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Introduction: Changing Dimensions of the Canada-China Relations

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ISSUES IN CANADA-CHINA RELATIONS

Edited by Pitman B. Potter with Thomas Adams
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Bilateral relations with the People’s Republic of China involve matters of great strategic interest to Canada. Recent changes in the frequency of high level visits; the effect, style and content of bilateral communications; and perspectives held by various sectors in each country about the other all suggest that the Canada-China relationship has changed significantly in recent years. China remains vitally important to Canada for a variety of reasons and in a variety of sectors. Political and diplomatic cooperation on issues of direct bilateral concern and also on issues of global import remains critically important. Commercial and trade ties linking Canada with the world’s second largest and fastest growing economy are of obvious significance. Cultural and civil society ties, including immigration patterns and the ancillary effects they generate, are also important. While the diversity of links between Canada and China militates in favour of giving due attention to a multiplicity of sub-national business, academic, and civil society links, bilateral cooperation at the federal/central government level remains essential. Thus, the present conditions and future implications of relations with China should continue to command attention from Canadians.

In keeping with the objectives of the Canadian International Council to advance research and dialogue on international affairs issues of importance and interest to Canadians, the CIC Canada-China Relations Project (“CCRP”) has focused on building a non-partisan policy consensus for Canada’s relationship with China, recognizing China’s robust approach to sovereignty while also advancing Canadian interests. The papers in this volume provide insight and analysis on a range of issues important to the Canada-China relationship. Some focus on issues of immediate importance, while others examine ‘over the horizon’ issues, which may not command the front pages of newspapers today but surely will in the years to come. This combination of current and emerging policy issues on China will hopefully add value to the ongoing discussions on the Canada-China relationship. Taken together, the collected papers also make the case for the importance of China to Canada, and hence the importance of getting the relationship right.

Project Themes
The research, analysis, and policy dialogue activities of the CCRP were developed along three Thematic Areas, namely: a) Domestic contexts for Canada-China relations; b) Economic dimensions of the relationship; c) Collaboration on global issues of common concern. For each of these Thematic Areas, the CCRP has been fortunate to be able to call upon some of Canada’s most distinguished specialists to coordinate research and writing on the various topics addressed. The Thematic Coordinators include:

• Domestic Contexts: Professor Jeremy Paltiel, Carleton University;
• Economic Relations: Yuen-Pau Woo, President and CEO of the Asia Pacific Foundation of Canada;
• Global Cooperation: Professor Brian Job, Director, Institute of International Relations, Liu Institute for Global Issues, University of British Columbia.

a) Domestic Contexts. The Canada-China relationship can be most effective when it is grounded on complementarity of interests, which in turn requires mutual understanding of domestic normative and institutional conditions in both countries. Canadian initiatives with China, ranging from WTO compliance and business regulation to human rights, can be more effective when designed and implemented in light of China’s domestic conditions, ranging from popular norms to governmental structures and policy priorities.

The papers included in Section 1: Domestic Contexts address a wide range of topics relevant to the domestic contexts in which Canada-China relations operate. The domestic contexts for engagement involve interrelated issues of structure, orientation, and interests. These factors also affect the parameters, scope and content of papers presented on other themes in this volume. Papers in this section were presented at stakeholder seminars held in Toronto, Vancouver, and Beijing. We are pleased to include a commentary from Professor Zhang Xiaoyi of the China Institute of International Studies, which served as an institutional partner in this project.
b) Economic Relations. Economic relations between Canada and China are critically important. Economic relations include bilateral trade and investment relations, and also extend to local effects of global economic conditions and behaviour. In the trade area, the two economies exhibit important elements of complementarity. In trade and investment relations, efforts to promote normative and institutional accommodation for business objectives are consistent with both Chinese development policies and important Canadian interests in areas of good governance. As well, national economic behaviour by the two countries in response to changing economic conditions at the global, regional, and local levels have important effects on the Canada-China relationship.

The papers included in Section 2: Economic Relations, prepared through collaboration with the Asia Pacific Foundation of Canada, examine current conditions, benchmark guidelines for future engagement, and identify impediments to expanded business relations. Extensive survey work is coupled with statistical indicators to illuminate the general contours of the Canada-China economic relationship. As well, patterns in Canada-China two-way investment suggest significant trends in the scope and content of investment relations, and also reveal changing domestic, economic and financial conditions in each country. Papers in this section were presented at stakeholder seminars held in Toronto, Vancouver, and Beijing. We are pleased to include a commentary from Professor Zhou Xingbao of the China Institute of International Studies, which served as an institutional partner in this project.

c) Collaboration on Global Issues. The importance of China's responsible participation in systems for addressing global policy concerns in areas such as environment, health, and security cannot be overstated. Yet, China’s participation in the global community can be distorted by its responses to apprehension and competition from other global actors—particularly the United States, the European Union, and Japan. Canada has a significant role to play in supporting China’s responsible participation, not only through direct bilateral programs but also through our capacity to deploy good offices, legitimation, and other soft power resources both bilaterally and globally.

The papers included in Section 3: Global Cooperation address bilateral cooperation on global issues in areas of environment, health and safety, security, and governance. Acknowledging the changing conditions for Canada-China cooperation caused by asymmetries of size and global influence, Canada nonetheless has an important role to play in facilitating China’s responsible behaviour in the international community. Papers included in this section address China’s effects on environmental conditions both locally and internationally, and its changing attitudes toward international cooperation. Health and safety issues have seized attention in recent years and present important opportunities for Canada-China bilateral cooperation. The area of security includes both conventional and human security, each of which involves a range of critical issues associated with China’s “peaceful rise” and “peaceful development.” Challenges of global governance are also addressed, particularly in political and economic matters that are increasingly recognized as matters of common concern. Bilateral cooperation between Canada and China on these issues can play a vital role in redesigning and managing multilateral, regional, and global architectures. Papers in this section were presented at stakeholder seminars held in Toronto, Vancouver, and Beijing. We are pleased to include a commentary from Professor Liu Xuecheng of the China Institute of International Studies, which served as an institutional partner in this project.

The purpose of this project has been to provide informed analysis and recommendations to a variety of public and private stakeholders in Canada, with a view toward building a non-partisan consensus on furthering the development of healthy long-term relations between Canada and China. We have few illusions about the difficulty of this task. China’s importance to the world mandates attention. Historical and current conditions affect perceptions and the potential for consensus within Canada and China as to how best to manage the relationship. Pressures from other countries in favour of particular policy perspectives further complicate the process. However, it is hoped that the process of rigorous research and analysis, coupled with stakeholder participation in Canada and China, can contribute to a consensus around a reasoned set of policy proposals and parameters.
This project was made possible through the support of the Canadian International Council (CIC), with additional support from the Social Sciences and Humanities Research Council of Canada, for which we are deeply grateful. We would like to thank Jennifer Jeﬀs of CIC, whose support and encouragement throughout this project contributed mightily to its success. We are indebted to our contributors who gave generously of their time and expertise. We are grateful for research assistance and copy-editing provided by UBC Graduate Students Maggie Juan Li, Erika Cedillo, Sally Ding, Benjamin Tipton, Christina Wong, and especially Itay Wand. Megan Coyle at the UBC Centre for Asian Legal Studies and Rozalia Mate at the UBC Institute of Asian Research provided invaluable staff assistance. To other valued colleagues who have shared of their time and insight, we extend our profound thanks.

