

Canadian NATO  
Parliamentary Association



Association parlementaire  
canadienne de l'OTAN

**Report of the Canadian Parliamentary Delegation  
respecting its participation in the joint visit of the Sub-  
Committee on Transatlantic Relations and the Sub-Committee  
on Transatlantic Economic Relations**

**Canadian NATO Parliamentary Association (NATO PA)**

**Vancouver and Victoria, British Columbia, Canada  
April 30 to May 3, 2014**

# Report

## INTRODUCTION

The Canadian Delegation to the NATO Parliamentary Assembly (NATO PA) was proud to host the visit of its counterparts from the Sub-Committees on Transatlantic Relations and Transatlantic Economic Relations for two days of substantive meetings on the topics of Asia-Pacific defence and security, and British Columbia's unconventional energy sector. The visit was hosted by Cheryl Gallant, M.P., head of the Canadian Delegation, and led jointly by the Chair of the Sub-Committee on Transatlantic Relations, John Dyrby Paulsen (Denmark), and the Chair of the Sub-Committee on Transatlantic Economic Relations, Menno Knip (The Netherlands). Hugh Bayley (United Kingdom), President of the NATO PA, also participated. The NATO PA delegation for this visit consisted of 28 legislators from 14 allied countries.

Over the two-day program, the delegation met with senior officials from the Government of Canada, and the Government of British Columbia (BC) as well as independent experts and academics. The topics and themes explored included the Asia-Pacific Gateway and Corridor Initiative, security challenges for NATO countries emanating from the Asia-Pacific region, and the current opportunities and implications of Canada's unconventional gas sector for NATO allies. Given the topics, the province of BC was an ideal location to hold these meetings, as this province is the meeting point where Canada's oil and gas sector interconnects with its Asia-Pacific economic and energy ambitions.

The visit concluded with a cultural program where delegates experienced a tour of Thunderbird Park and the First Peoples Gallery at the Royal British Columbia Museum. The guided tour was offered by Leslie McGarry from the Victoria Native Friendship Centre.

Although the full North American program for the joint Sub-Committees included meetings in Washington DC, USA, held prior to the BC visit, the Canadian Delegation focused its attention on hosting the meetings in BC, and therefore only participated in the Canadian leg of the program.

These meetings were conducted under the Chatham House rule. The following sections summarize the key elements of these discussions.

## SUMMARY OF DISCUSSION

### 1. British Columbia: Canada's Gateway to the Asia Pacific

The NATO PA has long held an interest in the political, economic, and security dynamics in the Asia Pacific region. Although NATO itself does not have a role in the region, it has security partnerships with a number of the region's states. In addition, relations in general – and any disputes in particular – among regional players have potential implications for Allied security. Due to their geography, the Alliance's North American allies, Canada and the United States, both have a pacific vocation. Given that Canada has long-standing

diplomatic, economic, and demographic ties with the Asia Pacific, Canada – and BC in particular – is ideally placed to share its Asia-Pacific experience, knowledge and expertise with its European allies.

In Vancouver, the delegation met with a representative from Transport Canada to discuss the Asia Pacific Gateway and Corridor Initiative. The Initiative is a comprehensive project put in place to increase the efficiency of moving goods between Canada and Asia. Increased demand on both sides of the Pacific has required Canada to enhance the transportation network connecting global supply chains between North America and the growing Asian economies. For instance, delegates were told that without this Initiative, Canada would not have been able to accommodate its rising trade with China. Public-private partnerships have been essential to accomplishing the goals of the Initiative. The project has, so far, generated roughly CAD 1.4 billion in investments from federal and provincial governments as well as from the private sector.

In order to maintain Canada's competitive edge and respond to increasing trade traffic with Asia, upgrades to transport infrastructure are a constant necessity. A major focus of the Initiative has therefore been the modernization of Port Metro Vancouver, where delegates had the opportunity to visit its downtown Vancouver location and meet with its officials. Delegates were told that the three formerly independent main ports in the Vancouver area have been consolidated into one administrative entity (Port Metro Vancouver) in order to facilitate administration and build synergies. The Vancouver port is the closest North American port to Asia, and as the gateway from where goods enter and exit the North American continent, important infrastructure implications are taken into account to facilitate mobility. For instance, air, road and rail links are critical to keeping the port at the centre of trade with Asia and moving freight to Eastern Canada, the American Midwest and the Gulf of Mexico. Delegates were told that Port Metro Vancouver has undergone a 40% increase in container traffic since 2006 and continues to undertake a range of projects that will facilitate future growth.

