

**Three-year ASEAN-Canada Policy Research Programme:
A Proposal**



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Three-year ASEAN-Canada Policy Research Programme: A Proposal

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Executive Summary

Relations between ASEAN and Canada have expanded and deepened since 1977, when Canada became a Dialogue Partner (DP) of ASEAN. Both share a great deal of strategic interests. However, there is much room to further improve and strengthen these ties. For example, trade between ASEAN and Canada is relatively weak and the latter has not been a major source of foreign direct investment into ASEAN. The proposed 3-year ASEAN-Canada Policy Research Programme aims to identify areas which could broaden cooperation and benefit both ASEAN and Canada. The different areas are classified into two categories. The first is on deepening and expanding bilateral relations between Canada and ASEAN. Proposed issues are: i) the feasibility of an ASEAN-Canada FTA or comprehensive economic partnership agreement; ii) migration and trade in services; iii) human resource development; iv) sector-specific studies, including resources industries (e.g. oil and gas) and environmental services (e.g. waste management and recycling); and v) the role of Canada's official development assistance (ODA). The second category is improving the roles of ASEAN and Canada in global forums, which includes: i) enhancing regional economic integration by studying and comparing ASEAN and ASEAN+3, ASEAN and the East Asia Summit, and Canada and NAFTA; ii) drawing parallels in international relations between Canada-US and ASEAN and Northeast Asia; iii) dealing with the current economic crisis and proposals for post-crisis economic restructuring; iv) the role of ASEAN and Canada in making the Asia Pacific Economic Cooperation (APEC) more relevant; v) issues in human security; and vi) climate change. Research in these areas will be conducted by experts from Canada and ASEAN, who will be identified for using existing research networks. However, it is envisioned that the program will contribute to either establishing or expanding the research networks. A biennial ASEAN-Canada Forum is also proposed where outputs of the research studies will be presented.

* Professor, University of British Columbia, Faculty of Land and Food Systems, and President, Philippine Institute for Development Studies (PIDS). This is a scoping study submitted to the ASEAN Studies Centre, which is a basis for establishing the 3-year ASEAN-Canada Research Programme. The objective of the latter is to "promote ongoing research partnerships and build stronger economic, political and socio-economic linkages between ASEAN and Canadian institutions." The authors would like to acknowledge the contributions of Allan S. Layug, Fatima Lourdes E. del Prado and Faisal Harahap. The usual disclaimer applies.

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I. Background on ASEAN-Canada Relations

ASEAN-Canada relations began in 1977, when Canada became one of the first countries to be designated as a Dialogue Partner (DP) of ASEAN. At that time, Canada extended a programme of development assistance to ASEAN. This was subsequently formalized in 1982 into an ASEAN-Canada Economic Cooperation Agreement (ACECA), which over the years covered areas such as food and energy security, the environment and disaster management, prevention and control of pandemic diseases, international terrorism, and economic and financial crisis. More details of the evolution of Canada-ASEAN relations are presented in Section A. The rest of Section I describes the status of the relations in specific economic areas.

The background serves as the primary basis for proposing research themes in two general areas. These are presented in Section II. Other sources of proposals are Woo (2005), the matrix of the 2nd ASEAN-Canada Joint Cooperation Work Plan (2007-10), and specific recommendations from ASEAN and Canadian scholars. The first area is on deepening and expanding bilateral relations between Canada and ASEAN. As will be explained later, there is a large scope to increase economic interaction and expand benefits between Canada and ASEAN.

The second area is on improving the roles of ASEAN and Canada in global forums. The guiding theme would be how ASEAN and Canada can learn from each other and how they can cooperate and assist each other in capability building.

A. Political, Security, and Economic Relations

Background

The political and security relationship between ASEAN and Canada is a reciprocal one that results from shared strategic interests arising out of interdependence and vulnerability to common regional and global security issues and problems. Canada is committed to strengthening and deepening a two-way relationship with ASEAN to advance its interests in the Southeast Asia and Asia-Pacific region as a way to address regional and global problems

that affect Canada, i.e. regional peace and stability, food and energy security, human rights, terrorism and transnational crimes, international health security, education, trade and investment, and sustainable development. Southeast Asia is of particular importance to Canada, because the serious security challenges facing the former— terrorist activities, health and environmental security, trafficking in drugs, small arms and humans—have an impact on the latter. On the part of ASEAN, it engages and cooperates with Canada as one of its DP in order to realize its political and security objectives, i.e. narrowing the development gap between its members, playing a strategic and normative role in constructing the regional architecture of the Asia-Pacific, strengthening regional integration, and building an ASEAN Community by 2015.

Framework of Enhanced Cooperation and Partnership

The deepening political and security relationship between ASEAN and Canada translates into, and is guided by, frameworks of deep cooperation and strong partnership for mutual benefits and shared burdens, i.e. the Joint Declaration on ASEAN-Canada Enhanced Partnership and ASEAN-Canada Joint Cooperation Work Plan. The Joint Declaration on ASEAN-Canada Enhanced Partnership, which was adopted at the 42nd ASEAN Ministerial Meeting and Post Ministerial Conferences (AMM/PMC) on July 22, 2009, serves as the cornerstone of ASEAN-Canada multifaceted relations and dialogue cooperation. This Joint Declaration advances the strategic interests of both ASEAN and Canada in areas of common concern, such as security, international terrorism, human rights, democracy, transnational issues, trade and investment, sustainable development and people-to-people and institutional linkages. The Second Joint Cooperation Work Plan (2007-2010) guides the relations and future directions of enhanced cooperation between ASEAN and Canada. It provides for a framework for cooperative undertakings in areas such as international health security, terrorism, transnational crimes, inter-faith and inter-cultural dialogue, sustainable development and environment security, disaster risk management and preparedness, gender equality, trade and investment facilitation, good governance, and cooperation in multilateral forums. One of the major achievements of the First ASEAN-Canada Joint Cooperation Work Plan (2005-2007) is the signing of a Joint Declaration for Cooperation to Combat International Terrorism in July 2006.

To strengthen their long-standing partnership, ASEAN and Canada avail themselves of existing mechanisms, such as the ASEAN-Canada Dialogues, which serve as a venue for

consultation, exchange of views, and advocacy of common strategic interests. The 6th ASEAN-Canada Dialogue was held in Niagara-on-the-Lake, Ontario, Canada on 18-19 June 2009. Aside from these, Canada attends a number of ASEAN consultative initiatives and activities, such as the ASEAN Regional Forum (ARF), the Post Ministerial Conferences (PMC), the Joint Cooperation Committee (JCC) Meeting, the Joint Planning and Monitoring Committee Meetings (JPMC) and the Project Steering Committee Meetings (PSC). Canada also contributed substantially to the series of Workshops on Managing Potential Conflict in the South China Sea between 1989 and 2000. In addition, prior to the G-7 meeting in Halifax in 1995, there were high-level consultations with ASEAN.

Shared Strategic Interests

Among other concerns, Canada puts particular importance on ASEAN's efforts towards establishing the ASEAN Community by 2015 as an essential component of broader East Asian community-building, as well as narrowing the development gaps among the ten ASEAN member states through the Vientiane Action Programme, the Initiative for ASEAN Integration (IAI), ASEAN Vision 2020, and the ASEAN Community Blueprints. ASEAN Vision 2020 sought to establish "a concert of Southeast Asian Nations" founded on ASEAN's 1976 Treaty of Amity and Cooperation in Southeast Asia (TAC), ASEAN's 1971 Zone of Peace, Freedom, and Neutrality Declaration (ZOPFAN), and the Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ) as a component of ZOPFAN. ASEAN Community 2015 rests on three pillars: an ASEAN Economic Community (AEC); an ASEAN Political Security Community (APSC), and an ASEAN Socio-Cultural Community (ASCC). Canada extends support to ASEAN in its efforts towards narrowing the economic development gaps in ASEAN through its Canadian International Development Agency's Southeast Asia Regional Program, with particular emphasis on the recent reengineering of regional program frameworks.

In the 6th ASEAN-Canada Dialogue on 18-19 June, 2009, ASEAN briefed Canada on the results of the 14th ASEAN Summit held in Thailand from 27 February to 1 March 2009; other key developments; the progress of the implementation of the ASEAN Charter and the establishment of the ASEAN human rights body; the development of the Roadmap for the ASEAN Community (2009-2015), including its AEC, APSC, and ASCC Blueprints; and the IAI Work Plan II (2009-2015); and the strengthening of ASEAN external relations, with

particular emphasis on ASEAN Free Trade Agreements (FTAs) China, the Republic of Korea, Japan, India, and Australia and New Zealand.

On the part of Canada, it commended ASEAN's signing of the ASEAN Charter and the establishment of the ASEAN human rights body. It briefed ASEAN on its foreign policy priorities, which include seizing economic opportunities by strengthening its relations with the Americas and expanding its commercial interests in growing and emerging markets, as well as playing a leadership role in reconstructive efforts in Afghanistan. Some of the security concerns that Canada has raised to ASEAN are: the military rule in Myanmar and the continued detention of Aung San Suu Kyi as a human rights issue; the de-nuclearization of the Korean Peninsula; peace and reconstruction in Afghanistan; terrorism and transnational crimes; transnational non-traditional security issues, including disaster management and humanitarian assistance, climate change, international health security, and food and energy security.

The Myanmar issue was the main reason there was a long hiatus between the first ASEAN-Canada Dialogue, which was held in 1977, and the second, which was held in 2004. Since then, the Dialogue has been held regularly. With the recent shift in the approach of the US to Myanmar, prospects for strengthening the ASEAN-Canada dialogue have increased.

