that Canada has been doing less, not more, in this area in recent years. According to David Welch, Canada has “disengaged significantly from security files in the region” since the early 2000s.<sup>61</sup> Paul Evans made similar comments, stating that “almost all of the key players in Asia” see Canada as “reactive, on the sidelines, playing on the margins.”<sup>62</sup>

The Committee holds the view that if Canada wishes to achieve its broader foreign policy objectives in East Asia, it must engage effectively in the region on security issues. This will mean participating in broad security-related cooperation, like Canada’s recent invitation to attend the East Asia Summit.<sup>63</sup> But it also requires that Canada demonstrate its relevance in specific situations, showing the tangible value of Canada’s security engagement in the region. Canada will not be a security leader, but it can play a more meaningful role in the security issues facing East Asia, like those discussed below.

### a. North Korea

The security threat posed by North Korea through its development and testing of nuclear weapons and ballistic missiles is perhaps both the single greatest security challenge in the region and the best example of effective current engagement by Canada. The threat posed by North Korea was a topic of conversation during every stop in the Committee’s trips. While positions on the situation varied, there was a general feeling that de-escalation was required to achieve a peaceful resolution, and that diplomacy was the only viable solution to the threat posed by North Korea. Economic sanctions were broadly seen to be playing an important role in pressuring the North Korean government to abandon its nuclear and ballistic weapons, though the Committee heard that they must be maintained at current levels in order to continue to contribute to this objective.

During its time in Seoul, it was apparent to the Committee that there was a strong desire in South Korea for closer relations with North Korea. The joint Korean team which

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61 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.

62 FAAE, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 24 April 2018.

63 The East Asia Summit is a “forum for strategic dialogue and cooperation” generally held in conjunction with ASEAN leaders meeting. Canada is not a member of the summit, but was invited to participate in 2017 by the Philippines. Sources: Australian Government Department of Foreign Affairs and Trade, *East Asia Summit (EAS)*; Andy Blatchford, “[Philippines! Duterte helps secure Trudeau invitation to security event](#),” *The Star*, 13 November 2017.



participated at the Winter Olympics, the meeting between North Korean President Kim Jong-un and South Korea President Moon Jae-in and the then-unrealized summit between President Kim and U.S. President Donald Trump were seen as a welcome change from the escalating tensions between North Korea and the U.S. which preceded them. Talk of reunification and a permanent peace on the Korean peninsula were frequent, and there was a general sense that the current situation presented a unique opportunity to fundamentally change relations. While there was broad agreement that the time had come to improve relations, there was much less consensus on the exact path to closer ties. It was pointed out repeatedly that full reunification would be a very complex and expensive undertaking, one that would be best realized through a gradual process. Initial steps included re-establishing and building on previous economic and people-to-people ties that had existed during previous attempts at improved relations, such as the Kaesong Industrial Complex, a largely South Korea financed industrial park within North Korea. This increased cooperation would then lead to more formal agreements, including a peace treaty and, potentially reunification.

Canada's engagement on North Korea is a prime example of how Canada can participate meaningfully in security issues in East Asia. From co-hosting a Foreign Ministers' meeting, to increasing our military contribution to the United Nations Command on the peninsula, to sending aircraft to help monitor sanctions compliance at sea, Canada has made tangible contributions as part of broader international efforts to achieve North Korean denuclearization.<sup>64</sup> These efforts have not gone unnoticed by countries in the region, and this mixture of diplomatic support and military involvement offers a model for effective engagement elsewhere on security issues.

As a way of furthering its involvement on this issue, some witnesses questioned whether Canada should increase its diplomatic engagement with North Korea. Canada significantly reduced its engagement with North Korea in 2010, instituting a policy of "controlled engagement" in response to North Korean actions.<sup>65</sup> Specifically, it was suggested that Canada should once again cross-accredit its ambassador to South Korea to North Korea. Marius Grinius, a former Canadian ambassador to South Korea and North Korea, supported the idea as a means of participating in current international efforts: "You have to be there. You have to know what's going on. You can't rely on

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64 Government of Canada, *Foreign Ministers' Meeting on Security and Stability on the Korean Peninsula: Vancouver 2018*; Government of Canada, *Canadian Armed Forces General to be appointed Deputy Commander – United Nations Command Korea*; Government of Canada, *Canada to participate in initiative to counter North Korea's maritime sanctions evasion*.

