

**CANADAWEST  
FOUNDATION**



**Backgrounder**

# What do businesses in Saskatchewan need from an Indo-Pacific strategy?

**Canada West Foundation**  
**Saskatchewan & the Indo-Pacific**

June 2023



## BACKGROUND

# Saskatchewan & the Indo-Pacific

The Indo-Pacific region is important for Saskatchewan. It contains six of the province's top 10 trade partners after the United States. These six Indo-Pacific countries – China, Indonesia, India, Japan, Bangladesh and Malaysia – together accounted for 21 per cent of Saskatchewan's total exports in 2022. Key exports include fertilizer, agriculture, agricultural machinery, forestry products, and other goods and services. The region is the fastest growing in the world, with a nearly \$50 trillion economy. It is also a significant source of in-migration for the province, with strong and growing cultural communities from the region. Saskatchewan is well placed to build its economic relationship with the Indo-Pacific.

But there are challenges. The global relationship with China has become increasingly complex. Saskatchewan's exports – its agricultural exports, in particular – have faced arbitrary trade barriers in several countries. And Canada's infrastructure constraints remain a challenge.

Last December, the federal government announced a new Indo-Pacific Strategy, to re-focus, re-order and re-prioritize its resources in Asia and the Indian sub-continent.

To implement the strategy the federal government has proposed over \$2 billion in new spending in Canada and abroad, of which just under half will be some form of support for economic activities. This includes investments to create a new agricultural office in the region, expanding natural resource ties, clean energy demonstration, and labour and investment attraction among others.

The specifics of the strategy and its implementation are still being developed in Ottawa. A window currently exists to influence the development, specific focus and implementation in Canada and in the region.

---

## What is the Indo-Pacific?

There is no one definition of what constitutes the Indo-Pacific region. The U.S. government, whose strategy dominates Canadian news coverage, lists only 14 countries. The Canadian federal government lists 40 countries of which just under half are important for Saskatchewan – Australia, Bangladesh, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, China, the Philippines, Korea, Singapore, Sri Lanka, Taiwan, Thailand, and Vietnam.<sup>1</sup> This brief focus on these 16 economies.

---

<sup>1</sup> The full list includes Brunei, Cambodia, North Korea, Laos, Maldives, Mongolia, Myanmar, Nepal, the 14 small Pacific Island Countries and Timor Leste.

---

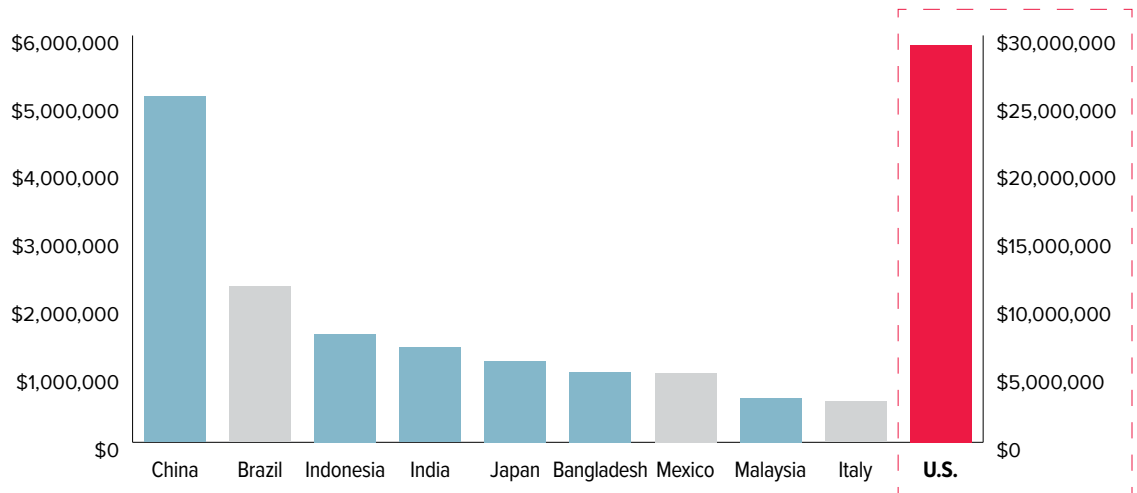
## Why is the region important to Saskatchewan?