Of particular strategic importance to ASEAN is the accession of Canada to the Treaty of Amity and Cooperation in Southeast Asia. Canada is the only member of the ARF that has not acceded to the TAC. The treaty is a legal document signed by ASEAN member states in Bali, Indonesia, on 24 February 1976, that binds its signatories to the principles for maintaining peace and stability in the Southeast Asian region, i.e. the peaceful settlement of disputes, the renunciation of the threat or use of force, and noninterference in the internal affairs of one another. ASEAN has been inviting Canada to accede to TAC. Recognizing the importance that ASEAN attaches to TAC, Canada informed ASEAN in the 6th ASEAN-Canada Dialogue that the invitation was being considered. The United States, through U.S. Secretary of State Hillary Clinton, was the latest country to sign the Instrument of Accession to the TAC, on 22 July 2009. The other non-ASEAN parties are: Democratic People's Republic of Korea, Sri Lanka, Bangladesh, Timor-Leste, France, Australia, Mongolia, New Zealand, Russia, Republic of Korea, Pakistan, Japan, India, China, and Papua New Guinea.

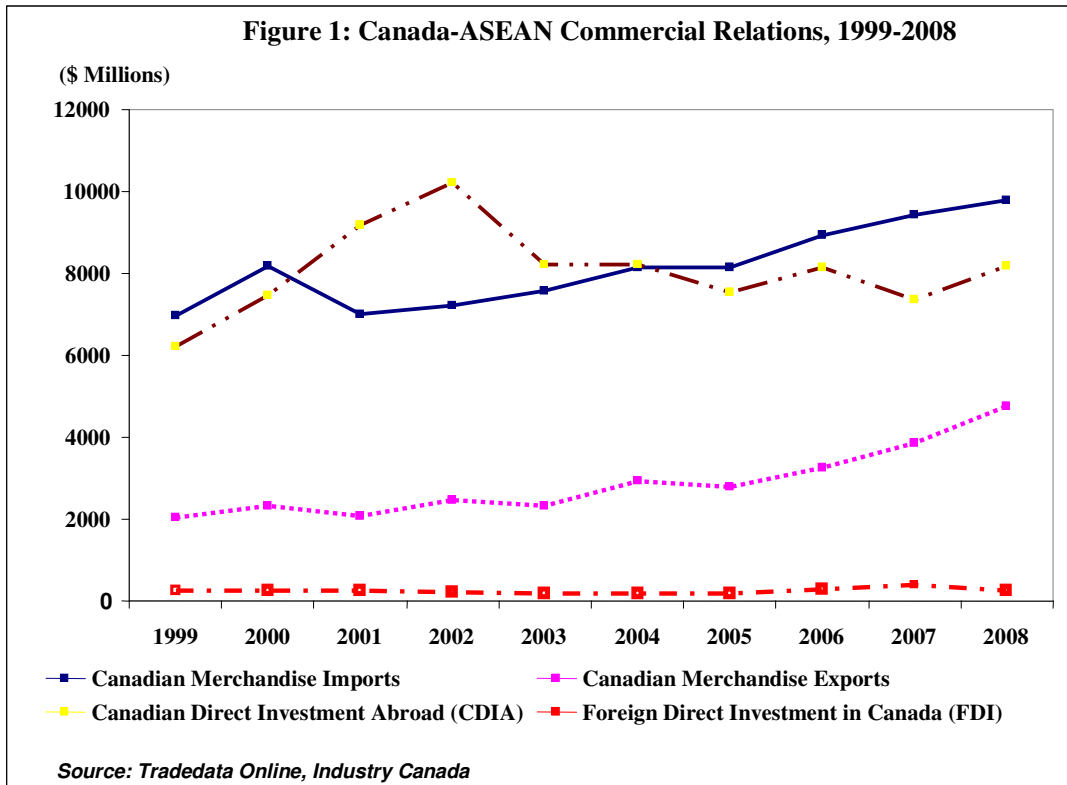
B. Trade

Despite the formal economic relations that have spanned more than 25 years, trade between ASEAN and Canada remains weak. Table 1 shows that trade between Canada and ASEAN as a share of ASEAN's total trade hardly changed between 1980 and 2008 and remains below one percent (see also Figure 1). It peaked in 1990 at 0.9 percent and has declined to 0.7 percent at present. Trade with ASEAN as a share of Canada's total trade is still at modest levels but has been gradually increasing. From 0.8 percent in 1980, it rose to 1.4 percent in 1995, declined through the Asian financial crisis, and rose through to 2008 to 1.6 percent, double its level 28 years earlier. However, the rise was heavily due to the growing trade with Indochina, as the share of Canada's trade with the ASEAN-6 has not substantially changed since 1980. At least since 1980, trade with ASEAN has been more important to Canada than the other way around.

Table 1: Trade between ASEAN and Canada (Exports plus Imports)

	1980	1990	1995	2000	2008
As % of ASEAN's total trade	0.64	0.93	0.71	0.64	0.71
Brunei	0.03	0.05	0.22	0.04	0.04
Cambodia	--	0.02	0.13	0.47	2.07
Indonesia	0.38	1.15	1.36	1.09	0.95
Lao PDR	--	0.45	--	0.15	0.54
Malaysia	0.76	0.88	0.67	0.65	0.85
Myanmar	1.38	0.17	0.32	0.82	0.01
Philippines	1.03	1.45	1.03	0.78	0.95
Singapore	0.60	0.71	0.45	0.37	0.47
Thailand	0.99	1.20	0.80	0.86	0.66
Vietnam	0.01	0.14	0.31	0.45	0.86
As % of Canada's total trade	0.76	1.17	1.35	0.99	1.63

Source: IMF Direction of Trade Online



To further illustrate this point, the top trade partners of ASEAN in 2008 are shown in Table 2. Canada is not in the list of individual countries or regions. However, in the case of Canada's top trade partners (Table 3), ASEAN's contribution is roughly equivalent to that of Germany; ASEAN ranks as Canada's seventh largest partner in terms of total trade. Nevertheless, it is still relatively low. As would be expected, geographical proximity plays a key role in explaining the level of trade. However, Table 2 shows that the US and Europe have substantial trade with ASEAN, implying that geographical distance should not be a hindrance in expanding trade between Canada and ASEAN.

Table 2: ASEAN's top trade partners, 2008

Value in US\$ million; share in percent

Export Market			Import Origin		
Country of destination	Value of exports	Share to Total	Country of origin	Value of imports	Share to total
ASEAN	242,460.4	27.6	ASEAN	215,579.8	25.9
European Union-25	112,948.3	12.8	Japan	107,116.4	12.9
Japan	104,871.8	11.9	China	106,976.6	12.9
USA	101,457.5	11.5	European Union-25	89,554.7	10.8
China	85,556.5	9.7	USA	79,735.8	9.6
Republic of Korea	34,937.5	4.0	Republic of Korea	40,783.9	4.9
Australia	33,682.1	3.8	Australia	17,907.7	2.2
India	30,082.8	3.4	India	17,329.1	2.1
Hong Kong	16,456.8	1.9	Taiwan, Province of China	14,116.3	1.7
Taiwan, Province of China	9,838.4	1.1	Saudi Arabia	11,712.4	1.4
Total top ten destination countries	772,292.2	87.8	Total top ten destination countries	700,812.6	84.3
Others	106,850.4	12.2	Others	130,416.5	15.7
Total	879,142.6	100.0	Total	831,229.1	100.0

Table 3: Top Trade partners of Canada, 2008

In million Canadian dollars, customs basis

Exports			Imports		
Country	Value of exports	Share to Total	Country	Value of imports	Share to total
United States	375,491.9	77.7	United States	227,039.4	52.4
United Kingdom	13,054.9	2.7	China, P. Rep.	42,620.1	9.8
Japan	11,091.4	2.3	Mexico	17,905.1	4.1
China, P. Rep.	10,470.1	2.2	Japan	15,288.0	3.5
Mexico	5,847.1	1.2	Germany	12,711.1	2.9
Germany	4,480.4	0.9	United Kingdom	12,597.9	2.9
Korea, South	3,836.3	0.8	Algeria	7,698.6	1.8
Netherlands	3,700.2	0.8	Norway	6,219.6	1.4
Belgium	3,408.1	0.7	Korea, South	6,001.4	1.4
France	3,241.1	0.7	France	5,937.8	1.4
Total with the world	483,567.9	100.0	Total with the world	433,431.0	100.0
ASEAN	4,713.8	1.0	ASEAN	9,792.0	2.3

Source: http://www.international.gc.ca/economist-economiste/assets/office_docs/PFACT_Annual_Merchandise_Trade_by_Country-Eng.xls

Accessed: July 30, 2009

The top exports of ASEAN to Canada are shown in Table 4 while the top exports of Canada to ASEAN are shown in Table 5. Exports of ASEAN to Canada are dominated by manufactures while exports of Canada to ASEAN are dominated by resource-based commodities: potash, wheat and meslin, and woodpulp. Trade is relatively complementary. This can be exploited to expand trade between ASEAN and Canada. As a point of reference,

the two-way trade flow between ASEAN and Canada is now worth C\$14.5 billion, with Canadian exports to ASEAN being about half the value of ASEAN exports to Canada.