65 Government of Canada, *Canada - Democratic People's Republic of Korea*.

somebody else telling you what's going on.”<sup>66</sup> Patricia Talbot, Team Leader of the Global Partnerships Program of the United Church of Canada, also supported renewed diplomatic engagement with North Korea: “This is a time of dialogue, and I firmly believe that Canada can assist in the communication, interpretation, and honest brokering that's needed at this time.”<sup>67</sup>

### Recommendation 5

**The Government of Canada should continue to cooperate with its international partners to pressure North Korea to abandon its nuclear weapons and ballistic missiles programs, and should verifiable progress be made towards that goal, consider renewing its diplomatic engagement with North Korea, including cross accrediting the Canadian Ambassador to South Korea to North Korea.**

### b. Terrorism

The Committee heard about the threat of terrorism throughout its time in East Asia. The reverberations of conflicts in the Middle East, especially the rise of the Islamic State (IS), are having tangible effects in the region, particularly among Muslim populations. Violent extremism is a central concern in the Philippines, where the government has been in open conflict with extremists in its southern islands, as well as in Indonesia and China. Commentators in the region are concerned that the export of extremist ideologies from groups like IS, and the return of combatants from Middle East conflicts, are fuelling domestic extremist movements and leading to acts of violence. The 2017 siege of the city of Marawi in the Philippines demonstrates that these fears are well founded and that the risks of terrorism are real in the region.

In both Indonesia and the Philippines, foreign extremist influence is combining with existing domestic dynamics to create a volatile situation. In the Philippines, the decades-old, often-violent, independence movement among the Muslim minority on the southern island of Mindanao has proven fertile ground for the spread of extremist ideology. The siege of the Mindanao city of Marawi in 2017, where fighting between IS-linked militants and the military led to more than 1,000 deaths and decimated the city, has had a profound effect.<sup>68</sup> Both government officials and independent commentators with which the Committee met expressed the need to finalize a

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66 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

67 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2018.

68 Carmela Fonbuena, “[Marawi one year after the battle: a ghost town still haunted by threat of Isis](#),” *The Guardian*, 22 May 2018.



long-delayed peace deal between the government and the main separatist groups, in part, as a means of countering the spread of extremist ideology.

In majority-Muslim Indonesia, rising concerns about foreign-influenced violent extremism are seen within the context of a broader shift towards political Islam. Traditionally moderate, Indonesia has seen growing support for political Islamist movements who call for stricter adherence to Islamic religious doctrine. The recent example of Basuki Tjahaja Purnama, the Christian Chinese former-governor of Jakarta, who was convicted of blasphemy following Islamist street protests, estimated in the hundreds of thousands, is the most visible example of shifting political dynamics which the Committee heard were present throughout the country.<sup>69</sup> This changing environment, along with returning Indonesian IS fighters and their families, was seen by some commentators in Jakarta as fuelling extremist groups in Indonesia. The Committee heard that while these groups are small in number, and broadly condemned, even by staunch Islamists, they have the potential to cause a disproportionate amount of violence in a country with a history of terrorist attacks.

The Committee heard in both countries that effectively dealing with violent extremism requires an approach that combines traditional law enforcement and intelligence techniques with development policies that help to undermine extremist groups' support within communities. Interlocutors stated that broad development policies are a crucial means of challenging the enabling environment that allows these groups to exist and expand and is the only long-term solution to violent extremism.

The Committee believes that this dual approach to counter-terrorism offers an opportunity for greater Canadian engagement, building on existing counter-terrorism efforts through ASEAN and Canada's long tradition of providing development assistance in the region. Existing counter-terrorism efforts, such as the assistance Canada provides through its Counter-Terrorism Capacity Building Program, should be further leveraged in combination with strategic use of development assistance to enhance Canada's engagement on an issue of critical importance to countries in the region.<sup>70</sup>

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69 Kathy Quiano and James Griffiths, "[Indonesia: 200,000 protest Christian governor of Jakarta](#)," *CNN*, 2 December 2016.

70 Government of Canada, [New Canadian assistance in Southeast Asia](#).



## Recommendation 6

**The Government of Canada should pursue a strategy that blends law enforcement and intelligence approaches with targeted development assistance in order to increase its engagement on counter-terrorism with partner countries in East Asia.**

### 3. Other Areas of Engagement

Beyond Canada's economic and security relationship with countries in East Asia, there are a number of other areas where Canada's presence can be strengthened to the benefit of a comprehensive engagement strategy in the region. Issue areas like promoting respect for human rights, democracy, gender equality and the rule of law, encouraging increased people-to-people ties, engaging in development assistance and participating in multilateral cooperation are all worthy foreign policy objectives in their own right. But, as was made clear during its study, the Committee believes they also provide value to the broader relationship. Interlinkages across issue areas are mutually reinforcing, and the more Canada engages in all areas, the better Canada will do in any given area.

#### a. Respect for human rights, democracy, gender equality and the rule of law

Promoting respect for human rights, democracy, gender equality and the rule of law has been a cornerstone of Canadian foreign policy for generations. Yet, it remains a challenge to promote these issues effectively within the context of a comprehensive foreign policy that includes other, equally important, objectives. The Committee faced this challenge during its time in East Asia. In China, Indonesia, the Philippines and Vietnam, the Committee engaged in discussions on these issues and heard about concerning aspects of the domestic situation in these countries.

In each country, the Committee was told about troubling government behaviour. In China, the Committee heard about new laws which were further restricting the space open to civil society groups. In Indonesia, commentators highlighted the negative effects of corruption and the continued control exerted by the country's ruling elite. In the Philippines, concerns were raised about violence and human rights violations associated with the government's anti-drug campaign. In Vietnam, the Committee was told about long prison sentences given out for criticism of the government. These are just a few examples of domestic actions by countries in East Asia that raise concerns regarding governments' adherence to international standards.