This region contains six of Saskatchewan's top 10 export markets and accounts for 21 per cent of the province's total exports by value. (NAFTA dominates Saskatchewan's exports at 57.7 per cent.) The region accounts for just under one-third of total global GDP, or nine per cent more than the U.S., and has a population of 3.9 billion. Over half of the province's immigrant population, 53 per cent, comes from the region. All the Indo-Pacific countries of importance to Western Canada, except Japan, have higher projected GDP growth rates to 2027 than Canada or the U.S.

---

### Saskatchewan Top Ten Export Destinations 2022 (CAN\$)

(U.S. on right axis, Other countries on left axis) ■ Indo-Pacific countries



Source: Statcan trade data

---

## What is the strategy and why is it important to Saskatchewan?

The Indo-Pacific strategy is a rare public Canadian foreign policy document; Canada seldom puts these strategies in writing. But this strategy is dominated by security concerns. For the first time in recent memory, security has moved ahead of trade as a driver of foreign engagement. This will likely impact trade in services, research cooperation, and foreign investment attraction before other sectors. The strategy mentions but does not specify, new federal resources to help businesses, primarily those in China, manage security concerns. Saskatchewan has recently opened its own foreign trade offices in the region with offices in New Delhi, Ho Chi Minh City, Tokyo, Shanghai and Singapore. The federal government has reprioritized and committed new resources to the region, including plans to open a dedicated agricultural office. This will impact Saskatchewan's new offices, presenting potential to leverage federal investments and potentially requiring adjustment to provincial plans for the offices.

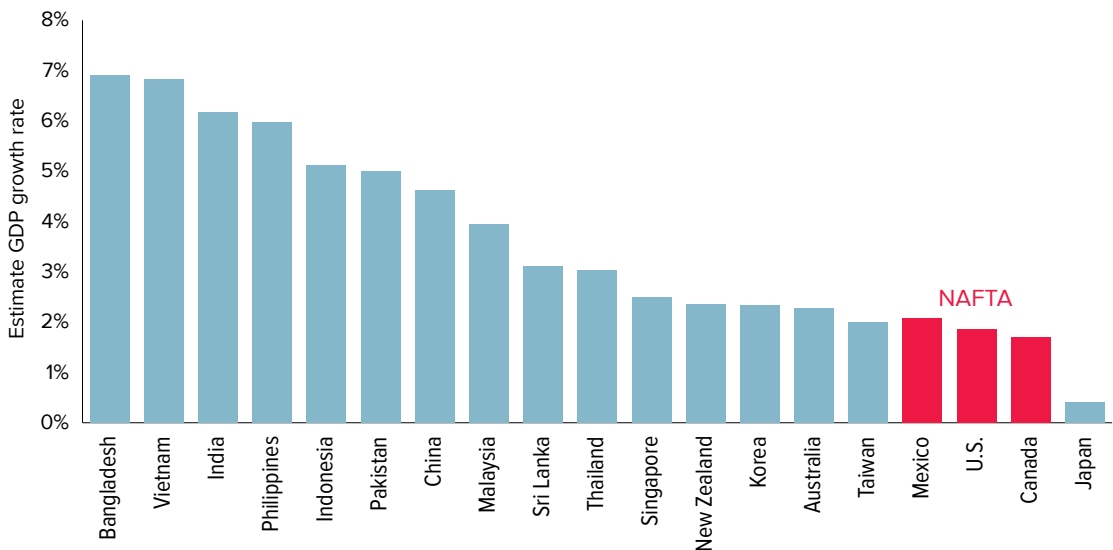
With respect to trade, the strategy strengthens the federal government's commitment to negotiate new trade agreements with the Association of Southeast Asian Nations (ASEAN), India and Indonesia. It also supports the expansion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreement, to which five new economies have formally applied: the U.K., China, Taiwan, Ecuador, Costa Rica, with applications also expected from Korea, Uruguay and Thailand.

