POWER SHIFTS AND VIBRANT ECONOMIES
Canada awakens to the opportunities and risks in Southeast Asia

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Conference Report

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Canada's Stake in Southeast Asia

Southeast Asia rising! Southeast Asia has made an impressive entry on the global stage. Alive with economic activity, the region is a vigorous exporter. It occupies a strategic location astride main shipping routes and in close proximity to offshore oil and gas resources. It figures prominently in the strategic calculations of major powers. Not surprisingly, world leaders are beating a path to its door. Looking inward, however, the region presents a picture of considerable diversity. Southeast Asian countries vary greatly in terms of their economic strength, the religious faiths professed by their people, the quality of their governance and their social stability. Conscious that their significance has grown along with their vulnerability, they have committed to an ambitious plan for a closer union, though they confront considerable challenges if they are to take it to fruition.

Canada has an important stake in the region. The most salient element of that stake is economic. The health of the Canadian economy is significantly dependent on trade. Around sixty percent of GDP and one in five jobs are tied to exports. Until now Canada has relied heavily on the American market but the way the global economy is evolving, one aspect of which is increasing energy production on the part of the United States, makes it imperative to diversify economic relations. An obvious course is to establish and widen a bridgehead in the burgeoning markets of Southeast Asia. Canada can be a stable and reliable provider of energy to the region. There are also attractive opportunities for a two-way flow of investment, much needed in both the region and Canada.

Canada also experiences the global repercussions of political and economic developments in Southeast Asia. The maneuvering of major powers and maritime disputes that pit China against regional powers have potentially...
serious consequences for international peace and security. Instability and conflict feed off failures in governance, particularly the failure to develop democratic checks and balances, transparency, accountability and freedom of expression. Moreover, the region’s prosperity, security and stability are inextricably linked. The conclusion must be that if Canada is to build consequential and lasting ties with Southeast Asia its approach should be multi-faceted, embracing economic relations, security cooperation and democratic development.

**Southeast Asia Today**

The countries of the region have chosen to pursue their collective interest through the Association of Southeast Asian Nations (ASEAN). ASEAN was founded in 1967 and has since expanded its membership to comprise ten countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. Timor-Leste is a candidate for membership. The total population of the ASEAN region is around 625 million, with member countries ranging from Singapore’s five and a half million to Indonesia’s 253 million. ASEAN has facilitated cooperation and relationship building so as to make conflict between members unlikely, but its citizens do not fully enjoy the benefits of freedom and democracy. According to the Freedom House Index, Indonesia, the Philippines, Malaysia, Singapore and Thailand can be regarded as only partly free, whereas Brunei, Burma, Cambodia, Laos and Vietnam are not free. Some countries appear to be going through a halting transition to democracy but Laos and Vietnam, in particular, continue to be controlled by communist autocracies.

Security and integration are intertwined as themes of ASEAN’s current development. The Organization’s principal project is to build an ASEAN community, made up of political-security, economic and socio-cultural communities. The political-security community is conceived as being rules-based, with the members sharing responsibility for comprehensive security and projecting their dynamism to the outside world. Concrete steps towards that...
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Community have included setting up the ASEAN Commission on Human Rights in 2009, the 2012 ASEAN Human Rights Declaration, the Treaty of Amity and Cooperation, to which thirty-one countries have acceded, and the guidelines for implementation of the Declaration on the Conduct of the Parties in the South China Sea, endorsed by ASEAN and China in 2011.

ASEAN members earlier expressed their stance on global security by declaring a Zone of Peace, Freedom and Neutrality in 1971 and signing the Southeast Asian Nuclear-Weapon-Free Zone Treaty of 1995. There has since been a sustained effort to develop a capacity to manage conflict, through the work of the ASEAN Regional Forum and the ASEAN Defence Ministers’ Meeting, the launching of the ASEAN Institute for Peace and Reconciliation and plans for an ASEAN Peacekeeping Centres Network. Non-traditional security issues, such as terrorism, trans-national crime, and illicit drug production, trafficking and use, have been given prominence in the work plan. Since contemporary challenges stretch beyond the region, internal integration is accompanied by strengthening cooperation and consultation on multilateral issues with countries outside the borders of ASEAN. This emphasis is reflected in the East Asia Summit1 and the ADMM-Plus2, among other bodies.