In China and the Philippines in particular, the Committee received pushback from authorities when engaging on these issues. The Committee was essentially told that domestic concerns were none of its business and that it was inappropriate for western countries like Canada to impose their standards on developing countries in East Asia. While the Committee feels strongly that it is appropriate to comment on foreign governments' domestic actions where they are contrary to their international commitments, particularly violations of international human rights obligations, it had the sense that many did not want what they perceived as "lectures" on the topic, and that direct advocacy on these issues would have limited results.

Within this environment, engaging effectively on human rights, democracy, gender equality and the rule of law will continue to be a challenge. The goal of supporting positive domestic change in these countries in a manner that respects their sovereignty must be the constant priority, and strategies should account for sensitivity to perceived foreign intervention in many countries. In some situations, politically sensitive matters may be best addressed through quiet diplomacy and indirect action, for example, by supporting local civil society, while other matters require speaking publicly and engaging in open and frank dialogue with governments in the region, where possible, working in concert with likeminded states. Areas where collaboration is possible may deserve special attention as tangible results may be more achievable. For example, in several countries the Committee heard that governments, typically resistant to foreign intervention on human rights more generally, were actively supportive of initiatives related to gender rights and health, as they aligned with government and multilateral priorities.

As relates to gender equality specifically, the Committee was pleased to hear of efforts in several countries it visited to promote women's rights. There was broad recognition in the region that removing impediments to greater female participation in the economy and labour market is necessary for the proper functioning of a modern economy. The Philippines is setting a strong example for the rest of the region in terms of gender equality, ranking 10<sup>th</sup> on the World Economic Forum's *Global Gender Gap Index*, ahead of Canada and all its East Asian neighbours.<sup>71</sup> During its time in the Philippines, the Committee heard about the country's achievements in promoting gender equality, but was also told that more work was required, particularly as it relates to the rights of low-income women and girls, and sexual health and reproductive rights for all women.

Regardless of the specific strategy followed and the challenges that are likely to be faced, the Committee believes that Canada's engagement on human rights, democracy,

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71 World Economic Forum, [\*Ranking by Global Gender Gap score\*](#).

gender equality and the rule of law must continue to be a central part of its foreign policy in the region. If done thoughtfully, advocacy on these issues can achieve tangible results, while ensuring that Canada's regional engagement reflects our national priorities.

### **Recommendation 7**

**The Government of Canada should continue to promote respect for human rights, democracy, gender equality, and the rule of law in East Asia. Engagement strategies should be tailored to local circumstances and focused on supporting positive change in the country in question, including through quiet diplomacy and indirect action, and/or speaking publicly and engaging in open and frank dialogue with governments in the region and where possible, working in concert with likeminded states.**

### **b. People-to-people ties**

More people than ever are moving to and from Canada and East Asia. At every stop on its travels in East Asia, the Committee heard how people-to-people ties are increasing, as people move in both directions for tourism, education, economic opportunity or permanent migration. This increasing flow of people offers important benefits in and of itself, but also presents an opportunity to improve Canada's overall engagement in the region. The Committee heard repeatedly, during its study, that people-to-people ties help to educate people about Canada and increase Canada's visibility in the region, and as such are valuable assets towards a comprehensive engagement strategy.

As Sarah Kutulakos pointed out, education and tourism are both strategic economically, as "easy sectors, where our exporters don't even really need to leave the country to sell," and "important people-to-people connections in which Canadian values can be expressed and shared."<sup>72</sup> The dual importance of these sectors was highlighted repeatedly during the Committee's time in the East Asia. East Asia already figures prominently in the education sector, China is Canada's largest source country for foreign students, with South Korea ranking third.<sup>73</sup> Vietnam was the fastest growing source country in 2016-2017.<sup>74</sup> East Asian countries are also an important source of tourists, in

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72 FAAE, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 April 2018.

73 Canadian Bureau of International Education, *Facts and Figures*.

74 Ibid.



May 2018, over 60,000 Chinese residents entered Canada, behind only the U.S. and the United Kingdom, with significant numbers arriving from Japan and South Korea as well.<sup>75</sup>

The Committee heard about both the growing number of students and tourists choosing Canada, and that significant potential for growth remains. While existing efforts such as Canada's International Education Strategy and Tourism Vision demonstrate the importance already placed on the sectors, the Committee is convinced that more can still be done.<sup>76</sup>

### **Recommendation 8**

**The Government of Canada should work with its provincial partners and educational institutions to improve upon existing efforts to attract foreign students to Canada.**

East Asian diaspora populations in Canada were also a topic of discussions during the Committee's travel. In Hong Kong and the Philippines in particular, the Committee heard about the importance of the diaspora community in Canada as well as Canadian citizens who return to their country of origin. In Hong Kong, the estimated 300,000 Canadian passport holders residing in the jurisdiction was frequently pointed to as a competitive advantage for Canada and a potential resource for Canadian firms seeking to get a foothold in East Asia. In the Philippines, the high levels of permanent immigration to Canada was highlighted as a mutually beneficial arrangement, as it provided employment opportunities for educated Filipinos and skilled workers for the Canadian economy.