## Saskatchewan Top 20 Exports to 14 Significant Indo-Pacific Markets, 2022

Rank	Product	thousands CAN\$
1	Mineral or Chemical Fertilizers, Potassic	\$ 5,793,734
2	Canola Seeds	\$ 1,831,140
3	Wheat	\$ 1,521,988
4	Leguminous Vegetables Dried and Shelled	\$ 1,507,749
5	Barley	\$ 420,839
6	Oil-Cake and Other Solid Residues from Vegetable Fats or Oils	\$ 370,691
7	Canola Oil	\$ 349,779
8	Semi-Chemical Wood Pulp	\$ 320,816
9	Soya Beans, Whether or Not Broken	\$ 192,302
10	Machinery For Agricultural Soil Preparation/Cultivation; Lawn or Sports-Ground Rollers	\$ 87,931
11	Oats	\$ 30,902
12	Maize (Corn) Seed (Excluding Sweet Corn)	\$ 23,092
13	Harvesting, Threshing and Other Agricultural and Mowing Machinery	\$ 22,928
14	Malt	\$ 19,835
15	Lifting, Handling, Loading or Unloading Machinery	\$ 17,578
16	Petroleum Coke; Residues of Petroleum Oils	\$ 15,861
17	Linseed	\$ 13,924
18	Buckwheat, Millet, and Canary Seed; Other Cereals	\$ 11,908
19	Other Oil Seeds and Oleaginous Fruits	\$ 10,891
20	Telephone Sets; Other Apparatus for Trans/Recep of Voice/Image/Data, O/T	\$ 7,969