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INTRODUCTION: CHANGING DIMENSIONS OF CANADA-CHINA RELATIONS

Canada’s relationship with the People’s Republic of China has a long and generally positive history. The exploits of Dr. Norman Bethune in the 1940s instilled a Canadian name in China’s revolutionary pantheon. The pioneering initiative under Prime Minister Diefenbaker to sell wheat to China on a long-term credit basis revealed a combination of Canadian compassion and self-interest at a time when misguided Maoist policies had resulted in mass starvation. The formalization of relations under the Trudeau government in 1970 showed Canada’s sense of global leadership in bringing China into greater contact with the international community. The Team Canada endeavors of the 1990s, helped solidify a special business and political relationship that saw Chinese Premier Zhu Rongji refer to Canada as China’s ‘best friend.’ President Hu Jintao’s visit to Canada in 2005 saw official affirmation of a ‘strategic partnership.’ Despite political differences over issues such as human rights and relations with the XXIV Dalai Lama, the Canada-China relationship was returned to a positive footing with the issue of a Joint Statement during the visit of Prime Minister Harper to China in December 2009. The visit by Hu Jintao to Canada the following June saw conclusion of the agreement granting “Approved Destination Status” to Canada, signalling a new page in the Canada-China relationship. This history provides context for the ongoing challenge of managing a relationship that will respond positively to changing conditions in the world political economy, as well as in China and Canada.

Canada’s relations with China should also be viewed in light of Canadian interests. Three items are particularly relevant, namely sustainable economic well-being, social capital and multilateralism. Canada’s sustainable economic well-being depends on a vibrant environment for bilateral trade and investment. Recurring trade deficits with China are problematic, but need to be kept in perspective. Disparities in economic diversity, value-added export capacity, and patterns of consumption are structural impediments to balanced trade and are unlikely to be resolved in the near term. Of greater importance is building complementarity so that Canada’s export profile can be matched better with China’s needs — particularly in areas of natural resources, engineering and environmental services, and advanced technology. For Canada to realize its comparative advantage in these areas, China’s compliance with disciplines of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) is essential—particularly in areas of intellectual property protection, non-tariff barriers and market access.

On the investment front, a bilateral Foreign Investment Promotion and Protection Agreement (FIPA) with China will be important to expand opportunities for two-way investment. Chinese investments in Canada create welcome opportunities for capital imports, but should be balanced with China’s commitment to reciprocity in foreign investment regulation. Compliance by Chinese and Canadian

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companies with agreed standards on environmental protection, corporate governance, corporate social responsibility, and competition policy will be essential to building sustainability into the economic relationship. Attention to value-added exports from Canada will be essential to maintaining our balance of trade with China and will enable Canada’s economic well-being to grow alongside China’s development. Attention to the export of technology and services will also benefit both Canada and China and build more complementarity into the economic relationship.

Social capital contributes to goals of sustainable economic well-being, and is an important component of Canada’s national interest. Canada has a strong interest in building social capital by providing training, education and employment opportunities for current and future generations of Canadians. Exchanges between Canadian and Chinese educational institutions can expand learning and training opportunities in both countries, ultimately to the benefit of Canada’s social capital base. As well, immigration policy on China can usefully give attention to encouraging migration of trained professionals as well as outstanding students, artists, and entrepreneurs who are capable in at least one of Canada’s official languages. Flexible visa and residence programs for Chinese and Canadian citizens working in each others’ countries will be beneficial to the development of social capital in both economies.

Canada’s historical commitment to multilateralism should remain an essential component of bilateral diplomacy with China. Imbalances of size, economic reach, and political clout militate in favor of Canada working in concert with international partners and institutions in managing relations with China. Conversely, closer ties with China offer important possibilities for cooperation on a range of global questions such as environmental sustainability, prevention and management of infectious disease, and cross-border crime and security challenges. Canada-China cooperation at multilateral bodies such as the G8/G20, the UN Human Rights Council, and APEC will further their effectiveness and build confidence in the bilateral relationship. Thus, Canada has multiple opportunities to build multi-lateral effectiveness and credibility through more collaborative relationships with China.

With these tracings on history and interests as background, Canada faces the challenge of managing relations with China in the new millennium under conditions that are quite different from those obtained in the past. No longer is China a backward failed state struggling with revolution and invasion, as during the revolutionary war years. No longer is Canada a bridge between Cold War rivals, as in the past. No longer is China ostracized from the world community, as during the Cold War and more recently after Tiananmen. And no longer is Canada the larger and more influential of the two economies. These changed conditions, combined with other changes in global political and economic power relations mandate new approaches to the Canada-China relationship that honor its history and further Canadian interests. While Canadians should harbour no illusions about Canada’s ability to sway China or its leaders from firmly held positions and practices, intensified bilateral links can build confidence and cooperation around issues of existing and potential mutual interest. The success of the Canada-China relationship will depend on both powers having a clear understanding of each other and a willingness to focus on positive collaboration—the notion of ‘partnership’ unavoidably involving dynamics of compromise and consensus.

This volume examines current issues about Canada’s relations with China by reference to domestic contexts, economic relations, and cooperation on global issues. In this introductory essay, I offer perspectives on these dimensions of the Canada-China relationship, in the context of governance, development, and internationalism.

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Governance

Governance in China involves complex issues of the exercise of power and authority, with attendant questions about norms and institutional performance. China’s governance system involves a familiar set of administrative, legislative, and judicial institutions that operate under the direction of the Communist Party of China (CPC). Thus, governance in China involves ideologies, policy goals, and relational practices of the Party/state. While the China of 2011 is certainly different from the China of ten years earlier (or even 2005 when the ‘strategic partnership’ with Canada was formalized), conditions and practices of the PRC Party/state continue to challenge Canadian understanding. China’s governance challenges have been particularly acute in the year following the Jasmine Spring of political protest in the Middle East, while contending efforts to advocate political reform have had mixed results.

The Challenges of the Jasmine Spring

The tumultuous events that shook North Africa and the Middle East in early 2011 gave the PRC leadership significant cause for concern. While local circumstances leading to unrest and upheaval have their own distinctive characteristics, several common factors were evident:

1. Concentration of political power under single party rule.
2. Concentration of economic power among kinfolk of regime leaders.
3. Entrenched income inequalities.
4. Lack of opportunity for increasingly well-educated young people.
5. Declines in relative prosperity of common people.
6. Rampant corruption.
7. Abuse of power by police and security officials.
8. Wide access to internet and social media.

Mindful of the effects of these conditions on political unrest elsewhere, we are invited to appreciate their effects on political stability in China. In China, political power is concentrated by law in the Communist Party. Major economic enterprises in China are controlled by family members and close associates of regime leaders. Income inequality is rising—China’s Gini Coefficient, measuring 41.5%, is tied with Gabon and ranks between Sri Lanka and Iraq. College graduates and young peasants alike are having increased difficulty finding jobs. The prosperity delivered during the years of Deng Xiaoping and Jiang Zemin has levelled off considerably and in some instances has declined due to inflationary pressures and slowing growth. Corruption is rampant across the political and economic system. Abuse by police and security forces is widespread. An increasing proportion of people (420 million by last count) have access to the internet and/or social media.

Yet China remains quite different from the dictatorships of the Mid-East—China’s size alone poses considerable obstacles to systemic change. While the entrenched practices of the ruling elite and the powerful mechanisms of control that it has established would seem resistant to political reform, a number of positive steps are evident. Responding to the challenge of income inequality, China has

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moved to improve the fairness of the tax system, particularly with regard to high-income individuals. Growing investment in public services in the areas of education and health are encouraging steps toward offsetting years of budgetary neglect. While the legal system continues to exhibit problems of institutional capacity, improvements in the training and funding of judges and courts are noteworthy.

While suppression of political thought and censorship of information continue to be the norm in the Party/state’s efforts to maintain stability (“the paramount task”), efforts have been made to expand government transparency and accountability through legislative hearings and judicial review of administrative action.