### **c. Development assistance**

Canada's development assistance programs in East Asia have evolved significantly as the countries in the region have achieved sustained economic growth. The Committee heard from aid recipient countries like Indonesia, the Philippines and Vietnam how many traditional aid donors like Canada are either reducing aid or closing aid programs all together as these countries "graduate out" of development assistance.

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75 Destination Canada, [\*Tourism Snapshot: A Monthly Monitor of the Performance of Canada's Tourism Industry\*](#), May 2018.

76 Global Affairs Canada, [\*Canada's International Education Strategy\*](#); Government of Canada, [\*Canada's Tourism Vision\*](#).

For its part, Canada continues to provide significant aid to Indonesia, the Philippines and Vietnam.<sup>77</sup> In all three countries, the Committee heard a great deal about the strong relationship that Canada has built through its international development assistance programs. However, while legislators and government officials that the Committee met with expressed gratitude for Canada's help, none talked about development assistance being the future of the relationship. Talk of building the relationship instead centred on areas, like trade and investment, where cooperation can be built based on mutual benefit.

Despite reduced emphasis on development assistance, the Committee heard about the important projects being undertaken with Canadian assistance. While in the Philippines, the Committee had the privilege of visiting a community health care clinic run by the Family Planning Organization of the Philippines. The Committee learned first-hand about the valuable services this organization provides and how Canadian funds will make a tangible difference to health outcomes for women and children in the community. This is a positive example of how Canadian aid can continue to make a difference in countries that have recently achieved significant economic growth and demonstrates the role development assistance can play within Canada's broader relationship with these countries.

While in China, the Committee met with the government's Department of Foreign Aid and heard about China's expanding development assistance program. Officials were quick to emphasize that China's development initiatives overseas should be seen as a complement to efforts from traditional donors like Canada and that they looked forward to potential opportunities for direct cooperation. Whether or not direct cooperation happens, Canadian development programming should take into account funding from non-traditional sources like China in its programming decisions as these sources are likely to continue to play an increasingly important role in the development landscape.

## **Recommendation 9**

**The Government of Canada should continue to provide assistance to its development partners in East Asia as part of a comprehensive engagement strategy with emerging economies in the region.**

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77 Total Government of Canada official development assistance for 2016-17 to Indonesia was \$29.3 million, to the Philippines was \$20.1 million and to Vietnam was \$20.2 million. Source: Government of Canada, [\*Statistical Report on International Assistance 2016-17\*](#).



#### **d. Multilateral cooperation**

Across substantive issue areas, engaging through multilateral institutions can be an effective way for Canada to achieve its foreign policy objectives. Multilateral forums offer the potential to engage with multiple countries on a variety of issues in an environment where Canada's voice is more likely to be heard. Multilateral trade agreements, like the CPTPP, offer an avenue for multilateral engagement as the negotiation and maintenance of trade treaties facilitate regular interaction between participants. Canada's long history of relations with ASEAN offers another example of Canada pursuing a range of foreign policy objectives multilaterally. Multilateral development and investment organizations, like the Asian Development Bank (ADB) and Asian Infrastructure Investment Bank (AIIB), are also mechanisms through which Canada can act multilaterally and demonstrate its commitment to regional economic development.

The Committee heard how Canada's engagement with ASEAN has grown significantly in the relationship's 40-year existence. In addition to core trade and security interests, advanced through exploratory FTAs talks and Canada's 2017 participation at the East Asia Summit respectively, Canada engages with ASEAN on issues ranging from counter-terrorism, to gender equality and diversity, to climate change and water management. Engagement through ASEAN allows Canada to interact with all 10 member-countries simultaneously on issues identified by members as priorities, and thus offers an opportunity to demonstrate Canada's commitment to the region. To that end, Canada's naming of a dedicated ambassador to ASEAN was welcomed by its members and is a valuable signal of the importance Canada's places on the relationship.

Similarly, Canada's participation in the ADB and AIIB demonstrate its commitment to one of East Asia's highest priorities: infrastructure. Throughout the Committee's travel, the region's infrastructure deficit was continually highlighted as a critical challenge for the future. During meetings at the ADB, the Committee heard that Asia needs approximately US\$1.7 trillion in investment per year until 2030 in order to meet its infrastructure needs. By participating in the ADB and AIIB, Canada is making a tangible contribution to a priority highlighted repeatedly by leaders the Committee met in the region, while also providing an avenue for expanding Canadian trade and investment.

#### **4. Conclusion**

Canada is a Pacific nation. But if it wants to be seen as such, and reap the benefits that go along with it, Canada must place a greater emphasis on its Pacific neighbours in East Asia. Canada should not shy away from these relationships because they can be difficult

and there may be areas of disagreement. Instead, Canada needs to establish broad-based, long-term relationships with countries in the region that provide for mutually beneficial bilateral cooperation as well as a platform for collaboration on issues of global importance.

