

**CANADAWEST  
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**Backgrounder**

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

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

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## BACKGROUND

# Manitoba & the Indo-Pacific

In November 2022, the federal government announced its long awaited Indo-Pacific strategy, a rare, public trade policy document that outlines significant changes to Canadian engagement in a region of great importance to western Canadian provinces, including Manitoba. Understanding what the strategy is and what it means for Manitoba is a first priority for an export dependent province.

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## 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 economies of which under half are significant trade partners for Manitoba: Australia, Bangladesh, China, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, South Korea, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam.<sup>1</sup> This brief focus on these 16 economies.

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## Manitoba and the Indo-Pacific

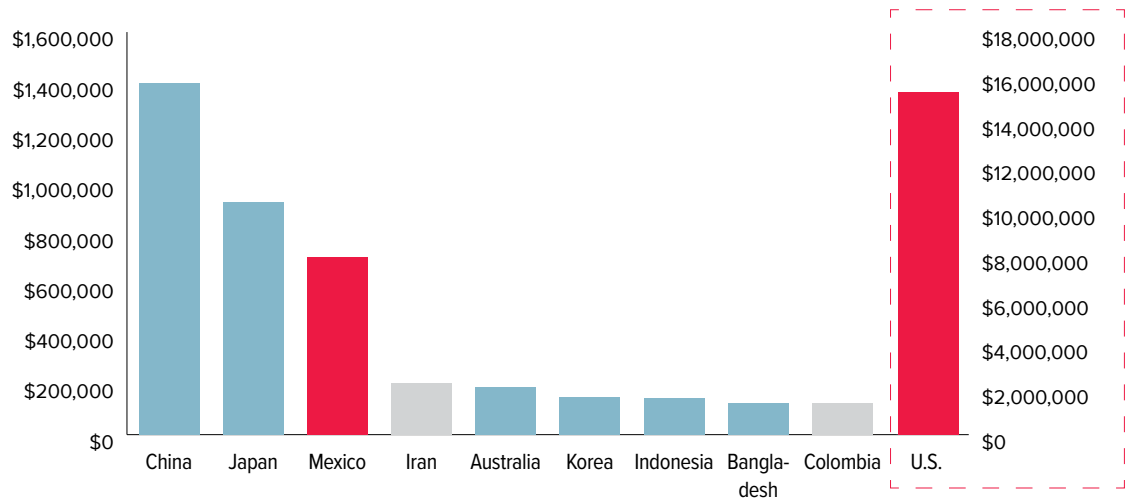
The Indo-Pacific region is important for Manitoba. Figure 1 shows that six of Manitoba's top 10 trade partners are countries in the Indo-Pacific region and accounted for approximately \$2.9 billion worth of provincial exports in 2022, or 14 per cent of the province's total exports. Figure 2 shows the trend in Manitoba's export to the region vs. to NAFTA members over the last 24 years. As shown in Figure 2, growing trade with the Indo-Pacific 16 still pales in volume compared to the province's trade with the U.S. and Mexico. However, as shown in Figure 3, there is greater growth potential in the Indo-Pacific region compared to the comfortable and familiar North American markets. If the province wishes to diversify trade, then the Indo-Pacific is as good an opportunity as there is. The region has enormous growth potential and provincial exporters are already in these markets.

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<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.