The ability of ASEAN members to work together is being tested by a plethora of challenges. Mitigating climate change is of special urgency. Natural disasters exacerbate one of Southeast Asia’s most serious problems, the security of the food supply, at a time when the population is growing and the share of employment in agriculture is declining. Typhoon Haiyan displaced 4.1 million people in the Philippines and Cyclone Nargis displaced 2.4 million in Myanmar. ASEAN members have also initiated cooperative action in the struggle against human trafficking, which claims hundreds of thousands of women and children in Southeast Asia and finds victims especially among those who have been displaced. They are cooperating in efforts to eradicate piracy in the Malacca Straits, create a common platform for disaster management and develop an elaborate structure of regional cooperation on pandemics. SARS cost East and Southeast Asia $18 billion of 2003 GDP and hit the travel and tourism sector, which plays an important role in ASEAN’s economy.

There are overlapping debates currently under way within ASEAN. One is on how to realize the vision of a community. How exclusive should ASEAN be? Apart from political, economic and social initiatives under way, what areas should be considered for further liberalization? A second debate concerns the design of the community’s institutions. Is there a need for new institutions or institutions with stronger mandates? Should the norms that characterize the community be supported with a more extensive rules regime? Another lively issue is how to share the benefits of integration among member countries at different levels of development, ranging from Singapore with $58,910 GDP per capita to Myanmar with $970 GDP per capita.3 Then there is a discussion about engaging more partners in the Asia Pacific region and strengthening ASEAN’s voice in global fora.

Resolving these issues will take bold political leadership. What are the chances that it will be forthcoming? They will be greater if Southeast Asians are seized of the idea of a community and feel ownership of it. People-to-people contacts, Track Two initiatives and the work of civil society organizations can promote awareness and

1 The East Asia Summit is an annual forum of which the members are the ASEAN countries, Australia, China, India, Japan, New Zealand, Russia, Republic of Korea and the United States.
2 The ASEAN Defence Ministers meeting together with their counterparts in Australia, China, India, Japan, New Zealand, Republic of Korea, Russia and the United States.
3 2015 forecast, Economist Intelligence Unit.
understanding, of which there is currently a glaring lack. Twenty-five percent of respondents in the ten member countries told a recent survey that they had never heard of the ASEAN community.

Several ASEAN members are torn by governance issues, complicated by the desire of a newly rich and powerful middle class to gain political influence commensurate with its status and economic achievements. In Thailand, a country of 67 million, the 2001 election of business tycoon Thaksin Shinawatra led to an autocratic style of government that was revolutionary in the attention it paid to the poor but marred by corruption. The consequence was an outbreak of illiberal protest on the part of the “yellow shirts”, drawn from the middle class, calling for ouster of the democratically elected government. After a year of military rule new elections were again won by Thaksin’s party under his sister Yingluck, again fiercely opposed by the yellow shirts. They were particularly provoked by her attempt to extend amnesty to her brother, living in self-imposed exile. The Constitutional Court forced her to step down in May 2014 and a military takeover soon followed, leading to the current dictatorship and martial law.

Thailand is a particularly poignant case because it enjoyed democratic rule from 1992 to 2006 but has since regressed. In Thailand’s defence, it is argued that its institutions are still emerging, that we should not expect them to enjoy the legitimacy that long-established institutions in Canada and the United States have acquired. Yet the foundations of the state have long exhibited serious defects. Constitutions have been viewed as political instruments rather than as statements of citizens’ rights. Thailand has had nineteen constitutions since the transition from absolute monarchy to constitutional democracy in 1932. Civil society and the courts, normally central pillars of a democratic society, have actually undermined democracy. NGOs have put their own interests ahead of social and political rights, and the judicial system has been taken over by special interests.

Myanmar, a country of 55 million people, is making a bumpy transition to democracy. A slew of reforms was unleashed in 2011, releasing political prisoners, allowing by-elections and easing censorship of the media. This prompted Canada, the United States and the European Union to suspend their harsh sanctions. The military is still heavily involved in government, retaining the power to appoint twenty-five percent of the members of parliament. There are deeply rooted religious and ethnic minority tensions, the most notable case stemming from the persecution of the 1.2 million Rohingya people in Rakhine state. The regime has launched talks with the major armed ethnic groups, except in the far north, but much progress remains to be made. The international community should not be deterred by recent evidence of backsliding and should continue to push Myanmar along the path of democratic reform.