Given the growing power of countries in East Asia, this engagement must recognize that Canada demonstrating its value to partners is as critical as the benefits that Canada receives in return. Canada does not set the agenda in East Asia, and countries in the region may have priorities which differ from our own. To achieve Canadian objectives, Canada must engage on the objectives of our partners.

China should be at the centre of this engagement strategy. Whether Canada can find the right balance between cooperating with China on issues of common interest and holding China accountable for its actions that fall short of international standards will go a long way to determining whether it is engaging effectively with the region as a whole. Canada will continue to disagree with China on many issues, but we need to do so in a manner that allows for this necessary relationship to grow.

Taken as a whole, the other countries of East Asia are as important, if not more so, to Canada than its relationship with China. While smaller, the variety and accessibility of opportunities across issue areas in these countries make them attractive partners for Canada. The Committee came away from the time that it spent in these countries convinced of both the sincerity of the expressed desire for stronger relations with Canada as well as the potential benefits that increased engagement can provide.

As noted repeatedly in this report, engagement with East Asia is not easy. It is not likely to get easier in the near future. But it is necessary. As the global centre of power continues to shift towards Asia, East Asia will continue to take on increasing importance, whether Canada engages effectively or not. Renewed engagement with East Asia is therefore, at its core, about maintaining Canada's international relevance and position.





## APPENDIX A LIST OF WITNESSES

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The following table lists the witnesses who appeared before the Committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the Committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
<p><b>Department of Foreign Affairs, Trade and Development</b></p> <p>Ian Burchett, Director General Southeast Asia</p> <p>Giles Norman, Executive Director Defence and Security Relations</p> <p>Shawn Steil, Executive Director Greater China</p>	2017/11/23	81
<p><b>House of Commons</b></p> <p>Samantha Demers, Awareness and Promotion Officer Corporate Security Office</p> <p>Sergio Garcia, Manager, IT Security Operations Digital Services and Real Property</p> <p>Denis Morin, Assistant Deputy Sergeant-at-Arms Corporate Security Office</p>	2017/11/23	81
<p><b>As an individual</b></p> <p>James Boutilier, Adjunct Professor Pacific Studies, University of Victoria</p> <p>Ferry de Kerckhove, Fellow and Lecturer Graduate School of Public and International Affairs, University of Ottawa</p> <p>Marius Grinius, Fellow Canadian Global Affairs Institute, Former Canadian Ambassador</p> <p>Hugh Stephens, Distinguished Fellow Asia Pacific Foundation of Canada</p>	2018/04/17	92
<p><b>Asia Pacific Foundation of Canada</b></p> <p>Stewart Beck, President and Chief Executive Officer</p>	2018/04/17	92

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Canada China Business Council</b> Sarah Kutulakos, Executive Director	2018/04/17	92
<b>As an individual</b> James Manicom Jeremy Paltiel, Professor Department of Political Science, Carleton University David Welch, CIGI Chair of Global Security Balsillie School of International Affairs	2018/04/19	93
<b>Canada Tibet Committee</b> Carole Samdup, Program Coordinator	2018/04/19	93
<b>The United Church of Canada</b> Patricia Talbot, Team Leader Global Partnerships Program, General Council Office	2018/04/19	93
<b>Women Cross DMZ</b> Christine Ahn, Founder and International Coordinator	2018/04/19	93
<b>As an individual</b> Charles Burton, Associate Professor Department of Political Science, Brock University Yonglin Chen, Former diplomat People's Republic of China Paul Evans, Professor School of Public Policy and Global Affairs, Director Emeritus and Interim Director, Institute of Asian Research, UBC David Matas Pitman Potter, Professor of Law Peter A. Allard School of Law, University of British Columbia	2018/04/24	94
<b>Office of Tibet</b> Ngodup Tsering, Representative	2018/04/24	94
<b>Department of Foreign Affairs, Trade and Development</b> Christopher Burton, Director North Asia and Oceania Rosaline Kwan, Director Southeast Asia	2018/05/10	97

## APPENDIX B

### TRAVEL TO CHINA, VIETNAM AND INDONESIA FROM NOVEMBER 26 TO DECEMBER 6, 2017

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Organizations and Individuals	Date	Location
<b>Embassy of Canada</b> Joya Donnelly, Counsellor, Head of Political Section Cindy Termorshuizen, Deputy Head of Mission Brendon Murphy, First Secretary Dave Murphy, Counsellor, Head of Trade Section Vivian Zhao, Political Relations Officer	2017/11/27	Beijing, China
<b>Committee of the National People's Congress</b> Ji Bingxuan, Vice Chair Chi Wanchun, Vice Chair, Foreign Affairs Committee	2017/11/27	Beijing, China
<b>Chinese People's Institute of Foreign Affairs</b> Wu Hailong, President	2017/11/27	Beijing, China
<b>Canada Wood</b> Leonard Mao, Marketing Director Jeff Wang, Government Relations Director Haiyan Zang, Technical Director and Beijing Office Manager	2017/11/28	Beijing, China
<b>Beijing Gender Health Education Institute</b> Martin Yang, Sustainable Development Manager	2017/11/28	Beijing, China
<b>Common Language</b> Wang Shu Bin Xu	2017/11/28	Beijing, China
<b>Asian Infrastructure Investment Bank</b> Laurel Ostfield, Head of Communications and Development Henry Bell, Senior Secretariat Officer	2017/11/28	Beijing, China