Source: Trade Data Online

## Indo-Pacific Countries, Canada and the U.S., GDP growth to 2027, est.

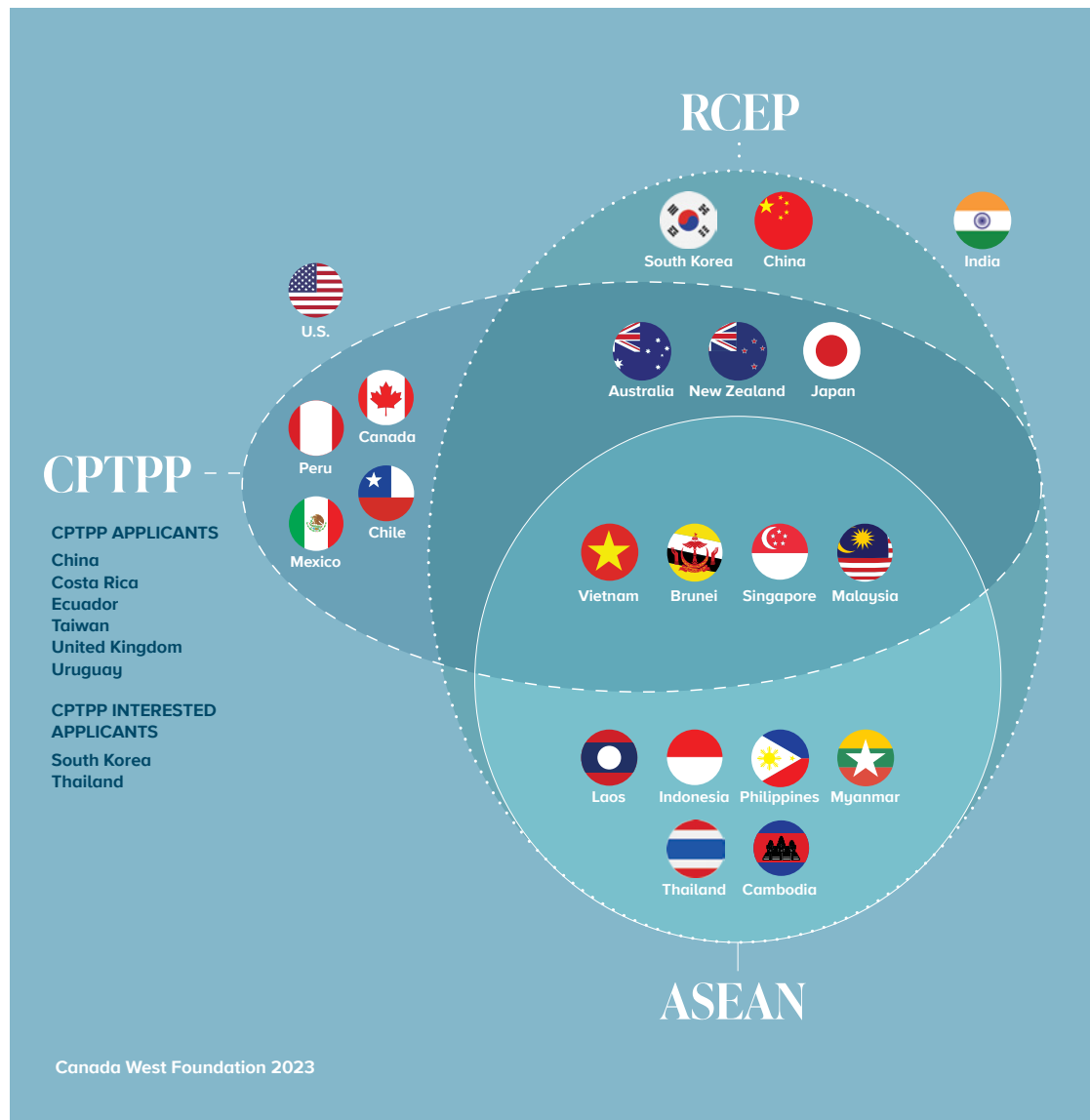


Source: IMF, World Economic Outlook Database

The strategy also calls for Canada to join the U.S.-led Indo-Pacific Economic Framework, but it should be noted that this is not a traditional trade agreement with provisions such as tariff reductions and market access. The good news is that the lack of those elements in the U.S. Indo-Pacific engagement and that country's continued inability to join the CPTPP means Canada has and will maintain a market access advantage over the U.S. in the region. At the same time, Canada's Indo-Pacific Strategy does not include the intention to pursue membership in the Regional Comprehensive Economic Partnership (RCEP), which includes China, ASEAN, Korea, Japan, Australia and New Zealand. This will leave Canada behind Australia and New Zealand in market access in the region.

*But as we have experienced with China, as well as India and the U.S., it's non-tariff barriers that happen after market access that can pose the big problems and where help in the region really matters.*

### Indo-Pacific Trade Agreements: Member Countries



The federal government has shifted its approach to China with a greater focus on security. The IPS essentially lays out a business-as-usual path for trade with China. While it warns of potential volatility, there is nothing in the strategy that funds or facilitates a broad decoupling from China such as cuts to trade personnel, offices or resources in China. Instead, the strategy states that the Chinese market is too big to ignore and that the federal government will continue to support businesses entering or operating in China. This would obviously not include support for sensitive sectors where selective decoupling is likely.

India is flagged as the next big target for Canadian trade policy and support. As opposed to China, the focus of engagement for India is trade. Security is a secondary concern.

---

## What's potentially available for Saskatchewan in the Indo-Pacific Strategy

The strategy comes with significant spending, some of which could be directed to address specific concerns of Saskatchewan stakeholders, while others, such as opening a new agricultural office in the region and trade gateway office, may be able to align with or leverage existing Government of Saskatchewan investments. Funding for capacity building could help fund creation of capacity in Saskatchewan, which lacks its own institutions outside of government with deep, broad expertise on understanding and interpreting developments in the Indo-Pacific region that influence trade and engagement. For example, a Canadian centre for the study of India would be a logical fit for the province.