Indonesia, the largest country in Southeast Asia and home to more Muslims than any country in the world, has made much greater progress towards democratic government. Indonesia is responsible for 47% of the region’s GDP and is Canada’s largest trading partner in the region. It has had a painful history since it gained independence in 1949, including the harsh persecution of leftists in 1965, the 2002 Bali bombing and the 2004 Tsunami. The first president to come from outside the military elite, Joko Widodo, the former governor of Jakarta, has recently taken office. He has made a courageous start by scrapping wasteful fuel subsidies but he controls only just over a third of the parliament. There is cause for optimism but this should be tempered with caution.
The ASEAN Economy

ASEAN has achieved its newfound eminence chiefly as an economic actor. ASEAN’s consumer market is third largest in the world and ASEAN’s economy is fifth largest (behind the European Union, the United States, China and Japan), with a total GDP of around $2.5 trillion U.S. and a growth rate in 2000-2014 that was third fastest, behind the growth rates of China and India. The prospect of continued growth at 5-6% is excellent. The market abounds in opportunities. ASEAN is favoured with a young demographic and a fast growing middle class with a sophisticated IT/social media/ smart phone culture. On a per capita basis Malaysia is the number one user of Facebook in the world. Most member countries have well capitalized banking systems and sophisticated finance sectors.

Nevertheless, ASEAN’s economic future is determined in considerable measure by what happens beyond its borders, and especially in the two giant economies of the United States and China. At present, leadership in pulling the international economy out of the recession begun in 2008-2009 is coming from the developed country markets, especially the U.S. The U.S. recovery, impelled by pent up demand in the housing and consumer sectors, is sustainable and aggressive.

China, which exerts a major influence on Southeast Asian economies, has been experiencing economic weakness. Indeed, some businesses in the coastal cities have become uneconomic. 2015 is the year that its one-child policy catches up with China, resulting in a tighter labour market and higher costs. Chinese trade declined markedly following the 2008 recession, prompting the government to come up with a large fiscal package. If the Chinese trade-to-GDP ratio reverts to the norm, and given the recovery in the U.S., the Chinese economy will come back. Meanwhile, China has responded to diminishing competitiveness by doing a great deal of outward investment, building manufacturing facilities in such countries as Indonesia, Malaysia, Vietnam and India. Southeast Asia’s labour costs have been rising too but not as much as in China. In sum, China’s constraints are serving as a driver of growth in ASEAN.

A huge question mark hanging over ASEAN’s economy is the adequacy of its infrastructure. According to the World Economic Forum’s rankings, many large ASEAN members have recently improved in this respect, though Thailand is an exception. There remain huge disparities between ASEAN and OECD countries in provision of roads, rail, telephones, electrification, access to the Internet and clean water. People are moving into cities in
enormous numbers. In 2010 the Asian Development Bank (ADB) estimated that the ASEAN region would need about $1.1 trillion in infrastructure investment over a ten-year period. With the exception of Vietnam, none of the member countries has spent close to what is needed. Indonesia’s economy, for example, is not growing at the rate required to provide jobs for people leaving school. Among factors responsible for this, resources have had to be diverted from infrastructure development to deal with natural disasters that have been frequent and devastating.

The problem is not a shortage of capital flows. The problem is one of channelling these flows into project financing. There are good projects yet to get started because the banks won’t lend for more than five years when term loans of up to twenty years are needed. The situation is made even more serious by the private sector’s reluctance to invest in infrastructure. Private sector investment fell off dramatically after the 1997 financial crisis and as of 2010 had reached barely half the amount committed in 1997. Clearly considerable attention must be devoted to reforming the investment climate to make possible appropriate risk-sharing between public and private sectors. The ASEAN Infrastructure Fund, which ADB helped to establish and which has $500 million in equity capital, is a step in the right direction. But reforms are absolutely essential to enable the investment that ASEAN requires to keep its place in regional production networks and global value chains.

The business environment in ASEAN is, generally speaking, an attractive one. The advent of the ASEAN Economic Community, eliminating tariffs and harmonizing standards, will reduce the costs of doing business and be especially helpful to Canadian small and medium-sized enterprises. Canadians possess a big advantage in that English is the working language of ASEAN. In most parts of the region business people can be as confident of their personal safety as in Canada. They should be cautious in Indonesia on account of a minimal threat from Salafist Jihadists but the government has been effective in containing this threat.

There is respect for intellectual property rights and trademark protection is generally strong across the region. The risk of compromising digitally held business information is extremely low. Moreover, there is strong adherence to the rule of law in Singapore and Malaysia, and the Philippines under the Aquino administration has shown great improvement in this respect. Business opportunity does not, however, come without risks. Economic nationalism is growing in Indonesia and Vietnam. In Indonesia, Thailand and the Indo-China states, the objectivity of the judiciary cannot be relied upon. Indonesia is also a tough market on account of frequent changes of regulations. A tolerance of corruption in some countries means that Canadians sometimes lose contracts because of bribes offered by foreign competitors.