Paradoxically, challenges to political and social stability in China are closely related to government policies on economic development. While economic growth is needed to ensure full employment, the conditions of such employment are often problematic, giving rise to labor unrest despite a regulatory system aimed to protect worker rights. Driven by economic growth, environmental degradation continues at an alarming rate. China’s economic growth policies have also challenged friendly relations with neighboring countries in Asia. And while the regime has encouraged internet expansion for its benefits to the economy, problems of piracy of intellectual property, internet attacks, and regime censorship have all contributed to diminished international cooperation on the exchange of information. Economic policies combined with authoritarian governance structures have also contributed to corruption, which remains a significant threat to the government’s efforts to build a prosperous and stable China.

The future of governance in China will depend on the capacity to confront the major dilemmas of over-concentration of power and the problems of corruption that result. More vigorous support for the rule of law, for example, can work to ensure that personal and family loyalties do not displace protection of broader social and economic interests. Wider distribution of political authority and economic power can create broader communities of stakeholders who can lend legitimacy to the regime and facilitate its capacity to deliver prosperity. In the wake of the Jasmine Spring, these issues of political reform and the rule of law are key to sustainability of governance in China.

b) Emerging Calls for Governance Reforms

Despite the chill of political orthodoxy and control that currently infuses the Party/state’s efforts to control China’s social and economic landscape, there are reasons for optimism that more effective governance approaches may emerge. The Party policy on improving ‘governance effectiveness’ invites consideration of more diverse and inclusive mechanisms for policy formulation and implementation,

and ultimately more heterodoxy in matters of political authority and control.30 The leadership transition scheduled to take place in 2012 may well see a more cosmopolitan and politically flexible elite emerge as top leadership posts in China are filled over the next three-five years. Whichever of the candidates-in-waiting actually takes the reins of power will have an unprecedented level of awareness and experience in international matters. Leading candidates Li Keqiang and Xi Jinping, as well as the broader range of provincial party secretaries to whom high leadership posts are often awarded, all have significant international experience. While this will not necessarily translate into the adoption of liberal governance standards, there is cause to expect that broader international awareness and experience will lead to more nuanced and flexible approaches to the exercise of governance and political authority.

Changes are also afoot in the realms of ideology and communications. The government's capacity to restrict the flow of information across China is limited, resulting in a shift from state suppression of information to greater official engagement and debate in support of orthodoxy. China's government and public institutions also are indicating growing willingness to engage with the views of the international community. For example, a leading theoretical journal of the Communist Party of China, Outlook (Liaowang), has begun soliciting articles by foreign scholars containing views and analysis about China. International policy and legal specialists are increasingly invited to publish in Chinese university journals and are more able to publish collaborative work at important academic publishing houses in China. As well, official comments by Chinese policy specialists on China's conditions are increasingly frank and open.

While lawyers like Hu Jia and Chen Guangcheng, and critical intellectuals like Liu Xiaobo have faced imprisonment for their efforts to encourage political reform and the rule of law, orthodox voices have had somewhat more leeway. The Charter 08 manifesto associated with Liu Xiaobo was roundly criticized and vigorously suppressed along with its adherents.31 Yet Premier Wen Jiabao, speaking at the 30th anniversary of the founding of the Shenzhen Special Economic Zone in September 2010, echoed the sentiments of Charter 08 in his assertion that ‘without the safeguard of political reform, the fruits of economic reform would be lost and the goals of modernization would not materialize.’32 Wen called as well for conditions that would allow people to criticize and supervise the government as a way to address “the problem of over-concentration of power with ineffective supervision.”33 Premier Wen’s September 23, 2010 interview with CNN’s Fareed Zakaria included statements supporting political reform, and asserting the need for popular and media oversight of government as well as the need for an independent and judicial system.34

Reflecting the extent to which the political elite is divided on these issues, responses to Wen’s speeches ranged from tacit acceptance to orders to the media not to reprint Wen’s remarks and editorials challenging Wen’s views.35 But Wen Jiabao is not the only prominent person in the establishment to have spoken out in support of political reform. In October 2010, a group of Party elders led by Li Rui (Mao Zedong’s former secretary) and Hu Jiwei (former People’s Daily editor) submitted an open letter to the National People’s Congress Standing Committee calling for removal of restrictions

34 "CNN zhuxiang Wen Jiabao zongzi (quanzhou) (Full text of CNN interview with premier Wen Jiabao) (October 20, 2010), China Digital Times (http://chinadigitaltimes.net/chinese/2010/10/cnnzhuzhiangwenzhangzongzi) (November 19, 2010).
on freedom of speech.\textsuperscript{37} In November, Politburo Standing Committee member and director of the political-legal system Zhou Yongkang called for China to “comply with the universal principles of law,’ another \textit{Charter 08} theme.\textsuperscript{38} Calls for political reform by PLA General Logistics Department Political Commissar Liu Yuan (son of former Premier Liu Shaoqi, an early comrade of Mao and later prominent victim of the Cultural Revolution) also revealed the extent to which questions of governance continue to divide the ruling elite.\textsuperscript{39}

These are challenging times indeed for China’s Party/state. For despite the appearance of rising power and influence internationally, the current regime faces daunting challenges in the areas of social unrest, environmental degradation, an aging population, resource and energy demands, and endemic corruption. Indeed many observers note that the dominant characteristic of the current regime is fragility rather than strength.\textsuperscript{40} While we should neither ignore nor defend conditions in China that run counter to Canadian values, Canadians should appreciate the fluidity of governance norms and institutions in China. While the ruling practices of the PRC Party/state present challenges for Canadian understanding, we should remain alive to opportunities to build a productive collaborative relationship, acknowledging differences on many governance issues but also affirming common interests and a commitment to cooperation.

\textbf{ii Development}

China’s achievements in economic development are well known and offer numerous opportunities for Canadians.\textsuperscript{41} The long tradition of law and regulation serving the policy interests of the Party/state is particularly evident in this sector.\textsuperscript{42} The first foreign investment laws were enacted as a result of policy decisions made at the 3d Plenum of the 11th Central Committee in late 1978 to build economic independence in the aftermath of the Cultural Revolution. Following the 1989 Tiananmen crisis, the enactment of laws to attract foreign investment back to China accelerated following Deng Xiaoping’s 1992 Southern Tour (\textit{nanxun}) and the contentious policy directive to “deepen reform.” Reforms in foreign exchange control were enacted as part of China’s response to the 1997 Asian Financial Crisis, while China’s WTO accession in 2001 led to additional changes in foreign investment laws and regulations. More recently the Global Financial Crisis of 2008-2009 led to policy-driven legal measures affecting foreign business activities in areas such as taxation, foreign exchange, and government procurement.\textsuperscript{43}

The familiar pattern of instrumentalism in China’s foreign business laws and regulations is evident as well in fundamental economic matters such as contract and property, where the relevant statutes provide explicitly that their purpose is to further government policies on development and stability.\textsuperscript{44} Government interpretations of administrative regulations, case decisions by Chinese courts, and even Supreme Court opinions on the implementation of various laws all reveal a consistent perspective on the centrality of policy as the basis for interpretation and implementation of law.

The policy instrumentalism of China’s economic law system presents multiple challenges for Canadians.\textsuperscript{45} A recent survey of Canadian businesses in China conducted by the Asia Pacific...
Foundation of Canada (APFC) reveals continuing concerns with the legal and regulatory environment.46 The shadows of protectionism are evident in restrictive state procurement rules, local technology development standards, changing tax rules, and differential application of regulations in areas ranging from environment to labour and corporate social responsibility.47 China's state secrets information control regime is applied increasingly to control behaviour of foreign companies, as evidenced by the Rio Tinto controversy and the arrest and sentencing of American geologist Xue Feng.48

In such an environment, knowledge and awareness of policy priorities is essential for effective Canadian involvement. Fortunately, the Party and government often offer important clues as to policy priorities, which in turn can help shape business strategies.49 Decisions at national Party congresses are vitally important for identifying policies that will affect foreign business. The Communiqué of the 5th Plenum of the 17th Party Congress (October 2010) is particularly instructive.50 The Communiqué stresses the importance of development as the “top priority of the Party in governing and rejuvenating the country,” which in turn is reflected in “proper and forceful macroeconomic regulation.”

