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with Thomas Adams

CIC
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ISSUES IN
CANADA-CHINA RELATIONS

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PREFACE

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.[1] 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.[2] The visit by Hu Jintao to Canada the following June saw conclusion of the agreement granting "Approved Destination Status" to Canada,[3] 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.[4]

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.[5] 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

1 http://www.canadainternational.gc.ca/china-chine/bilateral_relations_bilaterales/booklet-brochure.aspx (accessed June 27, 2011). Also see contributions by Bruce Gilley and Paul Evans in *Canadian Foreign Policy* vol. 14 no. 2 (2008) http://www3.carleton.ca/cfpj/documents/Evans-Gilley-ReawakeningCanadasChinaPolicy.pdf. (accessed June 27, 2011).

2 http://pm.gc.ca/eng/media.asp?id=3005 (accessed June 27, 2011).

3 http://www.canadainternational.gc.ca/china-chine/visas/ads-sda.aspx?lang=eng (accessed June 27, 2011).

4 For a Canadian perspective on China's compliance with WTO principles, see Foreign Affairs and International Trade Canada, *Canada's International Market Access Report, 2009*. Available at: http://www.international.gc.ca/trade-agreements-accords-commerciaux/cimar-rcami/2009/index.aspx (accessed July 1, 2011); For a United States perspective, see: United States Trade Representative, *USTR Report to Congress on China's WTO Compliance, 2010*. Available at: http://www.ustr.gov/about-us/press-office/reports-and-publications/2010/2010-report-congress-china%E2%80%99s-wto-compliance (accessed July 1, 2011). For assessment of the effects of China's IP infringement on the US economy, see: United States International Trade Commission, *China: Intellectual Property Infringement, Indigenous Innovation Policies, and Frameworks for Measuring the Effects on the U.S. Economy, 2011*. Available at: http://www.usitc.gov/publications/332/pub4226.pdf (accessed July 1, 2011).

5 Justin Carter, "The Protracted Bargain: Negotiating the Canada-China Foreign Investment Promotion and Protection Agreement," in McCrae, D. and de Mestral, A. eds., *Canadian Yearbook of International Law: 2009* (Vancouver: UBC Press, 2010).

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.[6] 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.[7] 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.

6 Ann Dale and Jenny Onyx, *A Dynamic Balance: Social Capital and Sustainable Community Development* (Vancouver: UBC Press, 2005).

7 See e.g., Thomas Keating, "Multilateralism and Canadian Foreign Policy: A Reassessment," *Canadian Defense and Foreign Affairs Institute*. Available at: http://www.cdfai.org/publicationsauthor.htm#K (accessed July 1, 2011); David Black and Claire Turenne Sjolander, "Multilateralism Re-constituted and the Discourse of Canadian Foreign Policy," *Studies in Political Economy* 49, Spring 1996.

i Governance

Governance in China involves complex issues of the exercise of power and authority, with attendant questions about norms and institutional performance.[8] 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).[9] 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.

a) 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.[10] 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.[11] Major economic enterprises in China are controlled by family members and close associates of regime leaders.[12] Income inequality is rising—China's Gini Coefficient, measuring 41.5%, is tied with Gabon and ranks between Sri Lanka and Iraq.[13] College graduates and young peasants alike are having increased difficulty finding jobs.[14] 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.[15] Corruption is rampant across the political and economic system.[16] Abuse by police and security forces is widespread.[17] An increasing proportion of people (420 million by last count) have access to the internet and/or social media.[18]

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

8 See generally, Kenneth Lieberthal, *Governing China: from Revolution through Reform*, (New York: W.W.Norton, 2004). On norms and institutions, see Pitman B. Potter, "China and the International Legal System: Challenges of Participation," *The China Quarterly* No. 191 (Sept. 2007), pp. 699-715.

9 See generally Richard McGregor, *The Party* (New York: HarperCollins, 2010); David Shambaugh, *China's Communist Party: Atrophy and Adaptation* (Washington: Woodrow Wilson Press, 2008).

10 Chris Hogg, "China's security tsar warns over 'jasmine revolution'," *BBC News* (February 21, 2011), http://www.bbc.co.uk/news/world-asia-pacific-12522856 (accessed July 11, 2011).

11 Constitution of the People's Republic of China (1982, rev. 2005), Preamble (http://english.gov.cn/2005-08/05/content_20813.htm) (accessed July 11, 2011).

12 "Princelings and the goon state: The rise and rise of the princelings, the country's revolutionary aristocracy," *The Economist*, April 14, 2011, http://www.economist.com/node/18561005 (accessed July 11, 2011).

13 Vision of Humanity, "Global Peace Index -2010," http://www.visionofhumanity.org/gpi-data/#/2010/GINI (accessed June 27, 2011).