Thus, ASEAN members’ rankings on the World Bank index that measures ease of doing business vary widely. Singapore ranks first, Malaysia eighteenth, Thailand twenty-sixth, Vietnam seventy-eighth, the Philippines ninety-fifth, Brunei Darussalam is 101st, Indonesia 114th, Cambodia 135th, Laos 148th and Myanmar 177th. Business people should not, however, be discouraged by some of the low rankings. They could still uncover attractive opportunities in Indonesia, Cambodia and Myanmar.

Moreover, a capable and determined investor or exporter will look for ways to mitigate risks, the main one being to acquire a local partner. No matter how competent the business person or how attractive the product, whether...
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A venture meets with success will depend on the local partner. A second imperative is to cultivate personal relationships, something Canadians frequently neglect because they are too transaction oriented. When doing business in ASEAN it is also wise to become familiar with local rules of etiquette. Respect for form is vital to building trust and empathy, and lays a foundation for business success.

The Region in Geopolitics

Economics and geopolitics are twin forces helping shape Southeast Asia. They work in tandem to motivate ASEAN members to strengthen their union and build mutual understanding with powers in their vicinity and beyond. At the same time, major powers, notably China and the U.S., rub up against one another in the region. Geopolitical factors cause occasional frictions and harbour the potential of serious conflict on a regional or even global scale.

One fear is that conflict could develop out of disputes between ASEAN members and China over islets, reefs, rocks and artificial islands in the South China Sea. Thus far hostilities have been mostly limited to skirmishes involving coast guard and fishing vessels but alarm has been raised by construction work, chiefly but not exclusively Chinese, apparently intended to reinforce claims to various features of the Sea. The backdrop to these developments has been the “nine-dashed line” by which China illustrates its claim to over eighty percent of the Sea. Responding to this claim, the Philippines has, in the face of disapproval from some other ASEAN members, initiated an arbitration process under the Law of the Sea Convention.

The Philippines’ request for arbitration raises a vitally important issue. Will international law determine the settlement of maritime disputes or will these be resolved bilaterally between states, as China would prefer? On the one hand, it is argued that the 1982 Convention on the Law of the Sea, which both China and the Philippines have ratified, is a pillar of the international order that has been carefully constructed in the years since the end of World War Two. The Convention is bolstered by a large number of related conventions and agreements on fisheries, maritime pollution, maritime safety and security and environmental protection. On the other hand, international law’s detractors claim that the law is insufficiently developed to handle complex cases. Why not make use of other means of maritime dispute settlement with which ASEAN has experience, particularly negotiation but also joint development of resources and regional approaches? By going to the arbitral tribunal, these detractors say, the Philippines is undermining the international dispute settlement process as well as antagonizing China.
It is doubtful that anything can stop China from gradually gaining full control over the South China Sea. China’s tactical approach, gradually expanding its presence foothold by foothold, has already been crowned with a measure of success. There is no way that ASEAN can catch up to China’s maritime capacity and it is unlikely that outside powers will weigh in against China. As long as Europe, the U.S. and India are confident that China will not interfere with free passage, there won’t be sufficient reason for them to block China’s claims. In the absence of concerted opposition one can envision China getting de facto control in the next year or two and simply biding its time until it is ready to assert supervisory control over the entire maritime and aerial zone, and then claim sovereignty.

ASEAN might draw a lesson from this experience about its own effectiveness in dealing with China. The “ASEAN Way” emphasizes cooperation, meaning that decisions have to command a consensus of the members. This makes it difficult to take on strategic issues if, for example, some members are under the influence of an outside power. ASEAN should take stock of its weakness in dealing with disputes over the South China Sea and seize the opportunity to streamline its decision making. Members will have to accept that the Organization’s interest sometimes requires them to go along with a consensus even when there is no chance that they will benefit themselves, or else they will have to set up sub-groups with authority to act in certain policy areas.

In a wider perspective, the powers ranged around the Asia Pacific - ASEAN, China, India, Japan, Russia and the U.S. - are, in varying combinations, deterring, balancing and cooperatively engaging one another. ASEAN can do a lot to take control of its own destiny but it is certainly affected by what the outside powers do. Take, for example, Japan’s recent foreign policy and the importance it places on ASEAN.

After Prime Minister Koizumi stepped down in 2006 Japan’s engagement with Asia entered a period of confusion. Prime ministers and foreign ministers followed each other in quick succession. Some promulgated new objectives for Japanese foreign policy, such as an “Arc of Freedom and Prosperity” or an “East Asian Community”, without lasting effect. Japan’s policy has, however, acquired greater coherence and impetus with the election of Prime Minister Abe’s Liberal Democratic Party in late 2012. The policy is now geared to meeting three global challenges.