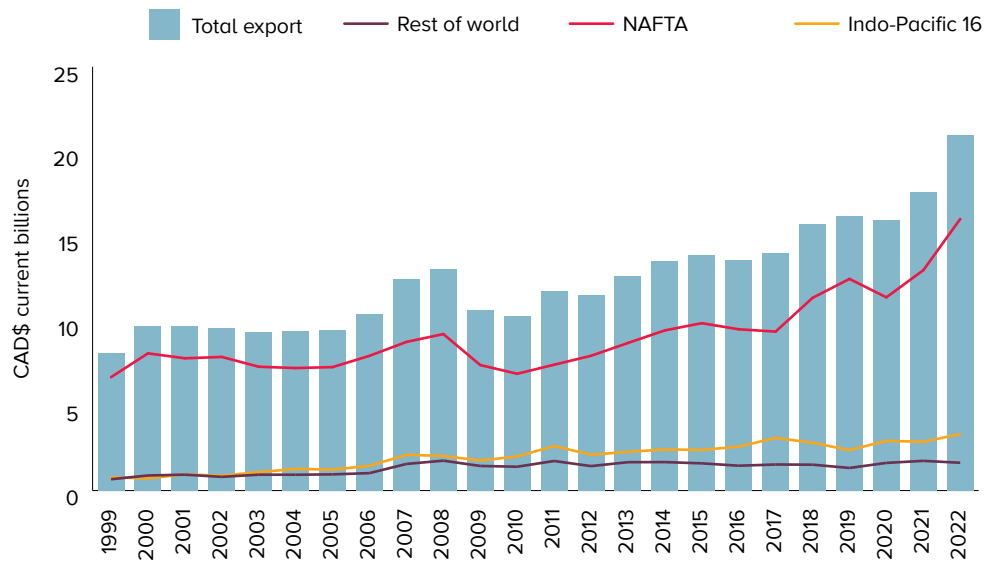
**Figure 1: Manitoba 10 Ten Export Destinations 2022 (CAN\$)**

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



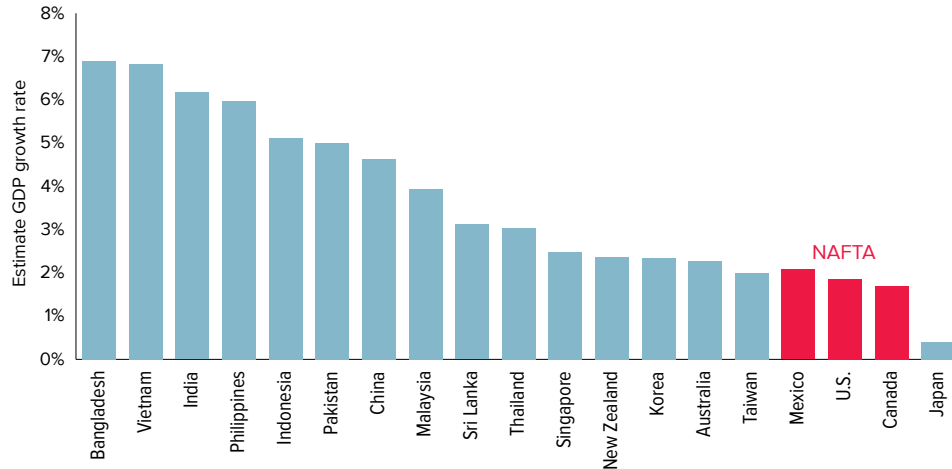
Source: Statcan trade data

**Figure 2: Manitoba's Export to NAFTA, Indo-Pacific 16 and est of world, 1999-2022**



Source: CWF calculation from Statcan data

**Figure 3: Indo-Pacific Countries vs NAFTA, GDP growth 2027,est.**



Source: IMF, World Economic Outlook Database

Manitoba’s main export to the Indo-Pacific region consists of agriculture and agrifood products, agricultural machinery and critical minerals. This includes wheat, barley, pork, canola, soy, oats, agricultural machinery and metal ores (see Table 1 for the export commodities in detail). The region is also a significant source of in-migration for the province, with diaspora communities strong and growing. Manitoba 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. Manitoba’s exports – agricultural exports, in particular – have faced arbitrary trade barriers in several countries. Canada’s trade infrastructure constraints also present barriers to realizing the opportunities to export to meet the region’s growing demand.

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.

**Table 1: Manitoba Top 25 Exports to 16 Significant Indo-Pacific Markets, 2022**

Rank	Product	thousands CAN\$
1	Meslin and wheat	\$ 746,352
2	Canola seed	\$ 687,159
3	Soya beans	\$ 516,839
4	Swine, fresh	\$ 447,200
5	Swine, frozen	\$ 252,895
6	Ag equipment (combined total)	\$ 76,229
7	Turbojets and parts	\$ 69,577
8	Ores and concentrates	\$ 65,343
9	Coin	\$ 48,713
10	Barley	\$ 36,172