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>China Development Brief</b> Peter Liu, Executive Director Gabriele Corsetti, Deputy Director	2017/11/28	Beijing, China
<b>Canada Fund for Local Initiative</b> Zhen Li, Coordinator	2017/11/28	Beijing, China
<b>Ministry of Commerce</b> Liu Junfeng, Deputy Director General, Department of Foreign Aid	2017/11/28	Beijing, China
<b>Consulate of Canada in Hong Kong and Macao</b> Jeff Nankivell, Consul General Jennifer Farquarson, Political Officer Jodi Robinson, Senior Trade Commissioner Derry McDonell, Consul and Program Manager, Foreign Policy and Diplomacy Service	2017/11/29	Hong Kong, China
<b>Velocity Solutions Limited</b> David S.G. Armitage, C.E.O.	2017/11/29	Hong Kong, China
<b>Hong Kong War Diary,</b> Tony Banham, Historian Guide	2017/11/29	Hong Kong, China
<b>McMillan LLP</b> Douglas C. Betts, Senior Counsel	2017/11/29	Hong Kong, China
<b>Diversity &amp; Inclusion in Asia Network</b> Tina Arcilla, Senior Manager	2017/11/30	Hong Kong, China
<b>Financial Times</b> Ben Bland, Journalist	2017/11/30	Hong Kong, China
<b>Power for Democracy</b> Joseph Cheng, Deputy Governor	2017/11/30	Hong Kong, China
<b>Daly, Ho &amp; Associates</b> Mark Daly, Partner	2017/11/30	Hong Kong, China
<b>International Republican Institute</b> Elizabeth B. Donkervoort, Resident Program Director	2017/11/30	Hong Kong, China

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>Pink Dot Hong Kong</b> Betty Grisoni, Co-director Pearl Wong	2017/11/30	Hong Kong, China
<b>Sir Oswald Cheung's Chambers</b> Margaret Ng, Barrister	2017/11/30	Hong Kong, China
<b>Equal Opportunities Commission</b> Shana Wong Shan-nar, Head of Corporate Communications Devi Novanti, Director of Programs and Corporate Communications Officer Hama Zile,	2017/11/30	Hong Kong, China
<b>China Labour Bulletin</b> Eric Sautede, Development Director	2017/11/30	Hong Kong, China
<b>University of Hong Kong</b> Simon Young, Professor and Associate Dean (Research)	2017/11/30	Hong Kong, China
<b>Embassy of Canada</b> Ping Kitnikone, Ambassador Monique Lamoureau Katie Reekie Dat Vu	2017/12/01	Hanoi, Vietnam
<b>Vietnam Chamber of Commerce and Industry</b> Vũ Tiến Lộc, President	2017/12/01	Hanoi, Vietnam
<b>National Assembly of Vietnam</b> Duong Trung Quoc, Deputy	2017/12/01	Hanoi, Vietnam
<b>Institute for Studies of Society</b> Luong Minh Ngoc, Director	2017/12/01	Hanoi, Vietnam
<b>Center for Community Support Development Studies</b> Dang Hoang Giang, Deputy Director	2017/12/01	Hanoi, Vietnam
<b>Support Project</b> Leeza Tinofeeva, Director, Banking Regulation and Supervision	2017/12/02	Hanoi, Vietnam
<b>Desjardins Développement international</b> Rudi Schuetz, Field Project Director	2017/12/02	Hanoi, Vietnam

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>National Assembly of Vietnam</b> Nguyen Van Giau, Chair, External Affairs Committee	2017/12/02	Hanoi, Vietnam
<b>National Legislative Development</b> Jacob Gammelgaard, Project Director	2017/12/02	Hanoi, Vietnam
<b>Embassy of Canada</b> Peter MacArthur, Ambassador Geoffrey Dean Melissa Cardinal Marc Buaquina Irene Wirwan	2017/12/04	Jakarta, Indonesia
<b>Association of South East Asian Nations</b> Le Luong Minh, Secretary General Marie-Louise Hanna, Canadian Ambassador Phasporn Sangasubana, Permanent Representative of the Republic of Thailand Norng Sakal, Permanent Representative of the Republic of Cambodia Min Lwin, Permanent Representative of the Republic of the Union of Myanmar Tan Hung Seng, Permanent Representative of the Republic of Singapore Fajar Wirwan Harijo, Minister Counsellor, Permanent Mission of Indonesia	2017/12/04	Jakarta, Indonesia
<b>United Nations Development Programme</b> Anita Nirody, Resident Coordinator	2017/12/04	Jakarta, Indonesia
<b>Embassy of the United States</b> Erin McKee, Deputy Chief of Mission	2017/12/04	Jakarta, Indonesia
<b>Embassy of the United Kingdom</b> Moazzam Malik, Ambassador	2017/12/04	Jakarta, Indonesia
<b>Delegation of the European Union to Indonesia and Brunei Darussalam</b> Vincent Guérend, Ambassador	2017/12/04	Jakarta, Indonesia