• One such challenge is that the U.S., Japan’s closest ally, has gone from uncontested primacy in East Asia to contested primacy. The Japan - U.S. Treaty of Mutual Cooperation and Security is very much in force but Japan must allow for the possibility that at some future time it could be on its own.

• A second challenge is the rise of China. This is evident in China’s economic prowess but it is also reflected in a projected rate of military expenditures that is rising faster than that of the U.S.

• A third challenge is the emergence of “gray-zone coercion” in both the South China Sea and, of particular concern to Japan, the East China Sea, where Japan disputes sovereignty over the Senkaku/Diaoyu Islands with China. This creates the need to create military and paramilitary forces that will contest Chinese control of disputed air and maritime areas without necessarily causing casualties.

In response to these challenges the Abe government has been extremely active in building better relations with Southeast Asia. Much as it has come to view relations with India as a key pillar of its foreign policy, Japan now

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4 The use of a wide range of policy instruments, with paramilitary forces such as the coast guard possibly playing a central role, to achieve a foreign policy objective without, at the same time, provoking a full-scale conflict or unified opposition.
sees ASEAN as a crucial strategic partner in its efforts to diversify its foreign ties and achieve a favourable balance of power in Asia.

The new direction comprises networking for defence and security, strategic financing and capacity building. Before the end of his first year in office the Prime Minister had visited all ten ASEAN member states. Japan was already a partner in military exercises and defence dialogues with ASEAN (a Japan-ASEAN Strategic Partnership was concluded in 2003) and a Japan-ASEAN Defence Ministers’ Meeting was instituted in 2014. Japan aims to provide ASEAN countries with project finance for major infrastructure that is compatible with bolstering their security. Japan also uses its official development assistance to help build the capacity of ASEAN coastal states. For example, Japan has transferred maritime communications systems to the Philippines Coast Guard and is selling the Guard ten patrol vessels, an action likely to be replicated with Malaysia and Vietnam. In sum, Japan is working towards a stronger, more resilient ASEAN that possesses at least a denial/minimum defence capability vis-à-vis China.

It is certainly not in Canada’s interests to join in great power jockeying going on over, in and around Southeast Asia. Indeed, by maintaining its impartiality, Canada could conceivably contribute to peaceful relations, for example, by advising on a code of conduct for the South China Sea. If Canada were to strengthen its political and commercial ties with the region, however, this could lead to pressure from, say, the U.S., ASEAN or China, to take its side in a dispute with the others. Canadian policymakers should be mindful of this risk though it is mitigated by constraints that apply to all parties. In particular, China probably has too much investment in ASEAN, and too much at stake in the free flow of trade through Southeast Asia, to threaten global peace and security by encouraging the formation of battle lines.

**A Canadian Strategy**

There is a residual of goodwill towards Canada in Southeast Asia. Canada’s involvement with the region goes back at least as far as the Colombo Plan in the early fifties and includes membership on the International Control Commission for Indo-China in the fifties and sixties and the welcoming reception given the Vietnamese boat people at the end of the seventies. Canadian interest in the region has periodically surged. Prime Minister Trudeau undertook a seventeen-day tour in 1982. Canada was one of ASEAN’s first dialogue partners and a provider of development assistance. Major Canadian companies, including SNC Lavalin, Bombardier, CAE, Talisman, the Bank of Nova Scotia, Methanex and Blackberry, established themselves in the region.

The Canadian government’s interest declined after the 1998 financial crisis, as China began to consume more of its attention. Canada turned down an invitation to participate in the East Asia Summit, which it now seeks to join. Lately there has been renewed governmental attention to the region, in the form of stepped up ministerial visits, the appointment of a resident Ambassador to Myanmar in 2013, the announcement of a resident diplomatic presence in both Laos and Cambodia and a full-time Ambassador to ASEAN, and a belated entry into the Trans Pacific Partnership negotiations. This has not stopped needlessly irritating official decisions, such as requiring Malaysians to go to Singapore to obtain visas though Canadians do not need a visa to visit Malaysia. More important, the foundation for a substantial and sustained engagement with the region has yet to be laid. It is up to Canada to provide convincing evidence that it is a reliable partner and friend.
Australia, which considers Canada a competitor in the region, has set an example of energetic engagement with Asia. Australians possess a lively awareness of how much Asia matters to them. Australia belongs to key ASEAN-related initiatives and institutions, sends five times as much development assistance to the region as does Canada and attracts far more of its students. Prominent among its links with the region has been the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) that came into force at the beginning of 2010, ASEAN’s most comprehensive trade agreement. Does the Australian example make a compelling case that Canada should press for its own free trade agreement with ASEAN? A good starting point for considering Canada’s strategy is an assessment of what Australia has achieved.