Source: Trade Data Online

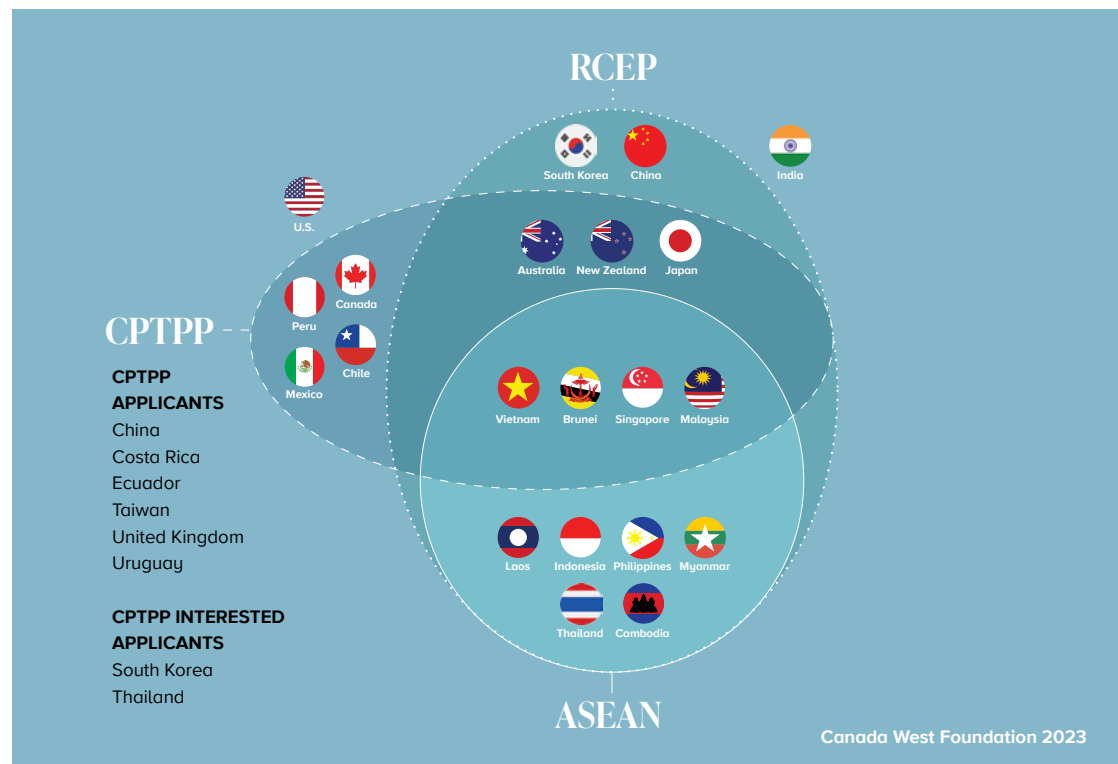
# What is the strategy and why is it important to Manitoba?

The Indo-Pacific strategy is a rare public Canadian foreign policy document; Canada seldom puts these strategies in writing. This document focuses on the full range of Canadian interests in the region. It is not a trade-only document nor is it a strategy for negotiating new trade agreements. In fact, for the first time in recent memory, security has moved ahead of trade as a driver of foreign engagement. For businesses used to discussions on engagement with Asia that have led with or been centred upon new trade agreement negotiations this is a major shift. 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.

With respect to trade, the strategy strengthens the federal government 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.

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 the Australians 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 biggest problems and where help in the region really matters.*



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. Here security is a secondary concern.

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

The strategy comes with significant spending such as opening a new agricultural office in the region that could be leveraged to address specific concerns of Manitoban stakeholders. Given that Manitoba is one of the few Canadian provincial governments that lacks its own foreign trade offices in the region, seeking ways to align with or leverage existing federal government investments will be even more important for Manitoba than for its neighbours.

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. Of particular note:

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

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

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→ Given the lack of a dedicated Asian economic or policy-focused centre at Manitoba universities or elsewhere in the province, funding for Canadian capacity building could be useful for building capacity in Manitoba to better engage and manage relations with the region if these resources can be expanded or amended to include spending in the province.

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→ 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.

Manitoba 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 Manitoba 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.

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