Table 4: ASEAN's Top 10 Exports to Canada, 2008 HS2002, 6-Digit

(‘000 US dollars)

	Commodities	Value	% Share
	All Commodities	4,609,580.0	
1	Medicaments (excl. of 30.02/30.05/30.06) consisting of Mixed/unmixed prods....	825,897.2	17.9
2	Monolithic integrated circuits, others than digital	265,192.5	5.8
3	Parts of the app. & equip. of 85.17 (i.e for telephone sets)	158,778.9	3.4
4	Sulphonamides	140,451.6	3.0
5	Commodities not specified according to kind (HS2002 code 999999)	128,602.9	2.8
6	Parts of the electronic integrated circuits & microassemblies of 85.42 (i.e smart cards)	127,212.6	2.8
7	Tunas, skipjack & bonito (Sarda spp.), prepd./presvd., whole/in pieces (exc...)	124,584.6	2.7
8	Automatic data processing machine units (excl. of 8471.50-5471.70)	84,567.8	1.8
9	Electrical app. For line telephony/line telegraphy, n.e.s in 85.17	80,462.2	1.7
10	Parts & accessories (excl. covers, carrying cases and the Like) suit. (i.e For office machines)	79,217.3	1.7
	Total of Top 10 commodities	2,014,967.8	43.7

Source: UN Comtrade Online. Accessed: July 30, 2009

Table 5: Canada's Top 10 Exports to ASEAN, 2008 HS2002, 6-Digit

(‘000 US dollars)

	Commodities	Value	% Share
	All Commodities	4,437,528.1	
1	Potassium chloride	768,264.5	17.3
2	Wheat other than durum wheat; meslin	711,952.8	16.0
3	Wood pulp obt. by a combination of mech. & chem.. pulping processes	188,816.6	4.3
4	Chemical wood pulp, soda/sulphate, other than dissolving grades, semi-bleac ...	126,034.1	2.8
5	Copper ores & concs.	90,357.0	2.0
6	Soya beans, whether or not broken	81,483.2	1.8
7	Monolithic integrated circuits, other than digital	67,145.7	1.5
8	Nickel, not alloyed, unwrought	64,731.8	1.5
9	Aeroplanes & oth. Aircraft, of an unladen wt. >2000 kg but not >15000 kg	56,017.4	1.3
10	Parts suit. For use sole/princ. with the app. 85.25-85.28, other than ... (i.e. radio and video eqpt parts)	55,739.2	1.3
	Total of Top 10 commodities	2,210,542.5	49.8

Source: UN Comtrade Online. Accessed: July 30, 2009

The above data apply to trade in goods, but trade in services is also important, notably with Thailand, Singapore and Viet Nam. They account for 13 percent of all trade for both Canada and ASEAN. ASEAN is the fifth most important destination for Canadian services exports (est. at C\$1.2 billion in 2006). Canada's services exports to ASEAN are much larger than to Mexico, even though the ASEAN's economy and Mexico's are similar in size. However, Canadian services exports to ASEAN have been growing modestly (2.3 percent per year).¹ ASEAN services exports to Canada, on the other hand, are worth C\$1.8 billion (2006) and have been growing quickly (11.7 percent per year). They have been concentrated in travel and transportation.

C. Investment

Estimated Canadian foreign direct investment (FDI) stock in ASEAN nations was \$8.2 billion in 2008. Canada, however, has not been a major source of FDI in ASEAN (Table 6 and Figure 1). The level of Canada's FDI flows to ASEAN is comparable to that of Australia. But annual Canadian FDI to ASEAN has fallen over the past 14 years. It peaked at US\$1.1 billion in 1997, when it was the sixth largest source of FDI to the region, after the EU, ASEAN, Japan, the US, and Hong Kong. In the aftermath of the 1997 financial crisis, Canada's FDI turned into a net outflow and remained as such until 2003. Since 2004 Canada's FDI into ASEAN became a net inflow again, but it still has not reached the nominal value peak of 1997. By 2008 Canada's FDI flow was only US\$0.8 billion, and even lower if we were to calculate it in real terms. At this level, Canada ranked eighth, after the first four countries above, as well as South Korea, China and Australia. Canada has Foreign Investment Protection Agreements with Thailand and the Philippines, and is negotiating such agreements with Singapore and Viet Nam.

¹ These growth data apply to the period 1995-2002 (Woo, 2005).

Table 6: Foreign direct investments in ASEAN 10 by source country/region

In million US dollars, balance of payments basis

Source Country/Region	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 ²	2007 ¹	2008 ¹
ASEAN ³	4,654.4	4,271.8	5,235.7	2,730.8	1,789.3	763.1	2,495.4	3,634.4	2,301.8	2,803.7	3,765.1	7,602.3	9,408.6	11,068.4
Asian Newly Industrialised Economies	2,845.2	2,242.0	3,520.6	1,930.4	1,629.0	1,459.8	1,828.0	567.6	1,558.9	806.4	577.7			
Hong Kong	1,271.1	927.5	1,884.8	1,162.2	697.6	1,128.9	(431.9)	204.5	100.1					
South Korea	660.2	504.2	721.8	90.8	528.9	(45.0)	(264.8)	92.4	632.0	806.4	577.7	1,253.8	3,124.7	1,266.1
Taiwan (ROC)	914.0	810.3	914.0	677.5	402.5	375.9	2,524.7	270.7	826.9					
China	136.7	117.9	62.1	291.3	62.5	(133.4)	147.3	(80.9)	188.7	731.5	502.1	1,016.2	1,226.9	1,148.1
India	108.1	68.8	90.2	92.6	41.7	79.5	32.3	96.0	81.2	118.7	351.7	(447.8)	534.6	440.7
Japan	5,649.3	5,283.3	5,299.5	3,937.6	1,688.2	455.0	1,606.3	3,366.2	2,317.7	5,732.1	7,234.8	10,222.8	8,382.0	7,677.1
European Union	6,221.4	9,483.1	8,326.5	6,861.1	12,048.0	13,840.1	6,053.6	5,087.5	6,674.7	10,046.1	11,139.6	10,672.2	18,383.5	12,189.2
Canada	609.2	204.7	1,110.9	(207.0)	(14.2)	(397.6)	(555.4)	(191.7)	(10.7)	301.2	161.3	464.8	934.6	797.9
USA	4,318.4	5,177.2	4,950.1	3,222.3	5,931.7	7,311.6	4,569.4	357.6	1,395.3	5,232.4	3,010.6	3,405.4	6,345.6	3,536.9
Australia	534.9	325.1	245.6	(302.2)	(935.0)	(302.8)	(95.1)	202.6	181.1	566.7	195.9	303.0	1,040.5	973.3
New Zealand	35.4	31.2	29.1	25.3	80.2	43.1	14.7	53.7	88.5	3.5	480.7	(198.3)	119.6	116.7
All other countries ³	3,117.5	3,003.5	5,298.2	3,824.0	5,531.5	-471.6	2,360.5	731.7	3,669.6	8,774.9	13,648.4	20,671.8	19,981.0	20,922.9
Total	28,230.6	30,208.6	34,098.6	22,406.3	27,852.8	22,646.7	18,457.1	13,824.7	18,447.0	35,117.2	41,067.8	54,967.2	69,481.6	60,137.2

Source: ASEAN Secretariat Website

¹ Based on updated figures of Table 26 of ASEAN Secretariat Database [<http://www.aseansec.org/Stat/Table26.xls>; accessed July 28, 2009]

² Excludes: (a) total FDI in Cambodia (1995-2000); (b) reinvested earnings in Myanmar (1995-2002); (c) reinvested earnings (1995-2002 & 2004) and inter-company loans in the Philippines (2004); and (d) reinvested earnings (2004) and inter-company loans (1995-1996 & 2004) in Singapore; figures for Myanmar cover the fiscal year ending in March of the following calendar year; and includes privatization and asset sales under the Indonesian Bank Restructuring Agency program for 2002.

³ Includes Pakistan, Russia and the rest of Asia, Central and South Americans; and Others, consisting of the rest of the world, unclassified source, joint countries, and international organizations as well as Re-invested earnings in Cambodia and the Philippines: 1995-2000 figures are aggregates (breakdown by source country not available), 1999-2002 & 2004 data on reinvested earnings, and 2004 data on inter-company loans are aggregates.

D. Official Development Assistance

Canada's bilateral ODA to ASEAN has been fairly steady. In 1980, 2.5 percent of Canada's total ODA went to ASEAN (Table 7). After reaching 4.5 percent in 1990, the figure fell to 3.2 percent as of 2007. Indonesia is the primary recipient of Canadian ODA among ASEAN member countries.

Table 7: Canada's Official Development Assistance, Total Disbursements

As a share of total ODA disbursed to all recipients (%)

Country	1980	1990	1995	2000	2007
ASEAN	2.54	4.54	3.20	3.34	3.22
Brunei	-	0.01	-	-	-
Cambodia	-	0.01	0.20	0.15	0.38
Indonesia	1.34	1.96	0.76	1.52	1.31
Lao PDR	-	0.00	0.04	0.02	0.11
Malaysia	0.09	0.23	0.22	0.13	0.02
Myanmar	0.34	0.07	0.00	0.01	0.01
Philippines	0.02	1.16	0.95	0.57	0.55
Singapore	-	0.03	0.03	-	-
Thailand	0.74	1.08	0.70	0.12	0.13
Viet Nam	-	0.00	0.30	0.84	0.71

Source: OECD Online Database (OECD: DAC2a ODA Disbursements; <http://www.oecd.org/dac/stats/idsonline>; accessed July 29, 2009)

Canada's ODA flows to developing countries are examined more closely in 2006 and 2007 to give an idea of their sectoral allocation. In 2007, ASEAN received 5.2 percent of Canada's ODA to developing countries, which is consistent with the 3.2 percent figure for total ODA mentioned earlier. However, Canada accounts for only 1.5 percent of total ODA to ASEAN in 2007. Similar to the case of trade, ASEAN is more important to Canada in terms of ODA than Canada is for ASEAN.⁴

A bulk of Canadian bilateral ODA to ASEAN—67.4 percent in 2007 and 50.1 percent in 2006—is allocated for social infrastructure and services. This is followed by assistance to production sectors.

⁴ These numbers include only bilateral ODA. If multilateral ODA directed to the ASEAN countries were included, the number would jump to US\$181 million, an increase of about 80 percent of the value reported in Table 8. (Source: Canadian International Development Agency, *Canada's Statistical Report on International Assistance Fiscal year 2006-2007*, March 2009).