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>Embassy of Australia</b> Robert Brink, Counsellor (Development Coordinator)	2017/12/04	Jakarta, Indonesia
<b>House of Representatives Commission I (Defense, Foreign Affairs and Information)</b> Abdul Kharis Almasyhari, Chairman	2017/12/04	Jakarta, Indonesia
<b>Government of the Republic of Indonesia</b> Retno Marsudi, Minister of Foreign Affairs Bambang Brodjonegoro, Minister of National Development Planning	2017/12/05	Jakarta, Indonesia
<b>Saeful Mujani Research and Consulting</b> Sirojudin Abbas, Program Director	2017/12/05	Jakarta, Indonesia
<b>University of Indonesia</b> Suzie Sudarman, Director, Center for American Studies	2017/12/05	Jakarta, Indonesia
<b>Indonesian Canadian Chamber of Commerce</b> Greg Elms, Vice Chairman	2017/12/05	Jakarta, Indonesia
<b>Kemilraan Partnership</b> Monica Tanuhandaru, Executive Director	2017/12/05	Jakarta, Indonesia
<b>Pacific Oil &amp; Gas Indonesia</b> Kusnan Rahmin, President Director	2017/12/05	Jakarta, Indonesia
<b>Institute for Policy Analysis and Conflict</b> Sidney Jones, Director	2017/12/05	Jakarta, Indonesia
<b>Syarif Hidayatullah State Islamic University Jakarta</b> Fuad Jabali, Lecturer	2017/12/05	Jakarta, Indonesia
<b>SSEK Indonesian Legal Consultants</b> Rick Emerson, Lawyer	2017/12/05	Jakarta, Indonesia
<b>The Habibie Center</b> A. Ibrahim Al Muttaqi, International Relations Director	2017/12/05	Jakarta, Indonesia





## APPENDIX C TRAVEL TO JAPAN, SOUTH KOREA AND THE PHILIPPINES FROM MAY 16 TO MAY 25, 2018

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Organizations and Individuals	Date	Location
<b>Embassy of Canada</b> Ian Burney, Ambassador Nicolas St. Pierre, First Secretary (Political) Marie-Danielle Cantin, Second Secretary (Trade Policy) Chris Dickinson, Defense Attaché Claude Demers Arun Alexander Eriko Nagai	2018/05/18	Tokyo, Japan
<b>House of Representatives of Japan</b> Yasuhide Nakayama, Chair, Committee on Foreign Affairs	2018/05/18	Tokyo, Japan
<b>National Security Secretariat</b> Kazuo Masuda, Cabinet Counsellor	2018/05/18	Tokyo, Japan
<b>Japan-Canada Diet Friendship League</b> Seishiro Eto, Chairman	2018/05/18	Tokyo, Japan
<b>United Nations Command – Rear</b> Adam Williams, Commander	2018/05/18	Tokyo, Japan
<b>Ministry of Foreign Affairs</b> Mitsunari Okamoto, Vice-Minister	2018/05/18	Tokyo, Japan

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>Canadian Chamber of Commerce in Japan</b> Sadaaki Numata, Chairman, Honorary Board of Advisors Neil Van Wouw, Chairman Wilf Wakely, Advisor, Honorary Board of Advisors Terukazu Okahashi, Advisor, Honorary Board of Advisors Akio Morishima, Advisor, Honorary Board of Advisors Karl Pires, Governor Eric De Groot, Governor	2018/05/19	Tokyo, Japan
<b>Doshisha University</b> Kozue Akibayashi, Professor, Graduate School of Global Studies	2018/05/19	Tokyo, Japan
<b>Women's Active Museum on War and Peace</b> Mina Watanabe, Director	2018/05/19	Tokyo, Japan
<b>Embassy of Canada</b> Eric Walsh, Ambassador Colin Wetmore, Second Secretary (Political) Steven Goodinson, Minister-Counsellor (Commercial)	2018/05/20	Seoul, South Korea
<b>War Memorial of Korea</b> Ko Sung Gu, Head, Customer Support Park Chung Gwon, Historian	2018/05/20	Seoul, South Korea
<b>National Assembly of the Republic of Korea</b> Shim Jae Kwon, Chair, Foreign Affairs and Unification Committee	2018/05/21	Seoul, South Korea
<b>Institute for Far Eastern Studies</b> Lee Kwan Sei, Director Kim Dong Yub Lim Eulchul Moon Yong Il Cho Jin Gu Kelly Hur Dean Ouellette	2018/05/21	Seoul, South Korea
<b>Seoul National University</b> Ahn Duk Gun, Professor	2018/05/21	Seoul, South Korea