These policy guidelines are augmented by examples from the National People’s Congress (NPC) and the State Council. The 2010 Government Work Report approved by the NPC suggests policy priorities in the areas of employment and environmental protection.51 These statements provide guidance for legislative enactments by people’s congresses at the provincial level and people’s government’s at the municipal level and will be reflected in the project approval decisions being made by local government.

At the executive level, the State Council’s April 2010 “Opinion” on utilizing foreign investment contains a lengthy defence of China’s foreign investment policies, which reflects the extent of debate within policy and political circles as to the relative benefits for China of a continued open door policy on foreign investment.52 Use of the term “utilization” (liyong) expresses the instrumentalist context for China’s laws on foreign business – foreign investment is not seen as the outcome of an open-market system, but rather something to be utilized for the benefit of China’s development. In the words of the Opinion, “Utilizing foreign capital is the important content in China’s basic state policy of opening up to the outside world.”

Thus, the Party leadership as well as the legislative and executive systems have each given important policy guidance for local administrative decisions. Understanding the contexts and content of such policy guidance can help build greater certainty and predictability for Canadians seeking to craft strategies for activities in China. Knowledge of current economic conditions and policy behaviour in China also provides opportunities for Canada to influence policies and practices in a wide range of issues affecting the bilateral relationship such as energy cooperation, regulatory effectiveness, corruption control and Corporate Social Responsibility.

China’s economic development efforts are closely linked with policies on social welfare. In the wake of the 2008-2009 global financial crisis, China’s economic stimulus package demonstrated the effectiveness of targeted government intervention.53 China’s rural development policy program revealed the government’s commitment to ensuring that China’s economic growth would benefit not
only the coastal urban areas but also the people of China's rural interior.54 A new public health care program enacted early in 2009 affirmed a commitment to meeting the medical needs of all China's citizens.55 In early 2011 China's Fourth Session of the 11th National People's Congress affirmed the public interest dimensions for a range of economic policy questions ranging from fiscal stimulus to housing and health care.56 The initiative to move forward with these policies despite budgetary constraints speaks volumes about the government's priorities of ensuring public wellbeing in the face of the challenges and dislocations brought on by China's break-neck pace of economic growth. At a time when the pressures of globalization and the distortions of unrestricted market capitalism tend to diminish attention to the public goods that are the foundation for sustainable development, China's programs on strengthening social wellbeing stand as examples for other economies.

China's policies of social and economic development create opportunities for engagement with Canada. Canadian experience with public health care in a market economy as well as Canadian experience with challenges of development in remote areas are but two areas of shared interest with China. Collaborative exchanges in these and other social development areas of mutual interest can serve as a positive foundation for relations going forward. These can also complement cooperative engagement on economic development issues.

### Internationalism

International cooperation between Canada and China operates in the context of the public international law regime. Under the post-Deng leadership of Jiang Zemin and then Hu Jintao, China's participation in the international legal regime has been coupled with pursuit of economic and security interests in the context of processes of globalization.57 China's relations with important international partners have been affected by China's more assertive policy posture. Thus, President Hu Jintao's visit to Washington in 2010 was preceded by warnings that valuation adjustments to the yuan would need to suit Beijing's timetable.58 Similarly, assertions that China's disputed territorial claims in the South China Sea represent 'core interests' suggest an effort to set the contours for international debate and negotiation.59 The surprise testing of a new stealth aircraft during a visit by US Defence Secretary Robert Gates60 raises unsettling questions about transparency in China's military policy. Nonetheless, China's participation in international legal institutions will remain an important dimension of process of China's engagement with the world. Taiwan and human rights are two aspects of China's international posture that are of clear relevance for Canada.

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a) Taiwan

China’s relations with Taiwan involve regional security relations in the context of contending interpretations of international law standards on status and sovereignty of states. China’s 2000 White Paper on Taiwan policy expressed a paradoxical commitment to international legal standards while also asserting China’s rights to use force against Taiwan. The 2000 White Paper attempted an international legal argument using theories of state succession to justify claims that China-Taiwan issues are wholly domestic and therefore beyond the reach of international law’s general prohibition against the use of force between states.

Principles of the White Paper were carried forward in China’s “Anti-Secession Law” (ASL) enacted in March 2005. The ASL reiterates that the China-Taiwan relationship will be based in the PRC Constitution (Art. 1), thus extolling principles of national unity and territorial integrity. The ASL suggests that reunification with Taiwan may proceed on the basis of political equality between authorities on both sides of the Taiwan Strait (Art. 7). The political status of the Taiwan government may be a subject for reunification discussions (Art. 7.4). The ASL also allows for discussion of Taiwan’s “room for international operations,” thus holding out the promise of some sort of international status. The Anti-Secession Law and the Taiwan White Paper reveal that the influence of international law institutions and norms on China’s regional security policy remains contingent on imperatives of sovereignty and national unification.

Canada has managed to avoid direct conflict with China over Taiwan, honouring the one-China principle while also managing a range of activities with the Republic of China through the Canadian Trade Office in Taipei. China’s position on Taiwan is an important benchmark for Canada’s relations with China. At an operational level, the one-China principle imposes restraints on Canada’s diplomatic links with Taiwan – with practical implications for business and social linkages. More conceptually, China’s Taiwan policy also provides insight into China’s acceptance of international norms and institutions on security and sovereignty that are of critical importance to Canada.

b) Human Rights

China’s encounters with the international community unavoidable involve debates around human rights. The denunciation of Liu Xiaobo’s Nobel Peace Prize underscored the PRC regime’s resistance to commentary and criticism. In terms reminiscent of the vernacular of the Cultural Revolution and the language used to condemn peaceful demonstrations against government corruption in 1989, the government denounced supporters of Liu’s Nobel Prize as ‘clowns’ and the prize itself a ‘desecration.’ China’s efforts to intimidate other countries by threatening trade ties with states attending the Nobel Prize Award Ceremony echoes a long history of Beijing using economic levers to further political agendas.

Nonetheless, there have been signs of greater willingness to engage with the international community on issues of human rights. The enactment of a Human Rights Action Plan in 2009 seemed to respond to repeated concerns around implementation of human rights ideals that China has agreed to in principle. China’s participation in the periodic review by the UN Human Rights Council suggests a greater willingness to participate in international human rights discourses.

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64 State Council Taiwan Affairs Office and Information Office, “The One-China Principle and the Taiwan Issue” (Feb. 21, 2000).


comment on human rights during his visit to Washington in June 2010 seemed in part a plea for patience with China’s efforts to expand its human rights protections:

“China recognizes and also respects the universality of human rights. And at the same time, we do believe that we also need to take into account the different national circumstances when it comes to the universal value of human rights … In this context, China still faces many challenges in economic and social development, and a lot still needs to be done in China in terms of human rights.”68

While there may be much to disagree with in President Hu’s statement, there was nonetheless an effort at explanation and engagement. This was a refreshing departure from past practices that simply dismissed criticisms as intrusion in China’s internal affairs.

Although Canada’s influence in these matters is limited, collaboration with China to share experience on a range of human rights issues will provide important opportunities for building a healthy relationship. China’s ratification of the International Covenant on Economic, Social, and Cultural Rights (ICESCR), and potentially the International Covenant on Civil and Political Rights (ICCPR), provides useful common ground for cooperative programs. While full agreement on the content and structure of norms and institutions of human rights and governance is unlikely, persistent efforts to find points of common agreement and to build confidence around particular issue areas will be a positive step forward.

iv Looking Forward

With a new majority government in Ottawa and a new leadership team being prepared in China, Canada’s relations with China are entering a new phase. Great opportunities await, even as obstacles and challenges remain. While political differences are unlikely to diminish in the near term, economic relations continue to thrive, and international cooperation remains a key feature in the relationship. Ensuring that Canada’s relations with China continue to develop in a productive way that remains true to Canadian interests and values will take preparation, balance and prudence.