Table 8: Official Development Assistance Flows to ASEAN and ODA from Canada, 2006 and 2007

Total disbursements, in US million

	Total ASEAN ¹						Canadian ODA to:	
	Total ODA flows		Canadian ODA				All developing countries	
	2007	2006	2007	% Share	2006	% Share	2007	2006
Canada's ODA to ASEAN as percentage of total ODA to Developing countries				5.23		5.90		
Canada's ODA to ASEAN as percentage of total ODA to ASEAN				1.52		1.52		
All Sector's ²	6,990.33	6,701.61	106.46	100.00	101.76	100.00	2,036.94	1,724.28
Social Infrastructure & Services, Total (100)	2,438.09	2,149.86	71.75	67.40	51.03	50.15	1,215.16	810.07
Education, Total (110)	610.11	528.24	7.64	7.18	5.96	5.86	261.08	175.46
Health (120)	358.97	350.49	6.08	5.71	6.98	6.86	313.79	149.36
Population Policies/Programme & Reproductive Health (130)	272.30	262.17	0.54	0.51	0.87	0.85	99.13	63.79
Water Supply & Sanitation (140)	298.37	289.50	2.70	2.54	2.67	2.62	39.05	45.79
Government & Civil Society, Total (150)	680.04	538.72	38.46	36.13	30.29	29.77	415.23	323.23
Other Social Infrastructure & Services (160)	218.30	180.74	16.33	15.34	4.26	4.19	86.88	52.44
Economic Infrastructure & Services, Total (200)	1,925.19	1,507.79	9.09	8.54	11.06	10.87	135.22	77.69
Transport & Storage (210)	959.23	794.83	-	-	0.12	0.12	30.47	4.00
Communications (220)	40.77	32.99	1.16	1.09	0.72	0.71	23.52	17.62
Energy (230)	762.23	490.39	-	-	0.04	0.04	10.63	5.98
Banking & Financial Services (240)	87.45	120.51	1.55	1.46	2.88	2.83	55.72	35.46
Business & Other Services (250)	75.51	69.07	6.38	5.99	7.30	7.17	14.88	14.63
Production Sectors, Total (300)	642.42	490.61	16.19	15.21	10.44	10.26	179.51	144.39
Agriculture, Forestry, Fishing, Total (310)	476.90	363.75	5.78	5.43	4.82	4.74	133.10	102.44

	Total ASEAN ¹						Canadian ODA to:	
	Total ODA flows		Canadian ODA				All developing countries	
	2007	2006	2007	% Share	2006	% Share	2007	2006
Industry, Mining, Construction, Total (320)	139.10	94.75	7.43	6.98	3.77	3.70	27.15	29.40
Trade Policies & Regulations (331)	22.02	25.10	2.98	2.80	1.85	1.82	18.97	12.09
Tourism (332)	4.40	7.01	-	-	-	-	0.29	0.46
Multisector/Cross-Cutting, Total (400)	507.31	523.84	5.13	4.82	5.86	5.76	81.66	82.49
General Environment Protection (410)	201.60	254.75	1.55	1.46	3.22	3.16	25.25	32.63
Other Multisector (430)	305.71	269.09	3.58	3.36	2.64	2.59	56.41	49.86
Commodity Aid/ General Programme Assistance, Total (500)	530.55	328.32	-	-	10.76	10.57	83.69	44.08
General Budget Support (510)	496.56	251.09	-	-	10.76	10.57	50.27	40.57
Dev. Food Aid/Food Security Ass. (520)	33.99	61.42	-	-	-	-	33.42	3.51
Other Commodity Ass. (530)	-	15.81	-	-	-	-	-	-
Action Relating to Debt (600)	72.73	177.91	-	-	-	-	27.92	260.61
Humanitarian Aid, Total (700)	359.29	467.46	4.26	4.00	11.87	11.66	272.34	270.05
Emergency Response (720)	185.79	206.29	4.19	3.94	5.49	5.40	263.29	217.27
Reconstruction Relief & Rehabilitation (730)	166.23	260.69	0.07	0.07	6.38	6.27	2.40	50.40
Disaster Prevention & Preparedness (740)	7.27	0.48	-	-	-	-	6.65	2.38

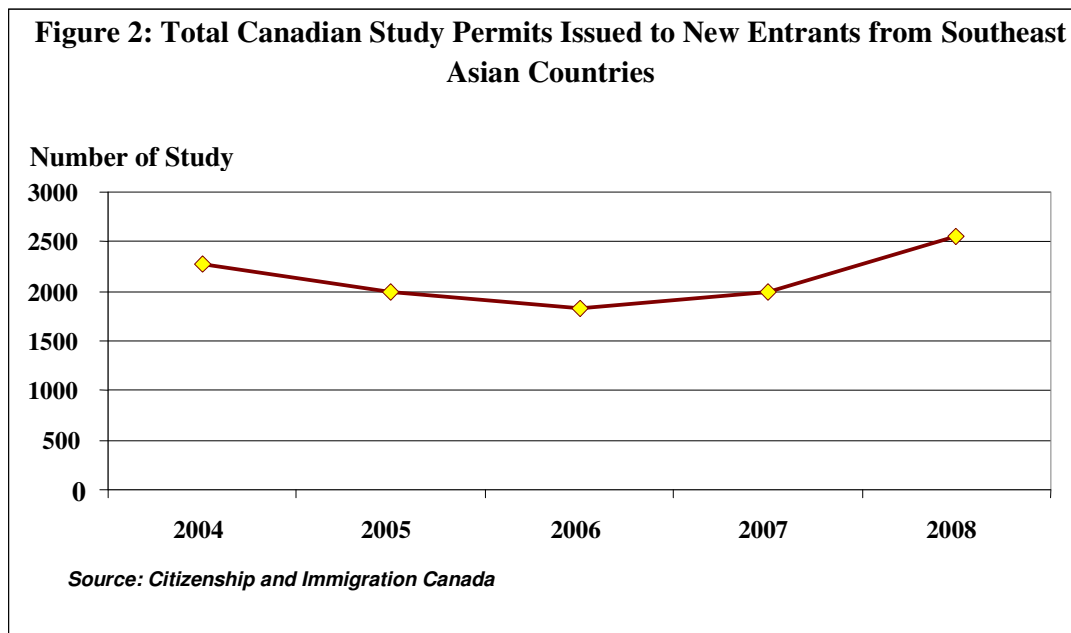
Source OECD-DAC database: <http://stats.oecd.org/qwids>, accessed July 31, 2009

¹ Does not include Brunei and Singapore. No data available for these two countries.

² All Sectors, Total (Incl. Admn Costs; Support to NGOs; Refugees in Donor Countries; Unallocated/Unspecified items)

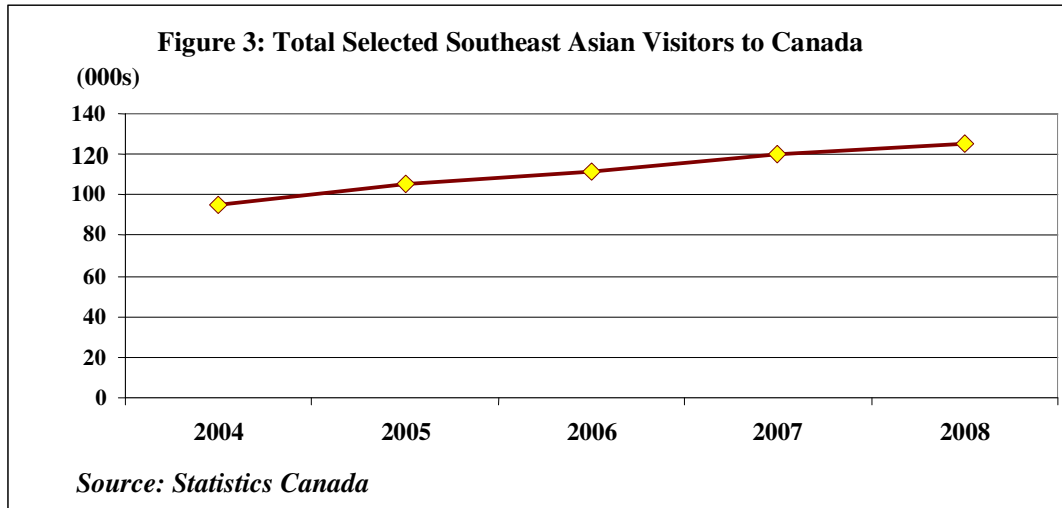
E. Migration, Tourism and Education

The number of ASEAN students studying in Canada appears relatively small but is growing (Figure 2). A widely cited estimate is 2000 students, but this number is now outdated. In 2008, 2557 study permits had been issued to ASEAN applicants. This measure does not include short-term students, ASEAN students who came to Canada as permanent residents, or graduate students who became permanent residents during their course of study. However, by this incomplete measure, ASEAN student numbers grew at 3.2 percent per year from 2004 to 2008. This can be compared to the number of all Asian students, which is growing at 5.3 percent per year (including China), or 0.15 percent per year excluding China. Earlier data for ASEAN countries show that this growth has been sustained since at least 1998. From 1999 to 2008, Malaysian student numbers grew by 44 percent, and for Vietnam, the growth rate was 115 percent.



Approximately one million immigrants from ASEAN now call Canada home, with the number of Filipinos living in Canada alone estimated at half a million. Tourism has steadily grown as well. Canadian tourists travelling to Southeast Asia have grown to 440,000 in 2005 and to 511,000 in 2008. However, this is still a small proportion of all tourists who visit ASEAN. It accounts for 0.9 percent of all tourists to ASEAN countries in 2005 and 0.8

percent in 2008. Although Canadian tourists have increased, the numbers of tourists from other countries like the EU, Australia, the US, Korea and Japan, in addition to within-ASEAN tourists, have grown more quickly. Meanwhile, the number of tourists from Southeast Asia visiting Canada increased steadily between 2004 and 2008 (Figure 3).



II. Proposed Research Programs

A. Relations between Canada and ASEAN

1. The feasibility of an ASEAN-Canada FTA or comprehensive economic partnership agreement (estimated cost: SGD 20,000)

Efforts at economic integration and regional cooperation in East Asia have stepped up during the past 12 years. Many factors have contributed to the increase in pace. One, the 1997 financial crisis made it clear that countries in the region have to fend for one another and depend less on multilateral institutions and countries outside the region. Two, the gridlock in the Doha round, the success of NAFTA, and the expansion of the EU have made regionalism a more attractive option. Three, the rapid development of China has made East Asia a more viable market. Four, market-based regionalism—or what has been termed regionalization—in the form of intra-regional trade and investment has progressed even in the absence of formal agreements. There is a view that consolidating the gains requires ‘regionalism,’ i.e. a more formal structure for the relationship.