The AANZFTA eliminated most tariffs, in some cases with substantial phase-in periods. The Agreement made modest progress on services, reiterated the provisions of the international TRIPS (Trade-Related Intellectual Property Rights) agreement and included a controversial investor-state dispute settlement mechanism. Australia committed $20 million over five years for technical assistance and capacity building to enable developing ASEAN economies to implement the FTA.

The AANZFTA has, however, made little difference to Australia’s trade with ASEAN. Tariffs were already low and the composition of trade in both directions has not been much affected by the Agreement. Australia’s single most important export to ASEAN is educational services (A$3,283 million), followed by petroleum, wheat, gold and aluminium. ASEAN’s chief exports to Australia are petroleum and motor vehicles. Changes in the value of the Australian dollar have had a more significant impact than tariff reductions. Nor has the Agreement made much difference to Australian investment in ASEAN. The United States and the United Kingdom take the largest shares of Australian investment abroad.

It should be kept in mind that ASEAN is not a customs union. The ASEAN secretariat is not empowered to negotiate trade agreements and so the AANZFTA had to be negotiated with the ten member governments. There is potentially more to be gained from bilateral negotiations with big ASEAN players such as Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. If the Trans Pacific Partnership negotiations meet with success the resulting agreement will be much more significant than the AANZFTA. That does not mean that a Canada-ASEAN Agreement would be a waste of time. ASEAN expects its centrality to be recognized and such an agreement would certainly possess important symbolic value.

Other aspects of Australia’s engagement with Asia deserve close examination. For example, the number of Asian students attracted Down Under does not invariably benefit Australian institutions. Over-dependence on an intake of foreign students can wreak havoc on university budgets when the intake declines for whatever reason. The temptation to maintain a share of the international student market can also lead to dilution of academic standards.

The fact remains that, where ASEAN is concerned, Canada is on the outside looking in. Canada is not a member of the East Asian Summit and is the only dialogue partner of ASEAN not to be invited to be part of the ADMM-Plus. Securing membership in such ASEAN institutions would be an effective means of countering the perception that Canada is a fickle friend with a wavering attention span.

Canada’s paramount objective should be to build a long-term relationship with Southeast Asia. That will take a “whole-of-country” strategy, embracing public and private sectors and focused on the home front as well as abroad. A serious effort should be undertaken to remedy Canadians’ inadequate understanding of Southeast
Asia’s history, culture and politics. The soon-to-be-appointed, full-time Ambassador to ASEAN should spend what would normally be considered a disproportionate amount of time in Canada, championing the importance of ASEAN to industry, government departments and agencies, educational institutions and other stakeholders. Provincial governments should assume an important role in the strategy. A Canadian counterpart to the Canada-ASEAN Business Council in Singapore should be established. The importance of business “road shows” as a means of spreading the word and facilitating business links cannot be overemphasized. Programs have to be devised to assist small and medium-sized enterprises, which are not equipped to enter Southeast Asian markets on their own. Going beyond these organizational measures, the strategy should be tailored to exploit four targets of opportunity that will emerge with the evolution of ASEAN economies.

- A re-ordering of production networks is going to take place in the less developed economies, such as Cambodia, Indonesia, Myanmar and Vietnam, placing a premium on business and professional services that Canadian businesses are well equipped to provide. They should play a major role in this forthcoming round of business network expansion.

- In more developed countries of the region a growing middle class will be demanding a better quality of life. By 2030 the middle class in ASEAN is estimated to number about 450 million (over 60% of the population). Canadian firms with expertise in such areas as education, environmental services, advertising, health care, the hospitality industry, recreation, and architectural and design services, should seize the opportunity.

- Canadian banks, institutional investors, engineering firms and other infrastructure-related companies should participate in structuring projects and channelling funds to meet the region’s infrastructure needs described above. Canada could steal a march on its normal competitors by getting involved with the China-led Asian Infrastructure Investment Bank, which could be a key factor in unlocking investment capital for the region.

- Canada could leverage its reputation for sound financial institutions and regulation to play a role in the region’s financial sector development, which is well advanced in most countries but just beginning in others. Moreover, the U.S. Federal Reserve’s unwinding of Quantitative Easing (QE) may create an opportunity for Canadian banks. With the unwinding of QE the global economy is taking a step into the unknown. We may encounter increased currency volatility, lifeless stock markets and a downdraft of commodity prices. It will be harder to raise capital inside markets that are growing. Here is where Canadian banks are well positioned to provide financial services. The question is whether they have the appetite to take advantage of this opportunity.