Preparation for engagement with China requires understanding China’s conditions and national interests and goals that have particular relevance to Canada. Canada can prepare for managing its relations with China in part by accepting China’s legitimate concerns over stability and understanding the implications this raises for governance. Canadian awareness of the local dynamics of policy instrumentalism, corruption, and the contested domain of legal and political reform will further effective action in managing the relationship. Preparation would also apply to Canada’s need to build understanding of the opportunities and challenges posed by China’s economic growth policies. Appreciating the priority given to sustaining high employment levels in order to ward off social unrest, Canadians can appreciate better how employment-centred growth policies evident in China’s financial stimulus package and in China’s export-oriented trade policy can generate business opportunities for Canadian firms. Similarly, preparation extends to understanding how China’s national interest goals include securing advanced technology which, while raising potential conflicts over enforcement of intellectual property rights commitments under the WTO, also raises opportunities for designing mutual IPR protection strategies. Preparation can enable Canada to respond more effectively to China’s search for energy security and the opportunities this involves for Canadian firms, as well as to China’s need for continued infrastructure development and clean technology. Finally, China’s national interest goal of diversifying its international investment relations has significant implications for Canada. Preparation can also facilitate Canada’s engagement with China in international discourses on Taiwan and human rights by ensuring that we have adequate and accurate information and insight on China’s goals and perspectives.

Balancing Canada’s interests in cooperative relations with China with adherence to Canada’s core principles and values remains important. Cooperation on issues of governance will require careful

attention to the benefits of confidence building in areas of mutual interest (transparency and government accountability are but two useful examples) while also avoiding lending legitimacy to governance behaviour that runs contrary to Canadian values. Cooperation with China on economic issues should balance the imperative to create opportunities for Canadian firms with close attention to such values as labor rights, corporate social responsibility, corporate governance and environmental sustainability. Pursuing cooperation in international matters will also require balancing of strategic priorities and national values, such that multilateral discussions on Taiwan and human rights for example remain attentive to China’s sovereignty needs while still being faithful to Canadian commitments to security and good governance.

Prudence invites careful appreciation of the style and content of engagement with China. Canadians should adopt styles and mechanisms for communication that are likely to be effective. Canada cannot hope to compel China’s leaders to accept positions that run fundamentally counter to China’s national interests or historical and cultural value systems. We should not expect to change China, but we can be prudent in managing our responses to China’s conditions and behaviour. Public criticism of policies and practices with which we may disagree is seldom, if ever, effective in changing Chinese behaviour. However, Canada should avoid appearing to endorse policies or conduct that run counter to our own principles and values. Prudence also involves open-mindedness - being constantly ready to identify and accept new information about China’s norms and institutional practices of governance, development, and internationalism and adjust personal and policy positions accordingly.

These elements of Preparation, Balance, and Prudence would seem useful to managing the Canada-China relationship going forward. But their specific application depends of course on the myriad of important issues that characterize Canada’s relations with China, and which lie well beyond the scope of this Introduction. Nonetheless, by addressing issues of governance, development, and internationalism, this Introduction hopefully sets a useful context for the detailed papers that follow. The papers presented in this volume represent an attempt to begin a conversation about Canada’s ongoing relations with China by focusing on a relatively wide-range of essential issues. China’s importance to Canada is undisputed. The dynamics of the relationship are complex. The costs of failure are high. We hope that the research, analysis, and policy recommendations presented in this volume will help.
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SECTION I: DOMESTIC CONTEXTS

“Politics and law are crafts of place: They work by local knowledge.”
—Clifford Geertz
ENGAGEMENT WITH CONSERVATIVE CHARACTERISTICS: POLICY AND PUBLIC ATTITUDES, 2006–2011

“Stand a few steps higher, and you will see far farther and wider.”—Chinese proverb

Abstract
Stephen Harper’s Conservative government came to power in January 2006 committed to a principled foreign policy and a China policy substantially different from the engagement strategies of its Liberal and Progressive Conservative predecessors. Two years of “cool politics, warm economics” had near-disastrous consequences and was succeeded by a series of moves to revive the key elements of the strategic partnership and warm diplomatic relations in advance of the Prime Minister’s visit to China in December 2009.

Getting global China right is a high-stakes challenge for governments around the world. It is particularly complicated for Conservative Ottawa because of its ideology of freedom, democracy, human rights and the rule of law, its philosophy that the role of government is to facilitate transactions rather than build relationships, and increasing concern about China’s rise among the Canadian public as seen in a spate of recent polls.

The essay examines the evolution of Conservative policy, the reasoning behind it, and the pattern of public attitudes. It concludes with a call for the government to show leadership in redefining the strategic partnership, explaining it to Canadians, and constructing a strategic rationale and moral narrative for the next phase of relations based on a more open policy process.

Introduction
The world is being reshaped by the rise of China, its dynamic integration into regional production networks and global value chains, its deepening influence in international institutions, and the persistence of its particular form of authoritarian capitalism.

In 2000 China was a vibrant emerging market, a member of the WTO, the shop floor of the world and a significant regional power. A decade later, on the far side of the financial crisis of 2008 and the demise of America’s unipolar moment, it has emerged as a primary force in a messy, multi-centric world order. Decisions of Chinese officials, citizens and consumers have impact globally.

China has long held a central place in the international imagination of Canadians dating back to the era of missionaries, railroads and migration coincident with Canada’s birth. Today, China is no longer distant, exotic and across an ocean. It is here, a daily presence for most Canadians when they look at the demography of their cities, buy products, or contemplate their mortgage rates. The flow of goods, people and ideas has never been greater.

Global China poses multi-dimensional challenges for Canadians and public policy. My focus is the period that Stephen Harper has served as Prime Minister. Canada-China relations are of course much broader than policy; and policy in turn has multiple levels. My subject is the high politics of framing and conducting the political relationship. Government leaders and senior officials are just some of the singers on stage, but their voice and movement can set the tone and lead in ways that the public chorus cannot.
Conservative policy in 2006 started down a path distinctly different in tone, attitude and approach than any of its predecessors, Liberal or Progressive Conservative. Managing relations with China poses dilemmas for every government but especially one that came to power that January with little experience in foreign affairs, evinced an ideological antipathy for China, aspired to a vision of small government, and committed itself to a “principled foreign policy” emphasizing freedom, democracy, human rights and the rule of law.

Describing, much less explaining, the evolution of Conservative policy is a daunting task. Policy making has been concentrated in very few hands and its content has never been fully articulated or explained by its makers. My sources are speeches by political leaders, comments to the press, press and academic commentary, and private conversations with MPs, Senators and Conservative staff and strategists.

The China Consensus

In June 2005 Prime Minister Paul Martin and President Hu Jintao announced the creation of a strategic partnership between the two countries. Neither side was certain what its specific content would be, but it was the logical extension of an approach that had been pioneered by the Trudeau Liberals and had operated on a bipartisan consensus thereafter.

In Beijing in January 2005, Martin foreshadowed the strategic partnership, noting China’s pivotal role in a “global power structure undergoing its first wide ranging evolution in more than five decades” and in which “China will be central to the success of a New Multilateralism.”