ASEAN has been at the center of regionalism in East Asia. It has concluded FTAs with China, Japan, Korea, Australia and New Zealand, and India. One of the objectives of establishing the AEC is to enhance ASEAN's role as a major production base in East Asia. Consolidating the various ASEAN+1 trade agreements into a region-wide FTA will help achieve this objective.

An ASEAN-Canada FTA would be beneficial in several respects. First, it would likely to boost bilateral trade. The integrative paper of Woo (2005) cites estimates showing the positive impact of a Canada-ASEAN FTA. Second, it would be a logical extension of the various "plus 1" FTAs entered into by ASEAN. A Canada-ASEAN FTA would push East Asian regionalism towards the Pacific and possibly lead to the concept of ASEAN+9, referring to a consolidation of the East Asia Summit and NAFTA. This can be the springboard for the larger free trade area of the Asia-Pacific (FTAAP).

Even if the economic benefits of FTAs may be marginal, it has been argued that the primary purpose of pursuing them is primarily political, and the economic consequences—good or bad—are side effects of the political payoff. The argument is that making an FTA work requires political commitment, which translates more readily into political gains. For example, a Canada-ASEAN FTA would boost the political bargaining power of the countries involved by signaling that they have agreed to band together to pursue common interests. Canada and ASEAN definitely have many common interests, e.g. promoting faster and deeper agricultural trade liberalization at the World Trade Organization and within APEC. Another important consequence of the FTA would be to signal to the business community the establishment of an environment conducive to investment.

2. Issues in Migration and Trade in Services (estimated cost: SGD 25,000)

International migration is increasingly becoming an important and integral component of development in many countries including, those in Southeast Asia. It is expected to continue, given the wide disparity in wages, aging population, and low birth rates in developed countries, and rising education levels in developing countries. It is also considered as one of the most promising "feasible globalizations" among the alternatives in terms of income gains. It has brought benefits to (a) migrants and their households, (b) countries to which they

contribute their labor, and (c) countries of origins, to which they transfer both money and skills.

In Southeast Asia, and in other countries of the world, there are two types of international migration streams. One is the more popular migration across longer distances and usually over longer periods of time. Often this is the only migration stream that is studied. However, another type of migration -- of the high-frequency, shorter-term cross-border movement -- is concurrently occurring even though often not getting as much attention.

IDRC has commissioned a study that looks into the pattern of intra-regional migration in Southeast Asia.⁵ This can be complemented by a study that looks at long-term and short-term migration between ASEAN member countries and Canada. The latter generally focuses on movement of natural persons related to trade in services.

Trade in services or the temporary movement of workers is one aspect of globalization where developing and least developed countries are deemed to benefit the most. While it is likely to result in a 'brain drain' and may entail undesirable social consequences, most sending economies uphold its net contribution to national development. Though the impact appears to be modest, the migration of workers is seen to have a cooling effect on population and unemployment pressures in sending economies. Research also shows that the emigration of skilled and professional workers may in fact contribute to and facilitate the exchange of knowledge (via returning migrants and 'skills circulation') and help spur greater investments in education and human development through remittances and other linkages. The social and economic costs seem to be minimal and are likely to be offset by long-term gains. Economic inference likewise implies that, even at a limited degree, the economic gains that can be had from the liberalization of trade in services could far exceed 'those that could be obtained from liberalization in traditional areas of trade.' The growing number of bilateral agreements with special provisions for the entry of temporary workers amply demonstrates the importance of market demand and supply for the temporary movement of workers.

⁵ "Different Streams, Different Needs and Impacts: Managing International Labor Migration in ASEAN". This project will be coordinated by PIDS from 2009-2011.

While it is true that globalization endorses free movements of goods and capital, current trading practices restrict the movement of workers. Much of the delay can be attributed to the obvious reluctance of host countries to admit workers for fear that this could depress wages, displace local workers, strain social welfare programs, compromise national security, and alter their national identities. These perceptions are likely unfounded. Beneficial elements of labor migration in the promotion of non-inflationary economic expansion, rejuvenation of population and long-term solution to problems raised by ageing populations are now being recognized. But despite these claims and the promise of global labor productivity and overall gains to sending and receiving countries, barriers to trade in services persist. Issues relating to granting of visas and work permits, recognition of qualifications, and differential treatment of domestic and foreign workers are by far the most contentious.

The costs associated with granting visas and work permits pose serious administrative obstacles to developing countries. The low regard accorded to their professionals may arise as a response to the asymmetry of information. Measures to address these issues (i.e. harmonization of qualification standards and requirements through Mutual Recognition Arrangements) have been proposed at international fora. But while many multilateral actions (i.e. ILO Conventions) have been successful in establishing international norms with respect to labor migration, a comprehensive multilateral framework on the cross-border movement of people has yet to be established. Aided in no small part by these developments, bilateral agreements and MOUs soared. Canada and ASEAN can explore a possible bilateral agreement.

ASEAN as a bloc is exploring possible trade negotiations on services with many of its DP. Labor migration issues have not figured prominently in ASEAN-Canada negotiations but, in practice, some ASEAN member countries (e.g., the Philippines' nursing professionals) have been known to assent to the regulatory requirements of major destination countries like Canada. Canada thus far has not pursued active trade negotiations with the developing Asian countries (especially in terms of forging cooperation agreements). Much of this has been attributed to the country's preoccupation with the North American trade and WTO commitments.

3. Human Resource Development (estimated cost: SGD 12,000)

An understated component of Canada-ASEAN relations is investment in human capital. This includes education, particularly at the post-secondary level. Secondary-level education is important, but we know of no data on ASEAN students in secondary schools in Canada; consequently our focus is on post-secondary education. As noted in Section I above, the number of ASEAN students studying in Canada by the incomplete measure we have is small. However, these numbers are growing steadily, and there are many opportunities to expand this component of Canada-ASEAN relations.

It would deliver substantial benefits both to ASEAN countries and Canada. It would be an effective contribution to income growth and development of ASEAN countries, it would strengthen the quality and diversity of scholarship at Canadian universities, and it could further the internationalization objectives of those universities. In addition, increasing enrollments from ASEAN would appear to be feasible. Enrollments of students from South Asia and China have both been growing at around 20 percent per year for the four years from 2004 to 2008, while ASEAN enrollments grew at 3 percent. Chinese and Korean students amounted (each) to 14,000 in 2008 compared to 2500 for ASEAN. Australia has also been particularly successful in attracting much larger numbers of Asian students, including from ASEAN.

The mechanisms by which such an increase in enrollments could be achieved would itself make for a useful topic of research or study. However, there are some obvious options that can be mentioned at this stage. One area is to expand exchange programs at Canadian post-secondary institutions. Although some already exist, they could be expanded by increasing the number of colleges and universities that offer such student exchanges, expanding the existing programs by making them more attractive and better promoted to ASEAN students, along with more exchange university partners within ASEAN, and by increasing financial support (e.g., seed money) for these programs. Because many of them operate on a basis of reciprocity, the means of expanding the availability of slots to ASEAN students may require expanding the number of Canadian students choosing ASEAN institutions for their exchanges. The best mix of new program offerings, easier regulations, and more scholarship or funding support should be the subject of further study.

In addition to student exchanges, there would likely be substantial benefits to both Canada and ASEAN for more faculty exchanges. Ideally an increase in faculty exchanges would also be reciprocal. The attractions of Canadian universities to ASEAN faculty members may be obvious, but increasingly ASEAN universities are attractive to Canadian scholars as the quality of research and teaching programs at those universities has increased. This would involve ensuring that openings for exchange exist and are available to faculty members in the respective countries and that these are properly communicated. It may be that some funding support would be needed as well, and this could be offered by the respective home countries. It is noteworthy that modest funding incentives often generate quite substantial responses.

A different type of response to expanding human resource opportunities at the post-secondary level is for Canadian universities to offer more courses and programs within ASEAN. At its most developed level, this may include the development of ASEAN country campuses of Canadian schools. There is plenty of precedent for this type of activity. One activity may be to offer language training in the home country of that language. A less costly option would be to offer courses on an online or e-mail basis. The software exists through Vista and WebCT, although additional measures would be needed to provide live video links or forms of interaction between student and professor to go beyond e-mail. These courses would likely be for domestic students of the university offering the program. But they can be expanded to a variety of subjects and opened to students outside the Canadian university. For example, for more than 20 years, UBC has offered business school courses in China, where UBC-equivalent courses are offered in selected locations in China by UBC faculty members, and where UBC-resident students can even enroll to take their course(s) in China. There is no reason why this kind of course offering could not be extended to ASEAN countries. It would involve a medium-term investment in the chosen locations, such as a five-year commitment, but tuition fees could be set at levels that are financially sustainable and it could be in the financial interest of the Canadian institution, as well as being an attractive feature for ASEAN students and for both governments.

Developing overseas campuses would be a larger investment, but a number of universities have done this already. The University of Chicago has operated an Executive MBA in Singapore since 1994, and they are not the only international university to do so. This step likely would concentrate initially in the most developed cities within ASEAN, but this still would allow a number of such initiatives to be undertaken in such cities as Singapore, Kuala

Lumpur, and Bangkok; a Harvard University initiative has taken place in Ho Chi Minh City. These investments would depend on a large enough student clientele with sufficient willingness to pay to cover the full costs of such a venture. This may limit the scope of an overseas campus to the largest and highest income cities, as well as to offering only courses in professional schools with high tuition rates. Nevertheless, there are many options here that remain relatively unexplored.