## **2. Safe and Efficient Borders**

The need to enhance border security while ensuring trade efficiency at the border is a priority for both the Canadian government and Canadian business. Delegates met with senior officers from the Royal Canadian Mounted Police (RCMP) and the Canadian Border Services Agency (CBSA) to discuss their role in securing the border while maintaining the efficient movements of goods. The RCMP has federal, provincial and municipal policing responsibilities in BC. With respect to matters of national security, the RCMP plays a lead role in combatting human trafficking, human smuggling, organized crime and terrorism. With respect to border security, the partnership between the RCMP and the CBSA is crucial. As well, given that Canada and the United States have a relatively open border, this also requires close cooperation with American officials on border management. The two countries are collaborating on a "Beyond the Border" initiative -- a long-term strategy to build a common perimeter to counter illegal activity while streamlining the movement of goods and people. For instance, new marine container examination facilities at Port Metro Vancouver have improved inspection speeds. With respect to containers entering Canada with a final destination in the US, both governments worked closely to approve mutually agreeable standards and regulations which eliminated

the costly redundancy of having each country inspect the same containers. As well, Canada's customs, immigration and agricultural departments have merged into a single agency and this too has facilitated the development of an integrated border approach.

### **3. Asia-Pacific: Trade and Geopolitical Concerns**

Canada's closest trading partner is the US although recent stagnation in trade between the two countries has led the Canadian government to attempt to reduce its reliance on the US and seek new markets. Asia is a key to Canada's trade diversification strategy. Canada has therefore been actively engaged in the Trans-Pacific Partnership talks and is also negotiating a bilateral trade pact with Japan. Canada also participates in the ASEAN Regional Forum. Delegates were told that the Government of Canada must stay active in these regional fora, noting that it has been largely absent from the region since 1995. These same experts maintain that continued political engagement in regional institutions and summits could result in added economic benefits for Canada.

Delegates were told that transpacific trade is now three times greater than transatlantic trade and that nine of the world's ten largest ports are now located in Asia. Although Canada has growing commercial interests in the Asia-Pacific region, it also has a number of geopolitical concerns about the region. While the Asia-Pacific region is home to some of the world's most dynamic economies, it also includes some of the world's most active militaries, and the possibility of conflict by miscalculation and/or miscommunication is high, particularly given the current range of maritime trouble spots in the South China Sea. In particular, China's so-called Nine Dash line carves out a large maritime claim consisting of between 80% to 85% of the South China Sea—a claim that conflicts with the assertions of several other Asian countries. As a result, there are a range of international disputes in the region involving maritime boundaries, fisheries, island sovereignty and ownership, and access to energy. There are also grave and persistent tensions between North and South Korea. North Korea itself continues to be a great source of concern and it is considered highly unpredictable by all NATO allies. All of this renders the security environment in the Asia-Pacific region both brittle and uncertain.

Perhaps the most dramatic strategic shift in the region is China's growing ambitions and military capacity. For instance, delegates were told that by next year, China will be the world's greatest shipbuilder. Delegates were told that after centuries of viewing the sea as a barrier, the Chinese are beginning to explore the strategic opportunities presented by it. China's dependence on trade and imported energy has helped precipitate this revolution in China's strategic perspective and military doctrine toward the Pacific. China's ambitious naval build up is gradually expanding its capacity to project power into blue water. As a result, the US sees this as a direct threat to its naval supremacy and is seeking to counter mounting Chinese capabilities.

Delegates were told that there remains a high degree of strategic mistrust between the US and China. A need to pay greater attention to developments along the Pacific littoral, prompted a new US strategy towards the region which became known as the "pivot" or "rebalance", which can be understood as an adjustment to a new economic and strategic reality in addition to a significant relocation of US naval assets to the region. Further, the US approach has also seen a renewed diplomatic focus on the Pacific. According to

experts, the US naval fleet will need to develop an effective strategy to counter China's emerging anti-access/area denial capabilities. China is also developing its cyber and satellite capabilities. Delegates were told that China is now working on its force projection capacity and is expanding its ambitions to the Indian Ocean. Further, experts suggested that there should be more emphasis on the Indo-Pacific theatre given that much of the Pacific maritime traffic is also moving through the Indian Ocean and the Strait of Malacca—the key route linking East Asia to the Middle East and Europe. This route is also a critical energy highway.