Spending line items announced with the IPS are listed below. As with so much of the strategy, clarification is still needed on the purpose and implementation of each item.



Trade-specific items of interest include an agri-food office in Singapore, a trade gateway office and Team Canada trade missions. Also of relevance is a CanExport investment attraction component.



Outside of the 'trade' bucket, increased funding for visa processing and student recruitment in India and Pakistan and business intelligence in the region are of interest.



Funding for Canadian capacity building could be useful for building capacity in Saskatchewan to better engage and manage relations with the region, depending on how the funding is targeted.



The strategy's focus on a sustainable and green future includes promising potential opportunities in clean technology. The bulk of the money here is to fund infrastructure projects in the region.



Expanding natural resource ties is an item of obvious importance that needs further clarification from the federal government and input from Saskatchewan.

Saskatchewan industry and other stakeholders have an opportunity to identify their interests in the Indo-Pacific, the challenges that they face related to trade and investment, and to provide ideas and direction as to how Canada should best engage in the region.

**Now is the time to communicate what Saskatchewan needs to succeed in the Indo-Pacific region.**



## Indo-Pacific Spending Announced with Release of the Strategy

Items of potential interest for Western Canada highlighted

CATEGORY	ITEM	MILLIONS CAN\$
<b>Peace, Resilience, Security</b>		\$ 720.70
<b>Trade, Investment, Supply Chain Resilience</b>		\$ 243.70
	Canadian Trade Gateway in Southeast Asia (over five years)	\$ 24.10
	Modern Team Canada 3.0 Trade Missions (over five years)	\$ 45.00
	CanExport Enhancements for exporting / investment attraction	\$ 37.00
	Indo-Pacific Agriculture / Agri-Food Office (over five years)	\$ 31.80
	Technical Assistance for Trade and Labour Compliance	\$ 25.00
	Expanding Natural Resource Ties	\$ 13.50
	International Science, Technology, Innovation Partnerships	\$ 65.10
	Enhanced Indo-Pacific Engagement in Standardization	\$ 2.20
<b>Investing In / Connecting People</b>		\$ 260.90
	Visa Processing, Student Recruitment, Business Intelligence	\$ 74.60
	Expanded SEED Scholarship (Canada-ASEAN Scholarships and Educational Exchanges for Development (SEED) program)	\$ 14.20
	Indo-Pacific Engagement Initiative (over five years)	\$ 40.10
	Feminist International Assistance	\$ 132.00
<b>Sustainable and Green Future</b>		\$ 1,002.70
	Indo-Pacific Infrastructure Support for FinDev Canada	\$ 750.00
	Shared Ocean Fund (over five years)	\$ 84.30
	Disaster Risk, Resilience	\$ 52.40
	Clean Technology Demonstration	\$ 16.00
	Environment Bilateral Programming	\$ 100.00
<b>Canadian Capacity Building</b>		\$ 137.60
	Indo-Pacific Regional Capacity Uplift	\$ 100.00
	ASEAN Partnership, ASEAN-Canada Plan of Action Trust Fund (over five years)	\$ 13.10
	Asia Pacific Foundation	\$ 24.50

Source: Office of the Minister of International Trade, Export Promotion, Small Business and Economic Development

## Good for the West. Good for Canada.

The Canada West Foundation is an independent, non-partisan public policy think tank that focuses on the policies that shape the West and, by extension, Canada. Through our evidence-based research and commentary, we provide practical solutions to tough public policy challenges facing the West and Canada as a whole, at home and on the global stage.

TRADE & INVESTMENT CENTRE

PUBLICATIONS

WHAT NOW? POLICY BRIEFS

OP-EDS

**CANADAWEST**  
**FOUNDATION**  
*cwf.ca*