4. Sector specific studies (estimated cost: SGD 35,000)

Expanded and enhanced research partnerships are a focal point of this study and another key element of highly beneficial improved Canada-ASEAN ties. The possible scope for joint and collaborative research topics is wide indeed. We can start with those areas where Canada has some comparative advantage and focus on *problem-based research where commercial or government applications are likely*. However, the list of possible research topics is only illustrative; it is not meant to limit other attractive options. Another question: is for whom is this research to be done, and what would this research hope to deliver? We would suggest that this research would be of interest to a variety of firms (i.e., non-proprietary) and governments in their search for commercial and policy success. For example, it could be to find solutions to a problem that affects a number of firms or communities. Or given the policy focus of this mandate, it could be research into solving an ongoing problem, or setting up institutions to solve that problem. If it is a problem faced by more than one country or government, it would even be better. Finally, the technical cooperation would be expected to involve experts on both sides feeding into problem-solving in both regions. For example, this may involve Canadian expertise in a specific problem but with ASEAN experts providing other kinds of expertise necessary to solving an ASEAN country problem, and in many cases providing as well the critical local institutional or environmental components to appropriate solutions. In other cases, the subject-matter expertise may come from ASEAN experts, and the joint research effort may be focused on Canadian problems.

In terms of commercial or sectoral research, many consultant reports cite Canada's expertise in the resource industries (e.g., oil and gas, minerals, forest products) and in environmental services (e.g., air quality, energy efficiency, waste management and recycling, water and wastewater treatment, renewable energy, and eco-friendly production). These are all areas

with substantial Canadian expertise and where there is significant demand across many parts of ASEAN. However, one would not want to be limited by such a narrow set of economic sectors. There are other sectors such as agriculture and food production, transportation manufacturing, infrastructure planning and construction, and information technology and communications, where Canada has know-how and technologies that are potentially very applicable to ASEAN country problems.

Across types of professions and disciplines, this involves engineering, legal, business and economics, urban planning, and biotechnology expertise, to take a small number of examples. In terms of types of topics, we would suggest staying away from marketing studies that are likely to be undertaken by the firms concerned in any case, and rather focus on topics related to common problems faced by many firms. This might include regulatory reform and how to reduce barriers to trade (internal and external), efficient enforcement of government regulations, and mechanisms to reduce corruption. It could also include questions of the value of various types of infrastructure investment that would benefit the countries and firms concerned as well as facilitate exports.

Within the field of government policy research, the scope of topics is broader still. Within the economics and finance area it could include, for example, macroeconomic adjustments within the current recession, competition policy, agricultural and all kinds of resource policy reforms, environmental and sustainability policy along with climate change or carbon policies, health and safety standards, especially for food safety, poverty alleviation policy, trade and customs policy, labour market policy, financial market policies, regulatory reform, enforcement and anti-corruption policies, and social safety net policy. Considering a broader range of policies, we would add, for example, decentralization and local governance, community management of natural resources and environmental policy enforcement, democratic institutions and human rights, and all elements of human security, from terrorism to trafficking, piracy and trade in illicit products. This list is only illustrative, as it omits many important areas of policy research, including other specific industrial-sector policies, science and innovation policy, many legal aspects of law-making, and external issues such as the law of the sea. Some of these areas were identified as thematic issues in the 2nd ASEAN-Canada Joint Cooperation Work Plan.

5. Role of Canada's ODA (estimated cost: SGD 15,000)

In any re-examination of Canada-ASEAN relations one important element is Canada's ODA to the region. Total bilateral aid is calculated at US\$106 million for 2007, although by other data sources total bilateral and multilateral international assistance to the region is US\$180 million. It is concentrated on social infrastructure and services (67 percent), by which is meant education, health, population policy, water, and civil society projects. Fifteen percent goes to projects in various production sectors, and 9 percent goes to economic infrastructure and associated services. The single largest country recipient is Indonesia, accounting for almost half of Canada's ODA to the region, followed by Viet Nam, the Philippines and Cambodia.

Three questions can be raised about these allocations. Is the total aid to the region at the best level, is the within-ASEAN allocation the most desirable, and is the allocation to project type best? There can be differing judgments on each of these three allocation decisions made by CIDA. What might be useful within this project would be some evaluation of these various allocations. What complicates such research is that such an evaluation requires difficult weightings across countries and project activities. In addition, it is difficult to perform an objective appraisal, given the various interests that are involved. However, it is still a useful exercise that might be considered in the kind of collaborative research efforts that might arise from this project.

A re-examination of Canada's ODA can also explore its direct involvement in the Lower Mekong Basin. This would include projects related to trade, migration, human resource development, and sector-specific studies.

B. Expanding and strengthening the role of ASEAN and Canada in Global Institutions and Forums

1. ASEAN and ASEAN+3, ASEAN and the East Asia Summit, and Canada and NAFTA
(estimated cost: SGD 12,000)

This issue relates to building regionalism in East Asia, with focus on the role of ASEAN. The research can look into creating institutions to make regionalism more effective and equitable. Emphasis can be given to the manner in which the various bilateral and sub-regional FTAs can be consolidated.

This topic is relevant under the ASEAN-Canada program, since Canada is part of NAFTA. There may be existing mechanisms in NAFTA that may be relevant for the proposed East Asia Free Trade Area and the Comprehensive Economic Partnership for East Asia.

2. Living in the Shadow of Giants: Can ASEAN Learn from Canada-US relations?

(estimated cost: SGD 12,000)

Another area of fruitful exchange between Canada and ASEAN is that of external relations, specifically Canada's experience in living beside a very large neighbor, the U.S. ASEAN is in a somewhat similar position because of the close proximity, and size, of China. There are numerous issues involved, far too many to cover thoroughly in this short section. We will focus on several issues related to economic integration, specifically commercial relations and trade, which will move into issues of policy independence and dispute resolution.

The reason that living with a large neighbor creates special difficulties, beyond normal challenges in economic integration, is that there is a substantial asymmetry in bargaining position. The gains of the larger country in terms of economic integration are positive but not that large, whereas the gains to the small partner may be very large relative to its GDP. Therefore, the smaller country would be willing to sacrifice more to achieve the economic integration (e.g., FTA) than the large country would, making the bargaining situation very unequal. This situation describes well the Canada-US challenge, with the resulting unwillingness of the US on some issues to submit to a compromise and the consequent greater need for Canada in some disputes to conform more to US policies and institutions. A striking example of this difficulty is found on the Canada-US border subsequent to the 2001 terrorist attacks. The demand within the US for greater border security has "thickened" the border substantially, with the obvious costs to Canadian firms, and there is very little negotiating room with the US on this matter.

After many decades of maintaining moderate border protection with the US, Canada signed a Free Trade Agreement to become effective in 1989. This led to a broader agreement with Mexico in 1994 (NAFTA) and increased considerably the degree of economic integration between the two countries. It was politically divisive when it was negotiated and signed, and only with rapid increases in two-way trade over the ensuing decade did this public controversy subside. It is difficult to argue with the result of substantial income growth in many sectors where trade was opened. Even sectors that were predicted to be substantially reduced in size, or wiped out, by free trade surprised observers in many cases by maintaining competitiveness and in some cases even exporting. But it also led to an increase in trade disputes and to an increasing percentage of Canada's foreign trade being done with the US. Both developments have caused debate.

After the FTA, with the growth in Canada-US trade, the share of the US in total Canadian trade increased to roughly 80 percent. This increased specialization has meant that Canada has become more tightly tied to cyclical and other changes in US economic activity. The result of this was made clear in the booms in exports during periods of rapid US growth, as well as the serious difficulties faced in the recent 2008/2009 recession. It raises the question of the value of trade diversification to reduce the risks of strong cyclical changes in economic activity. This was a public policy goal in the 1970s in Canada, to reduce dependence on the US market, but to do so again would require giving up to some extent the easy and large gains of selling "next door" to the world's largest consumer market.

The issue of trade disputes was a major motivation for concluding an FTA: to put in place dispute-resolution mechanisms to minimize the prevalence and size of trade disputes. However, despite a new process for handling and resolving disputes, their number shows no evidence of having decreased. The kinds of disputes that have occurred in the last 20 years can be categorized into two groups. First, there are "normal" disputes arising from competitive pressures between two roughly similar industries on opposite sides of the border. With the reduction in border barriers, competition has increased and small advantages on one side or the other become the basis for disputes brought by the other side. These tend to move with economic cycles and involve the use of anti-dumping measures. More divisive, however, are those disputes that arise where policies are more fundamentally different in some way. Striking examples are the softwood lumber dispute and wheat (and until 2002,

dairy) industry battles. Here the long-run path to resolution appears to be little short of a degree of policy harmonization.

This raises a third key point of increased economic integration in the Canada-US case, and that is policy independence or sovereignty. The inevitability of more disputes coupled with the difference in size between the two countries means that smooth economic relations will often involve some degree of increased harmonization of policies, certainly of regulations, and those new policies will typically be US-type policies. In other words, pressures mount for Canada to adopt policies in the areas of dispute that more closely resemble US policies. Those who place a high value on policy independence or sovereignty take a dim view of this development. This also explains in part why Canada has been reluctant to push this FTA into a customs union (à la EU), because even more policy independence would be lost, particularly in the domains of fiscal and monetary policy.

Whatever doubt there is about the degree of *policy* harmonization that is necessary within Canada-US trade relations, there is no question that regulations and standards will become more harmonized or equalized under this type of FTA. Demands for standardization come from both sides of the border. Increased trade will reveal inconsistencies in the two countries' standards and regulations, and the burden of these transaction costs will lead to strong lobbies to harmonize these regulatory elements. Even when Canada discovered BSE in the cattle herd in Canada, prompting trade bans, the two countries, beef trade had previously become so large that both industries and both governments wanted standardization of health tests and requirements as soon as possible in order to resume normal trading.

3. Dealing with the current economic crisis and proposals for post-crisis economic restructuring (estimated cost: SGD 15,000)

In response to the economic slide, a recommendation for “rebalancing economic growth” in East Asia has been made.⁶ “Rebalancing” is particularly relevant for economies that are heavily reliant on exports. However, rebalancing need not necessarily imply a reduction in

⁶ In economic jargon, $Y = C + I + G + X - M$. Some economies are overly reliant on exports, X . Hence, “rebalancing” implies that these economies have to increase consumption, C , or investment, I , in order for output Y to be sustained.

exports. For example, the Korean economist Yung Chul Park⁷ emphasized that rebalancing need not center on the current account. If there are no significant distortions in the export sector and an economy's currency is not undervalued, rebalancing should focus instead on impediments to investment and consumption. The Philippines is an example where the investment-GDP ratio has been relatively low. Meanwhile, China's consumption expenditures are only about 50 percent of GDP.