The Canadian government should allocate its resources so as to complement these private sector initiatives. Senior staff should be seconded to ASEAN institutions, which would enable access to policy discussions within ASEAN. Following in the footsteps of Japan and Australia, Canada should organize policy development exercises focusing on one of the four areas that have been identified. The aim should be not to intervene in ASEAN’s decision making but to bring about a deeper, more constructive dialogue that positions Canada to play a mutually beneficial role in ASEAN’s future.

Naturally China will loom over discussion of policy towards Asia. All the effort poured into the relationship will, however, be at risk if ASEAN is framed as an alternative or counterpoint to China. ASEAN policy should be set within a larger Asia strategy that places China at the centre, with India and Japan also featuring prominently.
Canada’s focus should not be just on the ten countries of ASEAN but on how Southeast Asia connects with the rest of Asia and drives global growth.

A shrewdly devised strategy should be accompanied by an infusion of energy. Time is not on Canada’s side. New competitors are emerging. Asian countries are increasingly doing business with other Asian countries. Urgent action must be taken to step up Canada’s involvement with Southeast Asia. Public and private sectors should join forces to build a firm foundation for sustained and energetic engagement with a vibrant region that is beginning to influence our world.

Conference Organization

The Conference was a project of the CIC Ottawa Foreign Policy Initiative, a component of the National Capital Branch of the Canadian International Council (CIC). The Initiative sponsors and organizes seminars and occasional conferences directed to senior policymakers and intended to provide them with a picture of how the world is evolving, enabling them to discern opportunities that should be pursued and dangers that should be avoided. Co-Chairs of the Initiative are John Burnett, Craig Hunter and Gerald Wright and the President of the CIC’s National Capital Branch is David Dyment.

The Conference Organizing Committee included Ian Anderson, Alex Goddard, Randolph Harrold, Hugh Henry, Lisa Huang, David Lee, Noah Pollak, Lee-Michael J. Pronko, Wisam Salih, Diane Tisdall, Darren Touch, Cristina Warren (Program Manager of the National Capital Branch) and Li Yu. Speakers’ arrangements were handled by Randolph Harrold. Rapporteurs, also responsible for generating attention to the conference on social media, were Jeremy Durant, Pamela Gill, Jeremy Mutton and Jyotsna Venkatesh. The conference photographers and videographers were Erik Plumadore and Jacob Mulholland. The registration process was managed by Snookie Lomow. Jennifer Chylinski, Eva Salinas and Cameron Tulk of the CIC’s National Office facilitated the Conference’s activities on OpenCanada.org, the CIC’s website. Professor David Dewitt, Professor Paul Evans, Bruce Jutzi, Bryony Lau, Jonathan Miller, Professor Geoffrey Robinson and Professor Irvin Studin offered helpful advice. Cristina Warren designed this report with info-graphics produced by Cameron Tulk.

The Conference and Social Media

As a lead-up to the conference OpenCanada.org published a blog to stimulate debate and discussion on Southeast Asia and on Canada’s future role in the region. Articles were contributed on such subjects as tensions in the South China Sea, human rights in the region, Canadian trade with ASEAN and the Southeast Asian market for Canadian oil. Diane Tisdall served as editor of the blog, assisted by Taylor Pearce, Uri Marantz and Wisam Salih, and the contributors were Gabrielle Bishop, Jeremy Durant, Roselle Ann D. Wee Eng, Pamela Gill, Jeremy Mutton, Lee-Michael J. Pronko, Tyler Roberts, Jenny Ye Kyung Sung, Jyotsna Venkatesh and Gerald Wright. The blog received 2,022 views.

Another technique for promoting the conference and widening the discussion was use of the National Capital Branch’s Twitter account by students and young professionals. The conference organizers also live-tweeted during
the event, allowing those not in attendance to follow the discussion. Of the 101 tweets released during the conference 67 were re-tweeted, notably by the NATO Council, the Canadian Bureau for International Education, the Asia Development Bank Pacific, the Asia Pacific Foundation, EDC Events, iAffairs Canada, GeoPolitics News, Ottawa News, thePanel and Joe Troxler. The conference’s Twitter hashtag was #CICseAsia.

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The National Capital Branch of the Canadian International Council is supported by a grant from the International Development Research Centre.
Southeast Asia has recently attracted increasing attention from Canadian business and government sectors. The word is out that Canadians should implant themselves in this part of the world to share in its dynamism. But what dangers lie ahead in the political currents that traverse Southeast Asia? Will Canada be able to strengthen economic ties without getting caught up in the great power rivalries that invade the region? As we open a new chapter in Canada’s foreign relations this is the time to deepen our understanding and think through the approach that Canadians from both public and private sectors should take to Southeast Asia.