14 "Educated and Fearing the Future in China" *New York Times* March 7, 2010, http://roomfordebate.blogs.nytimes.com/2010/03/07/educated-and-fearing-the-future-in-china/ (accessed June 27, 2011).

15 Keith Bradsher, "China's economic growth slows but inflation still looms," *New York Times* May 30, 2011, http://roomfordebate.blogs.nytimes.com/2010/03/07/educated-and-fearing-the-future-in-china/ (accessed June 27, 2011).

16 Minxin Pei, "Corruption Threatens China's Future," Carnegie Endowment Policy Brief No. 55 (October 2007), http://www.carnegieendowment.org/publications/?fa=view&id=19628 (accessed June 27, 2011).

17 Congressional Executive Committee on China, "Annual Report 2010," October 20, 2010, http://www.cecc.gov/pages/annualRpt/annualRpt10/CECCannRpt2010.pdf (accessed July 14, 2011), pp.86-90; "Chinese Lawyer Beaten Ahead of Jasmine Revolution Protests," *China Digital Times* Feb. 21, 2001, http://chinadigitaltimes.net/china/police-brutality/ (accessed July 13, 2011).

18 Internet World Stats, "China Internet Usage Stats and Population Report" (Feb. 2010), http://www.internetworldstats.com/asia/cn.htm (accessed June 27, 2011).

moved to improve the fairness of the tax system, particularly with regard to high-income individuals.[19] Growing investment in public services in the areas of education[20] and health[21] 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.[22] 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"),[23] efforts have been made to expand government transparency and accountability through legislative hearings and judicial review of administrative action.[24]

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 labor unrest despite a regulatory system aimed to protect worker rights.[25] Driven by economic growth, environmental degradation continues at an alarming rate.[26] China's economic growth policies have also challenged friendly relations with neighbouring countries in Asia.[27] 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.[28] 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.[29]

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,

19 "Caizhengbu buzhang Jin Renqing xiangjie geren suodeshui fa liang da xiugai" (Minister of Finance Jin Renqing Gives Detailed Interpretation of Two Major Amendments to the Individual Income Tax Law) *Xinhuanet* (24 August 2005) www.cecc.gov/pages/news/hukou.php, (accessed June 2, 2008). These measures expanded the scope of the 2001 provisions on tax enforcement for high-income individuals ("Guojia shuiwuju guanyu jinyibu jiaqiang dui gao shouruzhe geren suodeshui zhengshou guanli de tongzhi") (June 1, 2001). Also see "Law of the PRC to Administer the Levy and Collection of Taxes" and "Detailed Rules for the Implementation of the Law of the People's Republic of China to Administer the Levying and Collection of Taxes" (August 4, 1993).

20 W. John Morgan and Bin Wu, *Higher Education Reform in China: Beyond the Expansion* (London: Routledge, 2011).

21 See *China: An International Journal* Vol. 8 no. 1 (March 2010) (special issue on China health policy).

22 Thomas E. Kellogg and Keith Hand, "China crawls slowly towards judicial reform" in *Asia Times* Jan. 25, 2008 http://www.atimes.com/atimes/China/JA25Ad01.html (accessed July 12, 2011).

23 Ben Blanchard and Chris Buckley, "China's Hu says Party survival rests on growth, stability," *Reuters* July 1, 2011, http://www.msnbc.msn.com/id/43335797 (accessed July 14, 2011).

24 Congressional Executive Committee on China Annual Report 2006, Section VII, www.cecc.gov/pages/annualRpt/annualRpt06/DemocraticGovernanceandLegislativeReform.php, (accessed May 31, 2010).

25 Kumiko K. Juliw, *The Problems of Chinese Labor: Problems in the Implementation of Chinese Human rights Obligations* (Bloomington IN: Xlibris, 2010); David Barboza, "Despite a decade of criticism, worker abuse persists in China," *New York Times.* January 4, 2008. Online: http://www.nytimes.com/2008/01/04/business/worldbusiness/04iht-sweatshop.4.9028448.html?pagewanted=2; (accessed July 13, 2011); Anita Chan, *China's Workers Under Assault: The Exploitation of Labor in a Globalizing Economy* (Armonk NY and London: M.E. Sharpe, 2001).

26 Kristen A. Day (ed), *China's Environment and the Challenge of Sustainable Development* (Armonk NY: M.E. Sharpe, 2005); Elizabeth Economy, *The River Runs Black: The Environmental Challenge to China's Future* (Ithaca: Cornell University Press, 2004); Vaclav Smil, *China's Past, China's Future: Energy, Food, Environment* (New York and London: Routledge Curzon, 2004).

27 Bruce Vaughn and Wayne N. Morrison, "China-Southeast Asia Relations: Trends, Issues, and Implications for the United States," CRS Report to Congress April 4, 2006, http://www.fas.org/sgp/crs/row/RL32688.pdf (accessed July 13, 2011).