Canada welcomes this. We seek to enhance our engagement with China—to foster a real partnership that comprises not just economic pursuits, but also the global political agenda: public health, environmental issues, human rights, and culture. In essence, we strive to more closely connect our two nations—encouraging the two-way flow of capital, goods and services, while at the same time expanding our dialogue, our exchange of ideas and beliefs. For that is how friendships are deepened and the world made stronger.1

The speech underscored principles and sentiments that had animated Canadian policy since recognition in 1970. First, engagement of China was important to Canada for advancing bilateral interests and also for shaping world order.

Second, engagement entailed establishing contacts at as many levels as possible. The tone was set at the Prime Ministerial level and involved nourishing strong personal relationships. Martin favoured a whole-of-government approach and encouraged every member of his Cabinet to visit China.

Third, promoting human rights, especially after Tiananmen Square in 1989, was one of several objectives and largely pursued through cooperation on governance issues and the private management of individual cases.

Fourth, Canadian governments took care, sometimes excessive, to assure China about its version of a One China Policy and carefully manage relations with Taiwan and dealing with Tibet issues.2

Warm Economics, Cool Politics

In the early months of 2006 it quickly became clear that the Conservative government was determined to take a new approach to China that can be described as “cool politics, warm economics.”

“Warm economics” echoed the emphasis of previous governments on trade promotion. The Conservatives embraced most of the Liberal’s Gateway strategy and transformed it into the Asia

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1 Address to the Canada-China Business Council, Beijing, 21 January 2005.
Pacific Gateway and Corridor Initiative. It resisted protectionist pressures to limit Chinese exports. It encouraged Chinese investment, though without setting clear guidelines and rules. New trade offices were opened in China as part of the global commerce strategy. Two-way trade expanded as did Chinese investment in Canada, even though in relative terms the Canadian share of both steadily declined.

“Cool politics” was the innovation. The first public comments about China by the new government in April 2006 focused on criticisms of Chinese industrial espionage. In October 2006, the Minister of Foreign Affairs, Peter MacKay, emphasized that a principled foreign policy meant that China, like other countries, would be viewed through the lens of freedom, democracy, human rights and the rule of law. Chinese representatives in Ottawa were not able to meet him until June, he did not meet his Chinese counterpart until September, and he did not travel to China until April 2007.

Ottawa publicly suspended the bilateral human rights dialogue with Beijing. The Subcommittee on International Human Rights of the Standing Committee on Foreign Affairs and International Development, chaired by Jason Kenney, took up the task of assessing the human rights situation in China. DFAIT was effectively removed from a policy-making role. And plans for the Strategic Working Groups were shelved.

Parliament agreed, unanimously, to confer honorary citizenship on the Dalai Lama. The Prime Minister received the Dalai Lama in his Centre Block Office with a Tibetan flag displayed on his desk. Individual MPs spoke about the virtues of Taiwanese independence and self-determination for Tibet. For the first time four Cabinet Ministers attended Taiwan’s October 10th celebration in 2006. Key Conservatives pointedly contrasted the importance of building relations with democratic India rather than maintaining them with a country they described as “a godless totalitarian country with nuclear weapons aimed at us.”

The Prime Minister became publicly involved in the Celil consular case. En route to an APEC meeting in Hanoi in November 2006 he told reporters that confronting China on human rights issues was both right and popular. “I think Canadians want us to promote our trade relations worldwide, and we do that. But I don’t think Canadians want us to sell out important Canadian values—our belief in democracy, freedom, human rights. They don’t want us to sell out to the almighty dollar.” Three months later he again spoke publicly about the Celil case, reminding Chinese officials that they needed to be cautious considering China’s large trade surplus.

On at least two occasions it became difficult for the Prime Minister to arrange substantive sessions with his Chinese counterpart on the margin of international meetings. In early 2008 he announced his decision not to attend the Opening Ceremonies of the Summer Olympics in Beijing, using the opportunity to raise international concerns over the demonstrations in Tibet that April.

Cool did not mean cold. The government did not alter its One China Policy, did not make any dramatic overtures to Taiwan, and continued its aid program. Ministers began visiting China in the fall of 2006, starting with the Minister of Agriculture in October and the Minister of Natural Resources a month later. David Emerson, Minister of International Trade, and Jim Flaherty, Minister of Finance, followed in January 2007.

The Ministerial visits were low-key but welcome in China in a period that was otherwise characterized by snubs, public jousting, and cold shouldering. During his January 2007 trip, Flaherty spoke of actively working to strengthen the Canada-China relationship, engaging China as a rising economic power, working together on IMF reform, promoting economic freedoms, and recognizing Canada’s emerging role as an energy superpower. Neither he nor other ministers made any reference to the “strategic partnership,” or “friendship.”

Chinese reactions moved from puzzlement to carefully expressed anger. Ambassador Lu Shumin raised concerns in speeches and private communications throughout the fall and winter of 2006.
In February 2007, He Yafei, the Vice Minister of Foreign Affairs, stated that “I cannot say Canada is squandering the relationship now, but in practical terms Canada is lagging behind in its relations with China.” He indicated confidence and respect were lacking and that there was “room for improvement” while calling for the resumption of the high-level working groups agreed to under the terms of the strategic partnership. Bo Xilai, the Chinese Minister of Commerce, commented during a visit in June 2007 that relations “need better mutual trust,” and “have moved backward under Harper.”

The first visit by a Chinese Minister of Finance did not occur until fall 2007. China continued to withhold Approved Destination Status that had been discussed during the Martin period. Len Edwards, Deputy Minister of Foreign Affairs, could not secure high-level meetings during his trip to Beijing in November 2007 just after Harper’s meeting with the Dalai Lama.

In January 2008, Ambassador Lu spoke to the Canada-China Friendship Society meeting in Ottawa about “positive developments and unfortunate setbacks.” “At stake is not only exchanges and interaction at the government level,” he told the audience, “Nothing undercuts bilateral relations more than the souring impression among the public. And in China the feeling is actually spreading.”

Several factors help explain “cool politics.” The image of a godless, totalitarian China was shared by several MPs and staffers based less on personal exposure to China than concerns about issues including religious freedom and human rights. The influence of American neo-conservatism and organizations including the American Enterprise Institute was substantial. Several spoke forcefully about finding muscular ways to contain China through a League of Democracies and to find ways to actively promote democracy inside China.

In opposition, Reform/Alliance MPs maintained close connections with Taiwan and the Tibetan diaspora. Some in Cabinet believed that a hard line on China on human rights had support within Chinese communities (and Indian ones) in Canada and could provide electoral advantage in key urban ridings.

Philosophy of government also mattered. Beyond wanting to differentiate themselves from the China policies of the Liberals, many felt that the era of Ottawa playing a leadership role “Team Canada style” was passé. The function of government should be to assist civil society actors but not lead. In the words of one senior advisor: “We don’t do relationships. We facilitate transactions.”

By late 2007 it was clear that the approach was a failure. Ottawa was quickly depleting a reservoir of good will in official quarters in Beijing, stood virtually alone among Western countries, and was beginning to pay an economic price. Academics, business leaders, officials (privately), and much of the media were harshly critical, describing the government’s approach as aloof, introverted, fraught, confused, perverse, immature, juvenile, wobbly, amateurish, one dimensional, childish and petulant, a colossal mistake, and out of synch with allies and friends. Elite support was limited to a handful of academics, some of the right-wing press, and representatives of several NGOs. But, as we will see, it resonated with the attitudes of many Canadians.

**Reset**

The government had dug itself into a hole and was looking for a ladder. Journalists began to detect a shift in fall 2007. John Ivison noted a “more nuanced approach” and a “moderated tone” that focused on economics rather than morality. The new Foreign Minister, Maxim Bernier, met the Chinese Ambassador within two weeks of being appointed in May and had his Department try to resuscitate

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the Strategic Working Groups. Secretary of State Helena Guergis spoke at the University of Alberta in January 2008 about the commitment to “sustained high-level engagement”, “results-based cooperation”, China as a “top priority for trade and investment”, and the need for mutual respect.