8:15  Registration & coffee

8:50  **Welcome to the Conference**

*Dr. David Dyment*, President, National Capital Branch, Canadian International Council.

*Hon. Deepak Obhrai*, Parliamentary Secretary to the Minister of Foreign Affairs.

9:00  **Southeast Asia Today**

Southeast Asian countries hold enormous economic potential and some are positioned to play leadership roles. The region also confronts serious challenges of governance and social instability. This session will consider how governments and regional institutions can overcome these challenges and shape a prosperous and peaceful future.

Chair: *H.E. Dato Hayati Ismail*, High Commissioner for Malaysia

*Professor Mely Caballero-Anthony*, Head of the Centre for Non-Traditional Security Studies at the S. Rajaratnam School of International Studies, former Director of External Relations, ASEAN Secretariat. *Regional Security Challenges and the Regional Architecture.*

*Professor Erik Kuhonta*, Department of Political Science, McGill University. *The State of Democracy in Southeast Asia.*

*Murray Hiebert*, Senior Fellow and Deputy Director of the Sumitro Chair for Southeast Asia Studies, Center for Strategic and International Studies. *Myanmar and Indonesia: Two Countries in Transition.*

10:45  Break

11:00  **Trade, Investment and Supply Chains**

The Southeast Asian economy is the fifth largest in the world, with a GDP of $3.5 trillion, a growing middle class and a relatively young, increasingly skilled and low cost labour force. What are the prospects for translating this potential into sustained and balanced growth and how can Canadian companies participate in this growth?

Chair: *John Curtis*, Founding Chief Economist, Department of Foreign Affairs, Trade and Development; Senior Fellow, C.D. Howe Institute and International Centre for Trade and Sustainable Development, Geneva.
Peter Hall, Vice-President and Chief Economist, Export Development Canada. *The Shifting Demands of the New Growth Cycle.*


Manfred G. von Nostitz, Canadian business consultant based in Malaysia, former Canadian Ambassador accredited to six ASEAN countries. *Canadians Doing Business in ASEAN.*

12:30 Lunch

13:30 **The Region in Geopolitics**

Major power relations are undergoing dynamic changes as the Obama administration “rebalances” U.S. attention and resources towards Asia, while China works to enlarge its sphere of influence. What will be the outcome? How might the countries of Southeast Asia balance their ties with the great powers in their vicinity?

Chair: Jodi White, C.M. Distinguished Senior Fellow, Norman Paterson School of International Affairs and Arthur Kroeger College of Public Affairs, Carleton University and Member of the Board of Directors, Canadian International Council.

Prof. Ken Jimbo, Faculty of Policy Management, Keio University, Japan. *Power and Influence: New Dimensions of Japan-Southeast Asia Relations.*

Dr. Nong Hong, Research Fellow, China Institute, University of Alberta; Director, Center of Oceans Law and Policy, National Institute for South China Sea Studies. *State Practice of International Law and Regional Maritime Dispute Management in the South China Sea: A Chinese Perspective.*

Vikram Singh, Vice-President for national security and international policy at the Center for American Progress and former U.S. Deputy Assistant Secretary of Defense for South and Southeast Asia.

15:15 Break

15:30 **A Canadian Strategy**

The concluding session will consider how Canada can achieve vibrant commercial relations with Southeast Asia and, at the same time, impress upon the people of the region that it is firmly committed to a continuing partnership.

Chair: Prof. Peter Jones, Graduate School of Public and International Affairs, University of Ottawa.

Dr. John Ravenhill, Director, Balsillie School of International Affairs and Professor of Political Science at the University of Waterloo. *Should Canada seek an FTA with ASEAN? The Australia/New Zealand experience.*

Yuen Pau Woo, Distinguished East Asia Fellow, Asia Pacific Foundation of Canada. *Diplomacy for a sum that is greater than its parts: Advice for Canada’s Ambassador to ASEAN.*

16:45 Ron Hoffmann, Alberta’s Senior Representative to the Asia Pacific Basin. *Building a Strategic Relationship with Southeast Asia.*

17:00 Reception
Conference Photos

Jeremy Durant, Pamela Gill, Jeremy Mutton and Diane Tisdall of the Norman Paterson School of International Affairs

Opening panel - Murray Hiebert, Mely Caballero-Anthony, Erik Kuhonta and H.E. Dato Hayati Ismail

Manfred von Nostitz and Craig Steffensen

Conference participants

H.E. Pisan Manawapat, Ambassador of Thailand

Ken Jimbo