28 Emily Parker, "Leaping the Great Firewall of China," *Wall Street Journal* March 24, 2010, http://online.wsj.com/article/SB10001424052748704896104575139742687410862.html (accessed July 13, 2011).

29 Malcolm Moore, "China corruption trial exposes capital of graft," *The Telegraph* October 29, 2009, http://www.telegraph.co.uk/news/worldnews/asia/china/6357024/China-corruption-trial-exposes-capital-of-graft.html (accessed July 15, 2011); "Gang crackdown, mob trial transfixes China," *Associated Press* October 21, 2009, http://www.msnbc.msn.com/id/33423693 (accessed July 15, 2011).

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[35] and editorials challenging Wen's views.[36] 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

30 "Zhonggong zhongyang guanyu jiaqiang dang de zhizheng nengli jianshe de jueding" (Decision of the Party Centre on strengthening the establishment of Party governance effectiveness) (September 19, 2004), http://www1.china.com.cn/chinese/2004/Sep/668376.htm (accessed June 27, 2011).

31 Pitman B. Potter, "4 June and Charter 08: Approaches to Remonstrance," *China Information* Volume 25 Issue 2 July 2011 pp. 121–138. References to Charter 08 are to Perry Link, "China's Charter 08" *New York Review of Books* vol. 56 no. 1 (Jan. 15, 2009) (http://www.nybooks.com/articles/archives/2009/jan/15/chinas-charter-08) (accessed November 17, 2010). Peter Foster, "China upholds 11-year sentence for dissident Liu Xiaobo," The Telegraph, February 11, 2010 (http://www.telegraph.co.uk/news/worldnews/asia/china/7210857/China-upholds-11-year-sentence-for-dissident-Liu-Xiaobo.html) (accessed July 4, 2011).

32 "Wen Jiabao Shenzhen jianghua weihe shou guanzhu" (What attention will be paid to Wen Jiabao's Shenzhen speech), *Caixinwang* (Finance news network) August 28, 2010 (http://comment.caing.com/topic/100174821_1/html) (accessed September 14, 2010).

33 "China Premier Wen call for political reform: report" *Reuters* August 22, 2010 (http://www.reuters.com/article/idUSTRE67L0AL20100822) (accessed November 19, 2010).

34 "CNN zhuanfang Wen Jiabao zongli (quanwen) (Full text of CNN interview with premier Wen Jiabao) (October 20, 2010), China Digital Times (http://chinadigitaltimes.net/chinese/2010/10/cnn专访温家宝全文) [November 19, 2010].

35 China Digital Times October 19, 2010 (http://chinadigitaltimes.net/2010/10/latest-directives-from-the-ministry-of-truth-october-9-19-2010) [November 19, 2010].

36 Zheng Qingyuan, "Zai da you zuowei de shidai geng jia doufa youwei" ("In the age of accomplishment, go all out to achieve promise") *People's Daily* (October 21, 2010) http://opinion.people.com.cn/GB/40604/ 13007462.html [November 22, 2010]; "Kao jiakuai zhuanbian jingji fazhan fangshi yingde weilai" ("Rely on speeding up transformation of economic development styles to win the future") *People's Daily* (October 25, 2010) (http://opinion.people.com.cn/GB/40604/13034080.html) [November 22, 2010]; "Yanzhe zhengque zhengzhi fangmian jiji wenshan tuijin zhengzhi tizhi gaige" ("Grasping political aspects of positively and appropriately promoting reform of the political system"), *People's Daily* October 27, 2010 (http://opinion.people.com.cn/GB/40604/ (http://opinion.people.com.cn/GB/40604/13056137.html) (accessed November 19, 2010).

on freedom of speech.[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 *Charter 08* theme.[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.[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.[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.

ii Development

China's achievements in economic development are well known and offer numerous opportunities for Canadians.[41] The long tradition of law and regulation serving the policy interests of the Party/state is particularly evident in this sector.[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 (*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.[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. [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.[45] A recent survey of Canadian businesses in China conducted by the Asia Pacific

37 "Open letter from Party elders calls for free speech," *China Media Project* October 12, 2010 (http://cmp.hku.hk/2010/10/13/8035/) (accessed November 19, 2010).

38 Xiao Shu, "Is anyone really secure in China?" *China Media Project* November 5, 2010 (http://cmp.hku.hk/2010/11/01/8426/) [November 17, 2010].

39 John Garnaut, "General urges shake-up of China politics," *The Age* May 23, 2011, http://www.theage.com.au/world/general-urges-shakeup-of-china-politics-20110522-1eyvv.html (accessed June 10, 2011).

40 Ming Xia, "China Rises Companion: Political Governance," *New York Times* (nd) http://www.nytimes.com/ref/college/coll-china-politics.html (accessed July 12, 2011).