Rebalancing therefore means a different thing for different countries in the region. In this context, it is important to distinguish between rebalancing at the regional level and rebalancing at the national level (or domestic level) and how these two processes relate to each other. A framework as shown in Figure 4 should be developed and be the basis for appropriate policies.

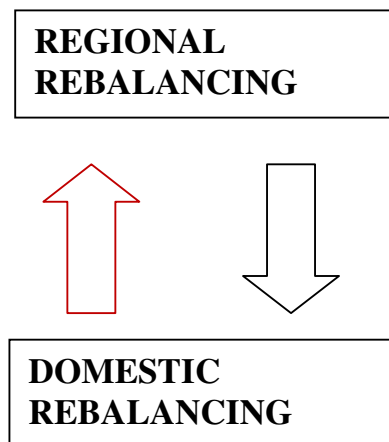


Figure 4: Linking Regional and Domestic Rebalancing

Some experts have noted that Asia's outward-oriented development model does not need to be overhauled. What will be required is adjustment in net exports and some shift toward production for Asian demand. In other words, the main thrust of regional rebalancing should be an increase in intra-regional trade and investment among East Asian economies but with more of the final exports going to economies in the region instead of the US and Western

⁷ Park, Y. C. (2009): "The Global Economic Crisis and Rebalancing Growth in East Asia" paper presented at the conference on "Global Financial and Economic Crisis: Impacts, Lessons and Growth Rebalancing", Asian Development Bank Institute, Tokyo, April 22-23.

Europe. In order to facilitate this transition, some economies have to import more from their neighbors, which implies increasing their domestic spending (consumption and investment).

Canada may be confronted with a similar challenge. A joint study can be conducted in order to compare the situations of Canada and ASEAN and for both to learn from each other's experts. A Canada-ASEAN FTA may also allow Canada to pick up some of the slack in the exports of ASEAN.

4. Making APEC more relevant: the role of ASEAN and Canada (estimated cost: SGD 12,000)

Both Canada and ASEAN have been strong supporters of APEC as a multilateral vehicle, one with a uniquely strong pan-Asia/Pacific focus on trade, investment, broad economic cooperation and human security. But APEC has become more of a discussion forum than an organization for agreements or action over the last decade or so. Given the objectives of APEC which are embraced by both Canada and ASEAN, the question arises: is there anything the two can do to make APEC more relevant and useful? This certainly is a priority topic for further examination and itself would be a desirable research topic. It may be that the most effective means of revitalizing APEC is to convince the US to act more decisively as its champion. It is likely that US leadership within APEC is a prerequisite to allow APEC to build consensus and achieve binding agreements. Canada and ASEAN both have a strong interest in working together within APEC to avoid having to negotiate with the giant powers (US, China, or Japan) alone on any issue.

Achieving trade agreements within APEC is not a realistic goal in the short term, but there are other avenues for productive cooperation. This can include, for example, the harmonization of standards to facilitate smoother trade relations within existing trade agreements or the reduction of technical barriers to trade. Undertaking such approaches together may also introduce the opportunity for Canada to help upgrade the skills of experts and negotiators among ASEAN countries in these trade-related topics. Reductions in barriers and improvement in regulations in these areas usually embraced by APEC is a longer-term process, particularly within ASEAN, and this would appear to make it even more useful for Canada and ASEAN to engage in a capacity-building exercise that would provide valuable services to the less developed ASEAN countries.

5. Human Security (estimated cost: 12,000 SGD)

In re-examining and strengthening Canada-ASEAN relations, one key area is human security. Both Canada and ASEAN find national security –security from external threats – and human security – security of the people – as mutually reinforcing, but argue that securing the state does not usually guarantee securing the people. Thus, both Canada and ASEAN recognize the importance of human security as the protection of individuals. Where they differ is in the manner in which they approach human security, in the way they view the threats that people should be protected from.

Canada’s approach is based on a narrow concept of human security, which limits the scope of protection to freedom from fear, i.e. protecting individuals from pervasive threats to rights, safety, and lives, such as civil war, genocide, political violence, armed conflicts, transnational crimes and global terrorism. As a member of the Human Security Network that adheres to this narrow conception, Canada focuses only on international violence, conflict resolutions, and post-conflict reconstruction as a way to address and protect human insecurities arising out of, inter alia, devastating civil conflicts, military brutalities, and transnational terrorism. The Human Security Report 2005, *War and Peace in the 21st Century*, is evidence of Canada’s approach to human security. Broader elements of human security typically are dealt with in Canada using specialized policies and programs rather than including them under the human security banner.

ASEAN’s approach to human security has always been based on a comprehensive concept of security, that is, on entitling individuals to freedom from want, freedom from poverty, job insecurity, income insecurity, health insecurity and environmental insecurity and security from crime. This comprehensive concept of human security that encompasses political, social and economic dimensions of an individual’s security and well-being is not without precedent in ASEAN’s evolution. This was emphasized by former Secretary General of ASEAN Ong Keng Yong in one of his speeches in 2006. In ASEAN’s 1976 TAC, this is referred to as “national resilience” in the political, economic, and socio-cultural spheres. In ASEAN Vision 2020, the term used is “total human development” which consists of promoting equitable economic development and reducing poverty and economic disparities. Under the Vientiane Action Programme, this is embedded in building a socio-cultural community that promotes

and protects rights, security, and well-being. And in the 2003 ASEAN Concord II, this is about ASEAN's commitment to the "principle of comprehensive security as having broad political, economic, social and cultural aspects."

These different but mutually reinforcing approaches to human security could be a fertile area for a joint research program between Canada and ASEAN; both could learn from the strengths and weaknesses of each other's approaches. Canada's global involvement in addressing international violence, conflict resolution and management, and post-conflict reconstruction provides a wealth of knowledge for ASEAN, whose member states are grappling with effective policy responses in addressing violence-related insecurities to their peoples. ASEAN's multifaceted approach in addressing human insecurities—poverty, terrorist activities, food and energy insecurity, health and environmental insecurity, illicit drug trafficking, trafficking in persons, arms smuggling, and economic and financial crisis—should merit the attention of Canada, since these concerns have an impact on Canada. It goes without saying then that the platforms of Canada-ASEAN partnership, i.e. Joint Declaration on ASEAN-Canada Enhanced Partnership, Second Joint Cooperation Work Plan (2007-2010), ASEAN-Canada Dialogue, though tackling human security concerns one way or another, should have elaborate discussions and clear policy actions on how to promote human security.

One concrete step towards strengthening Canada-ASEAN relations on human security could be institutionalizing a Human Security Centre in ASEAN with a view to: centralizing the otherwise fragmented human security initiatives and projects by ASEAN. This is not say that ASEAN has not been meeting the challenge of human security. The meetings and their resultant agreements such as the Agreement on Disaster Management and Emergency Response (response to the December 2004 tsunami), the ASEAN Plan of Action to Combat Transnational Crime, the Regional Framework for the Control and Eradication of Highly Pathogenic Avian Influenza, the ASEAN Plus Three Emerging Infectious Diseases Programme, ASEAN Agreement on Transboundary Haze Pollution, the ASEAN Action Plan on Rural Development and Poverty Eradication, the Strategic Plan of Action on Food Security in the ASEAN Region (SPA-FS), the Post-Nargis Recovery and Preparedness Plan (PONREPP), to name a few, are not without merit in responding to human insecurities. They only need to be coordinated, and centralized if need be, for the sustained achievement of desirable outputs. The Human Security Centre would be tasked to effectively coordinate such

agreements and monitor and evaluate their implementation. The Human Security centre would provide technical, financial, and administrative assistance to ASEAN member-states in their capability-building efforts, aside from building their own Human Security Centres, establish networks and linkages with other Human Security institutions to build productive connections, research partnerships and output-sharing; and serve as a resource base mainly for ASEAN human security databases for academic and research purposes, among others. Canada could be instrumental in realizing such institution-building.

6. Climate Change (estimated cost: 20,000 SGD)

Both Canada and ASEAN consider climate change as a global issue with impending threats to human lives, social and economic costs to countries, and adverse effects on present and future generations. Both continue to reaffirm their commitment to the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol as the basic framework and legal instrument for combating global climate change. This commitment is evident in ASEAN's and Canada's continued efforts at formulating comprehensive processes and action plans as inputs to the 15th session of the Conference of the Parties (COP) to the UNFCCC and the 5th session of the Conference of Parties serving as the Meeting of Parties (CMP) to the Kyoto Protocol convened in Copenhagen on 7-18 December 2009. Long-term cooperative action and effective implementation of the Convention up to and beyond 2010 is deemed a necessary component in helping to address climate change. The ASEAN Joint Statement on Climate Change made on October 24, 2009 in Thailand and Canada's *From Impact to Adaptation: Canada in a Changing Climate 2007* attest to common but differentiated responsibilities and respective capabilities in coping with climate change.