In the meantime, the US and Canada are managing sharp reductions in military spending, while the Chinese defense budget is increasing roughly at the rate of its GNP growth, though its naval capabilities remain far from American capabilities. Other Asian countries like India and Japan have also increased their defense budgets. Many countries in the region including Vietnam, Indonesia, South Korea and Australia have also boosted defense investment. Delegates were told that the Asia-Pacific is a submarine-rich environment with over 200 submarines operating in its waters. Experts expressed concerns over a potential naval arms race in the region with the tenuous security situation creating an action/reaction approach when tense encounters at sea occur. Delegates were also told that Russia is also deeply concerned with the rise of China's naval capabilities even as it continues to engage in substantial arms trading with it.

In broad terms, Canada keeps a fairly low profile in Asian security disputes including tensions between Japan and China. Experts expressed concern with respect to the manipulation of nationalism by both China and Japan and recommended that Canada not entertain this behaviour from either country. Experts also recommended that Canada look beyond the traditional hotspots and also focus on the non-traditional threats emanating from the Asia-Pacific. For instance, terrorism is an ongoing challenge that could have domestic implications. Delegates were told that a high level of immigration from South Asia to Canada have included some individuals with extreme views. For instance, those who sympathize with the Tamil Tigers have been known to raise funds in Canada for their cause.

#### **4. The Royal Canadian Navy's Pacific Operations**

The delegation visited Canadian Forces Base Esquimalt, the homeport to Maritime Forces Pacific (MARPAF) and Joint Task Force Pacific Headquarters (JTTFP). MARPAF is responsible for the fleet training and operational readiness of the Royal Canadian Navy (RCN) in the Pacific Ocean, while JTTFP is one of six regional joint task forces located across Canada tasked with conducting continental operations. Delegates learned that JTTFP is responsible for all Canadian Armed Forces (CAF) operations in the province of British Columbia including its western air and maritime approaches. Commander JTTFP commands the CAF response to any request by civilian authorities for military intervention to provide emergency assistance or support in critical incidents throughout the area of responsibility. The Victoria Search and Rescue Region, for which Commander JTTFP is also responsible, has an area of responsibility that comprises the northeastern quadrant of the Pacific Ocean, Yukon Territory as well as the province of British Columbia.

In discussions held with Canadian naval officers and strategists at the base, the delegation had an opportunity to further explore Canada's Asian perspective, security developments in the region and how Canada's force structure is designed to meet these challenges. Delegates were told that it is in Canada's national interest that sea-lanes in the Asia-Pacific remain open and the region itself become more prosperous and stable. The RCN has visited a number of Asian ports and its forces have participated in several key disaster relief efforts in the region following Tsunami and earthquake disasters. At the time of the NATO PA visit, the CAF was about to participate in the annual Rim of the Pacific (RIMPAC) Exercise, the largest military exercise in the world, where it will have a command role.

Canada also has a set of Arctic obligations given its expansive territory in the region. However, non-governmental experts expressed concern that Canada's Arctic fleet does not meet the necessary requirements to carry out missions in the North. Canada's ice capable fleet is very limited and reinforcing it will be very expensive. The Arctic is of great symbolic importance to Canada and Canada currently chairs the Arctic Council. Further, Canada has also taken note of China's growing interest in the Arctic. China has now gained observer status in the Arctic Council—the result of a targeted strategy of engagement with certain member countries.

## **5. British Columbia's Energy Boom and Environmental Concerns**

The delegation also met with senior officials from the Government of BC, the BC Oil and Gas Commission (the Commission), the Canadian Society for Unconventional Resources, and an academic from the University of British Columbia (UBC) to discuss a range of energy and environmental issues linked to the dramatic expansion of the province's unconventional energy sector. Delegates were told that there exists a broad expansion of energy production in Western Canada across a range of sectors including shale gas, oil shale, oil sands, coal bed methane, hydroelectric power, geothermal energy and biomass energy. As the scale and scope of Western Canada's oil and gas supplies have become evident, there has been growing global interest in its potential and there is growing international participation in developing these fields. In BC in particular, delegates were told that the province has a huge endowment in natural gas and will become one of the world's most important producers. Moreover, some estimates suggest that it could produce gas for as many as 200 years. Developing a capacity to transform this gas into liquefied natural gas (LNG) will be the key to moving this energy to global markets.

BC is also impacted by the unconventional oil and gas sectors in Alberta and Saskatchewan. Ultimately Canada sees Asia as the most promising market for its energy exports given the region's increasing demand as well as current price differentials. Moving oil and gas to the Pacific coast would therefore require a series of pipelines, which would run through BC.