Canadian and Chinese officials privately discussed ways to improve relations and “rebuild confidence” through a synchronized series of visits leading towards a meeting of heads of government. Key were the visits of the Minister of Transport, John Baird, in February 2009, Trade Minister Stockwell Day in April, Foreign Minister Lawrence Cannon in May, and Finance Minister Flaherty again in August along with a delegation that included the governor of the Bank of Canada. The Chinese Foreign Minister, Yang Jiechi, visited Canada in June. The agenda was increasingly substantial and Day’s visit, in particular, had a major impact on his own thinking and the development of what he called a “holistic” approach to the relationship. When the Dalai Lama visited Canada in September 2009 he met the Governor General but neither the Prime Minister nor the Foreign Minister.

The Harper visit to China in December 2009 symbolized the reversal, though produced little publicity in China and began with what many interpreted as a rebuke by Premier Wen for Harper for not visiting earlier. Harper did come away with agreement on Approved Destination Status and concessions on beef and pork exports. The Canada-China Joint Statement of 3 December 2009 anointed the Strategic Working Groups as a leading part of more than 40 bilateral consultation mechanisms. The statement recognized “distinct points of view” on human rights and promised more dialogue and exchanges, FIPA negotiations, collaboration in the context of the 6 Party Talks, the UN and APEC, the G20, and on issues including global health and climate change.

In Shanghai on December 4, Harper recounted the “shared history” between the two countries focusing on the Diefenbaker wheat sales, expanding trade, the Gateway, investment, energy and collaboration in the context of the Asia Pacific Partnership on Clean Development and Climate and the G20.

John Ibbitson, the Globe and Mail’s Political Affairs Columnist travelling with the PM, called the visit a tipping point” that included a “Damascene conversion to the importance of Asia” and a “subtle sidestep” that, without disavowing earlier sentiments, moved the Conservative government into “a new and revitalized relationship with China, while not acknowledging its earlier misdirection, and counting on no one to notice.”7

President Hu Jintao made a formal visit in June 2010 in advance of the G20 meeting. China finally ratified ADS and opened staged access to beef imports. The Prime Minister again focused on bilateral commercial issues, offered a slightly sentimental history of the relationship, and most importantly spoke for the first time of “the growing strategic partnership.” On the issue of human rights, he hinted at a new approach.

“Power comes not from arms but from economic power and the stockpile of moral authority a nation builds up when it upholds the universal values of freedom, democracy, human rights and the rule of law. China and Canada have begun a frank dialogue about these values. Continuing it will bring us closer together as friends and strategic partners.”8

On October 13th, 2010 at an event celebrating 40 years of diplomatic relations, Harper offered a glowing account of his visit to China, noted 30 ministerial visits to China since 2006, acknowledged that the “global economic centre of gravity moves toward the Pacific” and the need for dialogue on the universal principles of human rights and the rule of law. He fulsomely stated that the “Strategic

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Patterns in Public Opinion

In Canada, as elsewhere, global China generates two reactions. The first is a sense that China is big, important, and getting more so. The second is a blend of uncertainty, anxiety and fear, leavened by a sense of opportunity, about what this portends. Three sets of surveys give a useful perspective on the pattern of Canadian views: those commissioned by the Lowy Institute in Australia annually since 2005; the BBC World Service in 2005, 2009 and 2011; and the Asia Pacific Foundation of Canada in 2004, 2006, 2008, 2010 and 2011.

On China’s growing impact:

- Lowy 2010 and 2011 found that 55% of Australians already feel that China is the world’s leading economic power as compared to about 30% who feel that way about the United States.
- BBC March 2011 survey of 27 countries found China is expected by most to overtake the USA in economic importance to their country over the next ten years. A majority of Canadians in the study believe that China will be more important to Canada than the U.S. within a decade.
- APF Canada Surveys in 2008, 2010 and 2011 found that 66%, 60% and 67% of Canadians believe that 10 years in the future Chinese power will surpass that of the United States. Canadians also consistently over-estimate existing trade with China and Asia, frequently by a factor of two or three.

Comparing the poll results is complicated because of changes in polling technique and slight variations in the wording of questions across time. Nevertheless, the pattern is consistent and tracked precisely the findings in the BBC polls in 2005 and 2011.

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No official explanation of the shift has been offered but it seems to reflect the failure of the cool politics approach to sustain support or electoral advantage among voters of Chinese descent. The balance of forces within Cabinet and the caucus was changing. And, above all, the economic and political importance of China was becoming much more apparent to the Prime Minister, in part because of exposure to China’s central role in the G20 process.

By 2010 Conservative policy had returned very close to where Paul Martin had left it five years earlier. Warmer diplomacy received elite applause but did not rest easily with several members of caucus and the broader public.

Patterns in Public Opinion

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On growing anxieties about China’s rise:

From the Lowy Polls:
- In 2010 and 2011, 57% of Australians felt that there was too much Chinese investment in Australia compared to 50% in 2008.
- In 2011, 65% felt that China’s aim is to dominate Asia, down from 69% in 2010 and up from 60% in 2008.
- In 2010, 46% believed China would become a military threat to Australia within 20 years, up from 41% in 2008. In 2011 the percentage raised further to 55%.
- In 2011, about 60% trusted China to act responsibly in the world, the same figure as 2006.
- In 2011, 50% agreed that Australia should join forces with other countries to limit China’s influence (down from 5% in 2010), with 47% disagreeing. They remained similarly split about whether the United States should give China a larger say in regional affairs, with 46% agreeing (steady with the 45% in 2010) and 47% disagreeing.

From the BBC survey:
- In 2011, negative views about China’s growing economic power rose in every G8 country and are the majority position in all but the UK and Russia. In Canada in 2005 the number assessing China’s economic rise positively was 53%; in 2011 it was 34%. The most positive views were in Africa.
- In 2011, more than a third of respondents rated China’s trade practices as unfair and, amongst China’s largest trading partners, this ranged from 70% in Japan, 58% in Germany to 39% in Canada. Canadians rated the U.S. about the same.
- In 2011, 79% of Americans and 82% of Canadians—a much bigger proportion than the 55% global average—are concerned about the rise of Chinese military power. The trend has worsened since 2005, particularly in Canada where only 70% felt this way in 2005.

Increasing negativity about China elsewhere in the world is found in a host of other studies. A December 2010 poll in Japan revealed that less than 19% of Japanese reported friendly feelings about China and only 8% described the Sino-Japanese relationship as good.

From the APF Canada polls:
- In 2004, only 23% of Canadians felt that the growing importance of China as an economic power is more of a threat for Canada than an opportunity. In 2006 this grew to 38%. The same issue was worded slightly different in the 2008, 2010 and 2011 polls which reversed the questions and asked whether China was more of an opportunity than threat. The trend was similarly negative. Those who saw China as an opportunity fell from 60% in 2009 to 48% in 2010 and rose only slightly to 43% in 2011.
- On human rights, the percentage of Canadians who felt that the human rights situation in China is better now than 10 years before has vacillated between 49% in 2004, 63% in 2006, 36% in 2008, 47% in 2010, and 45% in 2011.
- On the rise of Chinese military power, the percentage of Canadians who feel it to be a threat rose from a low of 52% in 2006 to 64% in 2008, 58% in 2010 and back to 60% in 2011.