Joint research programs on climate change could include, but not be limited to:

- Crafting bills on climate change in ASEAN countries and Canada to have a legal framework that is consonant with UNFCCC. The Philippines' Climate Change Act is an example of a legislative initiative;
- Commissioning and funding researches on the impacts of, and vulnerability to, climate change and effective adaptability mechanisms, with particular emphasis on

do-able target setting and implementation strategies that are country-specific but sensitive to global standards and climate science, as well as effective policy responses that take into account national circumstances. The introduction of provincial carbon taxes in Canada is an example of such policy responses. Both Canada and ASEAN should heed the scientific findings of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) on the adverse effects of climate change on developing countries;

- Pioneering a post-Kyoto Protocol plan that will include new agreements and protocols for both developed and developing countries, with particular emphasis on seriously cutting greenhouse gas emissions targets; effective swap arrangements; and adaptation and capacity building of Parties in addressing global warming or climate variability. Canada and ASEAN would be credible representatives for such pioneering work, given their level of commitment to and common concern on addressing climate change, as well as their status as being a developed and a group of developing countries with differentiated responsibilities and capabilities;
- Ensuring energy efficiency and sustainability through impact studies on (a) diversification, development, and conservation of resources; (b) efficient use of renewable and alternative energy (e.g. hydropower, biofuels); (c) development of environmentally-sound technologies and innovative energy-efficient practices;
- Establishing networks, linkages and partnerships among research institutes of Canada and ASEAN on climate change for continued dialogue, seminars, workshops and conferences aimed at knowledge-sharing and capacity-building.

III. Proposed Activities in the Next Three Years

To move forward with a program dealing with the numerous issues discussed above, we would propose an implementation plan with several components. We are guided by the objective of improving linkages between researchers and scholars in Canada and ASEAN countries, promoting ongoing research partnerships between the two, and building research capacity within ASEAN. This is particularly true in those lower-income countries of ASEAN,

where many potentially outstanding researchers are now in need of support, networks, mentorship, and information. We do not discuss the need for an overall project management committee, nor do we discuss how research projects from the possible topics above will be chosen, aside from the organizing committee of the annual ASEAN-Canada Forum, which is discussed next.

A. Annual or Biennial ASEAN-Canada Forum

An important contribution to research linkages and partnerships would be an annual or biennial forum where researchers working on the themes described above could get together to present recent research papers and elicit critical comment and discussion from other experts in the respective fields. This would be the flagship event of the project and the primary outlet for presenting the research undertaken as part of this project. The attendees would be researchers from Canada and ASEAN countries who are working in the fields that are represented on the program of that year. The Forum theme and program would be chosen for each year to bring attention to a topic of importance to both sides. Having a theme would allow a certain degree of specialization in the Forum each year and would determine the likely attendees. For a list of possible themes, we would suggest the topics addressed above would provide a rich list of themes that are important to both sides and would benefit from greater research attention.

Ideally, the themes of these annual fora would be made public more than one year in advance to allow research to be conducted and papers written on that theme and to attract people with busy schedules to attend the Forum. This, in turn, would require that there be some ongoing planning committee to handle these issues, such as the future choice of themes well in advance. A related planning issue would be the location of the Forum. To encourage a wide range of participants, the venue should be rotated and we would suggest it alternate between ASEAN countries and Canada. When in ASEAN, the venue could also be alternated among various ASEAN countries, and when in Canada, it could be alternated among different cities, in both cases to encourage a reasonable number of attendees working on related research. In addition to choosing locations to broaden the base of researchers, the criteria for venue choice should also include cost and economies of size. For example, the Forum could be held more often in cities with greater concentrations of relevant research activity and in those cities with the best conference infrastructure.

Estimated cost (25 participants—10 from Canada, 15 from ASEAN): ASEAN venue – SGD 50,000; Canadian venue – SGD 60,000.

B. Additional Outlets for Research

To gain more substantial benefits from this project on both sides, outlets for research should exceed the one annual forum. One way this can be accomplished is to include *ad hoc* conferences, on topics that are timely or appropriate, and seminars in ASEAN and Canadian locations. Given that a significant number of researchers on both sides will be from universities, they would make a natural location for periodic conferences and seminars. For example, existing seminar series at universities doing ongoing research into Southeast Asian problems and issues could readily accommodate additional seminar presentations under this project. This would equally apply to institutes specializing in Southeast Asian issues. Three such institutions that come immediately to mind would be the Institute for Southeast Asian Studies (ISEAS) in Singapore, the Philippine Institute for Development Studies (PIDS) in Manila, and the Asia Pacific Foundation of Canada (APFC) in Vancouver.

C. Research Infrastructure

A third component of this project would be a publication series to disseminate research results and outputs. The extension of research findings to the larger community, including policy makers in government, and policy researchers in universities and research institutes, should be an important part of this project. This can take several forms. The most accessible would be a website set up for the project and specifically to include research publications accessible to the public. This kind of dissemination now supersedes hard-copy paper and would be recommended for reasons of speed of access, low cost, and widespread availability. It raises the issue of other features of a project website and this would include putting up data in a publicly accessible database, in addition to postings of related research within Canada and ASEAN universities and research institutes. This is now handled on a more *ad hoc* basis by individual researchers, or at individual institutions, but could be done through this project more centrally, and in a manner that made more information more widely available. We

would suggest that, as part of the design of this project, an institution be identified to act as the organizer/administrator of this website to arrange for its design and ensure it is kept up-to-date. One logical unit would be the ASEAN Studies Centre at ISEAS.

D. Networks

The final main component of implementing this project would be to establish networks among the main participants. This would include Canadians with an interest in SE Asia, and Southeast Asian scholars/researchers. There are several ways in which this could be done expeditiously. The Canadian Council on Southeast Asian Studies (CCSEAS) has a membership list which is a very good start for such a network. In addition, some universities in Canada have centers for Southeast Asian research (UBC being one) and also have membership lists that can be added to this network. Most of these existing networks are piece-meal in some ways, either by discipline or by region, so coordinating them in a more central fashion is to the benefit not only of this project but for all those doing research within Canada on Southeast Asia. For example, many economists or physical scientists doing work on or related to Southeast Asia would be unlikely to be members of the CCSEAS, and conversely, most in the CCSEAS would be from Asian studies programs and the humanities side. This could be used to enrich the roster of available publications and databases by putting these up online as well. One advantage of organizing this side of the project in Vancouver is that it could draw on the considerable expertise and resources accessible at UBC, Simon Fraser University and the Asia Pacific Foundation of Canada.

E. Funding

The last component of the project plan concerns funding. Some mechanism will be needed to use project funds as seed money for research, or more direct research funding, and for handling funding for the annual Forum and other conferences, to the extent that funds are available. An allocation method will be necessary across these activities, and within activities, across individuals. Given that the prospective needs for funds will exceed the project funds available, a component to encourage groups to apply for funding from external sources may be very productive in leveraging project funding to cover a wider and deeper range of research outputs.

We would note that if seed money and incentive grants were handled with care and clever design, many times the normal output could be obtained. This is especially so if mechanisms for joint funding of a research project are anticipated and built in from the outset. The joint funding can be for funding a project with participants from both Canada and Southeast Asia, and funding applications can be made at both ends, and for (e.g.) Canadian funding applicants to be able to apply to this project for funding but also to other agencies and sources for the remaining funding needs. This raises costs to researchers, but can generate substantially increased research for a given sum of project research funds.

IV. Timetable

Year I (budget: 105,000 SGD)

1. First ASEAN-Canada Biennial Forum (please refer to description in III.A). Cost: 50,000 SGD. Location: ASEAN city. Output: Formal establishment of Policy Research Programme; agreement on 3-year program; presentation of concept paper of studies for Year I.
2. Study on ASEAN-Canada FTA (please refer to description in II.A.1). Cost: 20,000 SGD
Number of experts involved (on how to select the experts, please refer to III.D) : 2. Extent of effort: 40 person-days over a 4-month period. Output (please refer to III. B and III.C): Technical study.
3. Sector Specific Studies (please refer to description in II.A.4). Cost: 35,000 SGD. Number of experts involved: 3. Extent of effort: 70 person-days over a 4-month period. Output: Policy study.

Year II (Budget: 96,000 SGD)

1. Migration study (please refer to description in II.A.2). Cost: 25,000 SGD. Number of experts involved: 2. Extent of effort: 50 person-days over a 4-month period. Output: Policy study.

2. Human resource development (please refer to description in II.A.3). Cost: 12,000 SGD. Number of experts involved: 1. Extent of effort: 24 person-days over a 2-month period. Output: Policy study.

3. Human Security (please refer to description in II.B.5). Cost: 12,000 SGD. Number of experts involved: 2. Extent of effort: 24 person-days over a 3-month period. Output: Policy study.

4. Climate Change (please refer to description in II.B.6). Cost: 20,000 SGD. Number of experts involved: 2. Extent of effort: 40 person-days over a 3-month period. Output: Technical and policy study.

5. Strengthening regional economic integration (please refer to description in II.B.1). Cost: 12,000 SGD. Number of experts involved: 2. Extent of effort: 24 person-days over a 2-month period. Output: Policy study.

6. Responding to the economic crisis (please refer to description in II. B. 3). Cost: 15,000 SGD. Number of experts involved: 2. Extent of effort: 30 person-days over a 3-month period. Output: Policy study.

Year III (Budget: 99,000 SGD):

1. Role of Canada's ODA (please refer to description in II.A.5). Cost: 15,000 SGD. Number of experts involved: 2. Extent of effort: 30 person-days over a 2-month period. Output: Policy study.

2. Political economy of relations with large countries (please refer to description in II.B.2). Cost: 12,000 SGD. Number of experts: 1. Extent of effort: 24 person-days over a 2 month period. Output: Policy study.

3. Strengthening APEC (please refer to description in II.B.4). Cost: 12,000 SGD. Number of experts: 1. Extent of effort: 24 person-days over a 2 month-period.

4. Second ASEAN-Canada Biennial Forum (please refer to description in III.A). Cost: 60,000 SGD. Location: Canadian city. Output: Presentation of all studies; discussion of next steps.

References

“Second ASEAN-Canada Joint Cooperation Work Plan (2007-10)” downloaded from <http://www.aseansec.org/20800.pdf>.

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The **Institute of Southeast Asian Studies** was established as an autonomous organization in 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the many-faceted problems of stability and security, economic development, and political and social change.

The Institute's research programmes are the Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS) and Regional Social and Cultural Studies (RSCS).

The **ASEAN Studies Centre** of the Institute of Southeast Asian Studies in Singapore is devoted to working on issues that pertain to the Association of Southeast Asian Nations as an institution and a process, as distinct from the broader concerns of the Institute with respect to Southeast Asia.