Currently, there are two distinct pipeline proposals under consideration: one to move bitumen and heavy oil from Alberta to the west coast, and the other to move LNG from within BC to the coast. Fear of oil and gas spills is the source of some resistance, with the memory of the Exxon Valdez oil spill still fresh in citizens' minds. There remain concerns about the treacherous waters off of the BC coast and the potential damage an oil spill

might cause to this pristine environment which is also important for fishery. Delegates were told that typically, pipeline spills are a result of older pipelines and that the National Energy Board is currently studying this issue.

There are also critics of unconventional oil and gas extraction more generally. Delegates were told that the maintenance of the province's drinking water and bio-diversity are of crucial importance to the BC population. Environmental concerns surrounding hydraulic fracturing persist and according to experts, it is essential that the industry develop a strong code of conduct, greater transparency and best environmental practices to protect the environment and particularly potentially vulnerable water sources. Though technological change is making more of these resources economically viable, it is also uncovering techniques for more environmentally sound extraction. Though the onus is on industry to achieve provincial standards, delegates were told that the Commission has begun naming industries that fail to comply. The Commission is also refining its research on the areas where industry should not operate.

Officials argued that fracturing wells employ very high quality casings and engage in best practices to minimize the possibility of well spills in forestland. BC has looked closely at the experiences in New York and Texas which have helped shape the regulatory environment. The Commission closely monitors water use in the industry and has shut down facilities when drought conditions set in. It also demands the full disclosure of chemicals used in the fracturing process to ensure maximum transparency. Delegates were told that research is being conducted at UBC to create non-toxic chemicals that could be used in the process in order to better safeguard the environment. Delegates were also concerned with the potential for seismic activity as a result of hydraulic fracturing. Experts emphasised the need to fully understand the geological landscape of where exploration is occurring. Usually, seismic activity caused by hydraulic fracturing is minimal: between -2 and 0 on the Richter Scale. The Commission does have earthquake experts among its staff that monitor seismic activity in and around operations. Tremors measuring 4 on the Richter Scale would result in an industry having to shut down its wells. Delegates were told that to date, seismic activity has not affected communities since drilling has taken place far from populated areas.

Overall, engaging with local populations affected by drilling or pipeline construction is crucial to the success of current and future energy projects. Delegates were told that failure to engage with local and First Nations communities could lead to their derailment. Projects that may encroach on First Nations land also need to be negotiated particularly with respect to equitable royalty sharing arrangements.

Finally, Europe is interested in Canada's unconventional oil and gas boom for a number of reasons. There is ongoing concern among NATO's European allies regarding their own dependence on Russian energy. This dependence allows Russia to manipulate its energy prices to control states that it considers within its sphere of influence and has also weakened the ability of some Western European states from taking a tougher stance against the Russian government, particularly in the wake of the crisis in Ukraine. As a result, some European states are seeking to either develop their own energy sector while others are looking to North America to potentially supply the energy they require. Delegates were told that the Commission is sharing its own experience with other countries with potential to develop these industries and has recently consulted with EU,

British and Polish officials. There is also potential for Canada to develop LNG export facilities on the East coast from where Canadian firms could move LNG to Europe.

Respectfully submitted,

Mrs. Cheryl Gallant, M.P.  
Chair of the Canadian NATO Parliamentary Association (NATO PA)



## Travel Costs

<b>ASSOCIATION</b>	Canadian NATO Parliamentary Association (NATO PA)
<b>ACTIVITY</b>	Joint visit of the Sub-Committee on Transatlantic Relations and the Sub-Committee on Transatlantic Economic Relations
<b>DESTINATION</b>	Vancouver and Victoria, B.C., Canada
<b>DATES</b>	April 30 to May 3, 2014
<b>DELEGATION</b>	
<b>SENATE</b>	N/A
<b>HOUSE OF COMMONS</b>	Mrs. Cheryl Gallant, M.P. ( <i>Victoria only</i> ) Mr. Leon Benoit, M.P. Mr. Jack Harris, M.P.
<b>STAFF</b>	Ms. Melissa Radford, Analyst Mrs. Catherine Mathieu, Logistics Officer
<b>TRANSPORTATION</b>	<b>\$10,657.50</b>
<b>ACCOMMODATION</b>	<b>\$3,677.36</b>
<b>HOSPITALITY</b>	<b>\$6,402.36</b>
<b>PER DIEMS</b>	<b>\$898.50</b>
<b>OFFICIAL GIFTS</b>	<b>\$326.11</b>
<b>MISCELLANEOUS / REGISTRATION FEES</b>	<b>\$2,944.81</b>
<b>TOTAL</b>	<b>\$24,906.64</b>