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16 The two principal reasons cited for the concern were that the US and China would come into conflict and draw Australia into it; and that China would invade Australia to secure land and resources.
19 Parallel surveys in 2004 and 2006 of 300 Asia practitioners in Canada with significant professional experience related to Asia were considerably more positive. In 2004, only 9% agreed with statement that China was more of an economic threat than opportunity and by 2006 that figure was still only 19%.
20 A question posed in 2008 produced a significantly more positive assessment of the value of bilateral trade. 43% thought it would generate jobs and 50% thought it would reduce jobs. The parallel poll of Asia practitioners in Canada found a more positive assessment with 56% seeing job creation and only 25% job losses. 82% of Asia practitioners felt increased Canada-China trade would mostly help Canadian consumers, as did 73% of the general public. And, separately, Pew 2007 found that 50% of Canadians felt that China’s growing economy was a good thing and 41% a bad thing (up from 34% in 2005).
21 Ipsos-Reid 2005 found that 61% don’t believe China will soon be a true democracy and 52% think we should “not reward” China with expanding diplomatic and trade relations as this country still has a terrible record of human rights abuses.
22 Pew 2007 found that 66% of Canadians felt that the growing military power of China was a good thing as compared to 66% who saw it as a bad thing.
• On food and product safety, in 2008 fewer than 20% of Canadians felt that imported food and manufactured products from China are as safe or of better quality than those from other developing countries. And in the 2011 survey only 12% of Canadians believed that Chinese food products are of high quality and only 28% believed that manufactured goods from China are of high quality.23

• On Chinese outward investment and control of Canadian companies, in 2010, 82% stated concern about the prospect of a Chinese company taking control of a major Canadian company compared to only 42% with a similar concern about a takeover by a company from the U.K.

These aggregate figures hide significant regional differences. Respondents living in Western Canada are generally more positive about China's economic impact and more open to immigration and investment from Asia. Albertans stand out as being the most open to China economically at the same time they place the greatest emphasis on human rights and democracy promotion as policy priorities.24

Polls reveal some of the same concerns that frequently arise in talk shows, op eds. and the blogosphere. Public anxieties place limits on how deeply any government can embrace a China that is different in values, history and power. The Australian findings indicate similar apprehension in a context where China is its largest trading partner and the government has taken extraordinary measures to deepen public understanding of China.

Conservative policy not only reflects negativity about China, but to some extent has shaped it. It has not attempted to justify or explain the foundation of its positions nor tried to help Canadians understand internal dynamics within China.

**Going Forward: Engagement in a Minor Key?**

On June 29th in the first speech on China (and foreign policy) since the Conservatives won a majority government in the May 2011 election, the new Minister of Foreign Affairs, John Baird, emphasized that China is “a clear priority for our government and economy.” He stated that the government is committed to “continued and sustained high-level engagement with China,” and that the relationship is at “a high water mark.” He reminded the audience of 40 ministerial visits to China since 2006 and addressed issues related to law enforcement, legal cooperation, impediments to business, air transport, tourism, education, people-to-people engagement and commercial relations. Upbeat in tone, he ended with an unprecedented request for advice on further steps that could be taken to upgrade the relationship.25

Canada may no longer be what Premier Zhu Rongji described in 1998 as “China’s best friend in the whole world,” but nor is the relationship one consular case or one diplomatic incident away from a rupture. While there remain a host of bilateral issues to be resolved or managed, there is sufficient cordiality and personal chemistry at top levels to support functional cooperation on many of them. The government is again “doing” relationships, though with less flamboyance and imagination than its predecessors.

**2005 Redux?**

If close to the traditional approach, Conservative China policy has some distinctive features. The overwhelming focus is bilateral economic issues; it encourages multiple levels of commitment but provides no new resources and little leadership; and it does not define an integrated strategy for connecting China to broader regional and global security matters or an emerging institutional architecture.

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It is engagement in a minor key and, as yet, a strategic partnership without a strategic dimension. How is China a priority in comparison to other priorities in the Americas, Europe and Asia, especially India and Japan? How to do this in a domestic context where anxiety is rising about China's ability to manage an encyclopedic range of internal problems, and appears to be more assertive in regional and world affairs?

Canada is back to the starting line at a time that other countries have been more determined, innovative and pro-active in developing their presence in China. Here Australia remains our best comparator. In April 2010, then Prime Minister Rudd called for “a deeper, textured understanding of the China in the 21st century” and the need for a New Sinology to underpin it. “A zhengyou, or true friend,” he said is “a partner who sees beyond immediate benefit to the broader and firm basis for continuing, profound and sincere friendship.” He called for Australia and China to “develop the language and the demeanour for a more sophisticated way of talking to and about each other.” This demands a layered approach, a serious commitment of time and resources, and serious study.26

There are two areas where a majority Conservative government must clarify and advance its own version of Rudd’s “layered approach.”

The first is putting strategic meat on the bones of a strategic partnership. Getting China right depends upon understanding its domestic, regional and global contexts. The defining issue in Asia Pacific security is the rise of China and the implications that this has for American power and primacy. Senior Canadian officials have been virtually silent on key security issues in Northeast Asia, Sino-Indian rivalry, and the management of difficult issues in the South China Sea, the Korean peninsula, and the weaponization of space. Equally important, Canada has been sitting on the sidelines in the regional institutions of which it is a part and is unconnected to the new ones that are being formed including the East Asia Summit process and the Trans-Pacific Partnership. Derek Burney makes the key point that “Standing aloof may give us the privilege of neutrality, but would more likely confirm a position of continuing irrelevance.”27

Strategy matters to China. Its Canada watchers frequently ask whether Ottawa has one. In Shanghai in November 2010, senior Chinese officials and academics analyzed the question of why China turned to Canada in 1968 as the choice of negotiating partner. Based on unprecedented access to the MFA files they found the answer in exchanges between Mao, Zhou Enlai and the senior leadership. Canada was of interest because it was close to the United States, somewhat independent of the United States, and thought in terms larger than immediate commercial relations. Pearson was on to this bigger strategic possibility after the Korean war. It informed Alvin Hamilton’s thinking after he pioneered the wheat sales. Trudeau saw an opportunity to alter the Cold War by getting China into international institutions. Later Brian Mulroney and Jean Chretien saw the virtues of opening the world economy to China. And Paul Martin took this one step further in seeing engagement as creating an institutional architecture that moved China and other emerging countries from the periphery to centre stage.

It remains to be tested whether Canada still has the reservoir of goodwill, the imagination, the knowledge or the capacity to reprise and revise the Middle Power role of an earlier period. But there are issues and moments when something bigger than immediate bilateral advantage come into play. We can think of energy as a bilateral commercial matter or we can see it as an entry point into fundamental issues of energy security and conservation that are key to building a rules-base international system.

Second, the case needs to be made anew for ‘why engagement?’ Under previous governments the case was built on economic and strategic pillars, but also on a moral one. Trudeau embraced a form of moral relativism that did not lead him to desire to change China so much as live with it and open

possibilities for better international behaviour. Brian Mulroney and Jean Chretien both saw opening China’s economy as a necessary precondition for reducing international tensions and inducing domestic political change. Paul Martin emphasized a new international architecture as a way of deepening China’s commitment to international practices and standards.

Making the moral case for engagement is extremely difficult in an era in which authoritarian rule in China shows no sign of easy or early relaxation, in which China is increasingly complex and internally conflicted, and in which the growth of Chinese influence brings into question the very idea of universal values. Canadians need to be prepared for a time when our institutions are no longer the international institutions, when our role is comparatively less important, and when the affirmation of universal values is replaced by a search for shared ones.

It is also particularly difficult for a Conservative government that for ideological reasons detests Chinese communism and feels morally superior to it. It needs to explain to its party base the rationale for own form of engagement. It took the moral high ground of a principled foreign policy but beyond rhetorical exhortation did very little to act on it save for continuing projects already in motion.

To change China or to live with it? It will take wisdom, knowledge and political courage to flesh out the strategic partnership and recast the Canada-China narrative. This in turn will depend upon a more open policy process that again mobilizes intellectual talent and practical expertise to give us a chance at getting global China right.
BIBLIOGRAPHY