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>Yonsei University</b> Sung Tae Yoon, Professor	2018/05/21	Seoul, South Korea
<b>Korea Institute for International Economic Policy</b> Chung Chul, Vice President	2018/05/21	Seoul, South Korea
<b>Ministry of Unification</b> Kim Nam Joong, Deputy Minister	2018/05/21	Seoul, South Korea
<b>Korea Importers Association</b> Kim Hyun Myung, Executive Vice Chairman	2018/05/21	Seoul, South Korea
<b>As an Individual</b> Jo Daeshick, Former Ambassador of Korea to Canada	2018/05/21	Seoul, South Korea
<b>Hanwha L&amp;C</b> Huh Sung, Chief Operating Officer and Executive Vice President	2018/05/21	Seoul, South Korea
<b>Hyundai Motors Group</b> Kim Dong Wook, Senior Vice President (External Affairs Team)	2018/05/21	Seoul, South Korea
<b>SNC Lavalin</b> Kim Jink Young, Senior Business Development Manager for International Projects	2018/05/21	Seoul, South Korea
<b>Ontario Korea Office</b> Sonja Panday, Counsellor and Provincial Representative	2018/05/21	Seoul, South Korea
<b>Alberta Korea Office</b> Greg Baker, Managing Director	2018/05/21	Seoul, South Korea

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>Embassy of Canada</b> John T. Holmes, Ambassador Warren Mucci, Counsellor, Political and Public Affairs Stephen Weaver, Counsellor, Development Crista McInnis, Commercial Counsellor and Senior Trade Commissioner Elizabeth Snow, Minister Counsellor and Migration Program Manager Stephan McLaughlin, Counsellor and Consul General Ryan Webb, Second Secretary, Political Affairs Brian Post, First Secretary, Development	2018/05/22	Manila, Philippines
<b>International Alert</b> Francisco Lara Junior, Senior Advisor	2018/05/22	Manila, Philippines
<b>Asia Foundation</b> Sam Chittick, Country Representative	2018/05/22	Manila, Philippines
<b>University of the Philippines</b> Jay Batongbacal, Director, Institute for Maritime Affairs and Law of the Sea	2018/05/22	Manila, Philippines
<b>Office of the Presidential Adviser on the Peace Process</b> Jesus Dureza, Secretary	2018/05/22	Manila, Philippines
<b>House of Representatives of the Philippines</b> Pantaleon Alvarez, Speaker Gwendolyn Garcia, Deputy Speaker	2018/05/23	Manila, Philippines
<b>Oxfam in the Philippines</b> Lot Felizco, Country Director	2018/05/23	Manila, Philippines
<b>Family Planning Organization of the Philippines</b> Michael Himor, Chapter Program Manager, Metro Manila	2018/05/23	Manila, Philippines
<b>Asean Parliamentarians for Human Rights</b> Tomasito Viallarín, Akbayan Party Teodoro Baguilat Junior, Lone District of Ifugao Arlene Brosas, Gabriela Women's Party Jennifer Navarro Banyang	2018/05/23	Manila, Philippines

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Location</b>
<b>Ministry of Foreign Affairs</b> Alan Peter Cayetano, Foreign Affairs Secretary	2018/05/23	Manila, Philippines
<b>International Organization for Migration</b> Kathy Vergara, Philippines Coordinator Thomas Hope, Global Project Officer	2018/05/24	Manila, Philippines
<b>Jollibee Foods Corporation</b> Ernesto Tanmantiong, Chief Executive Officer Joseph Tanbuntiong, Head of Country Business Group	2018/05/24	Manila, Philippines
<b>National Economic and Development Authority</b> Ernesto M. Pernia, Secretary Rolando G. Tungpalan, Undersecretary	2018/05/24	Manila, Philippines
<b>Human Rights Watch – Asia Division</b> Carlos Conde, Researcher	2018/05/24	Manila, Philippines
<b>Alliance of Human Rights Advocates</b> Rose Trajano, Secretary -General	2018/05/24	Manila, Philippines
<b>EnGendeRights, Inc.</b> Clara Rita Padilla, Attorney	2018/05/24	Manila, Philippines
<b>Free Legal Assistance Group</b> Jose Manuel Diokno, Attorney	2018/05/24	Manila, Philippines
<b>National Union of People’s Lawyers</b> Neri Colmenares, Attorney	2018/05/24	Manila, Philippines
<b>Asian Development Bank</b> Kris Panday, Executive Director, Constituency Office of Canada Stephen Groff, Vice President Kelly Bird, Country Director for the Philippines Mike Barrow, Director General, Private Sector Operations David Barton, Investment Specialist, Private Sector Investment Fund and Special Initiatives Division	2018/05/24	Manila, Philippines



## REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 81, 92, 93, 94, 97, 110, 112 and 113](#)) is tabled.

Respectfully submitted,

Michael Levitt  
Chair