41 http://www.ccbc.com/Default.aspx (accessed July 11, 2011).

42 "Special Issue: China's Legal System: New Developments, New Challenges," *The China Quarterly* No. 191 (September 2007); Stanley B. Lubman, "The Environment for Foreign Business in China: Two Decades of Progress, Continuing Uncertainties," in Michael Mosher and Fu Yu, ed., *Doing Business in China* (looseleaf); Zhang Xin, *International Trade Regulation in China* (Oxford and Portland: Hart Publishing, 2006).

43 Wayne Morrison, "China and the International Financial Crisis: Implications for the United States," *Congressional Research Service Report for Congress* (June 3, 2009) http://www.fas.org/sgp/crs/row/RS22984.pdf (accessed July 11, 2011); Yu Yongding, " China's response to the global financial crisis," *East Asia Forum* (January 21, 2010), http://www.eastasiaforum.org/2010/01/24/chinas-response-to-the-global-financial-crisis/ (accessed July 11, 2011).

44 Pitman B. Potter, "Contract Law," in Mosher and Yu (ed.), *Doing Business in China.* New York: Interjura. (2008); Pitman B. Potter, "Public Regulation of Private Relations: Changing Conditions of Property Relations in China," in Guanghua Yu ed., *Developments in Chinese Law* (London: Routledge, 2010).

45 Robert Wright, "The China Option: Key Challenges and Questions" http://www.ccbc.com/Portals/0/Business%20Intelligence/The%20China%20Option-Key%20Challenges%20&%20Questions.pdf (accessed July 11, 2011).

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

46 See http://www.asiapacific.ca/sites/default/files/filefield/asia_pacific_foundation_survey_2010_fnl_english_web.pdf).

47 American Chamber of Commerce, "The AmCham 2011 China Business Survey," *Future of U.S.-China Trade.com* http://www.futureofuschinatrade.com/article/american-chamber-of-commerce-2011-china-business-climate-survey (accessed July 11, 2011).

48 David Barbosa, "China sentences Rio Tinto Employees in Bribe Case," *New York Times* March 26, 2010, http://www.nytimes.com/2010/03/30/business/global/30riotinto.html (accessed June 28, 2011); John Lee, "The Uncurious Case of Xue Feng's Jail Sentence," *Forbes* July 7, 2010, http://www.forbes.com/2010/07/07/xue-feng-stern-hu-state-secrets-opinions-contributors-john-lee.html (accessed June 28, 2011).

49 See Pitman B. Potter, "Policy and Law Dimensions of Doing Business in China," *Business in Vancouver* (Jan. 17, 2011) .

50 "Full text of Communique of the 5th Plenum of the 17th Central Committee" (October 18, 2010) (http://news.xinhuanet.com/english2010/china/2010-10/18/c_13563388.htm) (accessed November 19, 2010).

51 "Highlights of Wen's Government Work Report" *China Daily* March 5, 2010, http://www.chinadaily.com.cn/china/2010npc/2010-03/05/content_9541766.htm (accessed June 28, 2011).

52 "Several Opinions of the State Council on Further Utilizing Foreign Capital" (May 28, 2010), http://www.asean-china-center.org/english/2010-05/28/c_13321796.htm (accessed June 28, 2011).

53 "China seeks stimulation: A $586 billion stimulus plan for China's economy," *The Economist* November 10, 2008, http://www.economist.com/node/12585407?story_id=12585407&source=features_box2 (accessed July 12, 2011); Dexter Roberts, "China's Stimulus Package Boosts Economy," *Bloomberg Business Week*, April 22, 2009, http://www.businessweek.com/globalbiz/content/apr2009/gb20090422_793026.htm (accessed July 12, 2011).

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.

iii 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 Gates[60] 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.

54 "Zhonggong zhongyang guanyu tuijin nongcun fazhan ruogan zhongda wenti de jueding" (Decision on Major Issues Concerning the Advancement of Rural Reform and Development) *Xinhua* (Oct. 19, 2008) (http://news.xinhuanet.com/english/2008-10/19/content_10220352.htm) (accessed July 4, 2011).

55 "China Passes New Medical Reform Plan," *Chinese Government's Official Web Portal*, (http://english.gov.cn/2009-01/22/content_1212048.htm, January 22, 2009) (accessed July 5, 2011). Also see Pitman Potter, "Dilemmas of Access to Healthcare in China," *China: An International Journal* vol.8, no.1 (March, 2010), pp. 164-179; Martin King Whyte and Zhongxin Sun, "The Impact of China's Market Reforms on the Health of Chinese Citizens: Examining Two Puzzles," *China: An International Journal*, vol.8, no.1 (March, 2010), pp.1-32; David Blumenthal and William Hsiao, "Privatization and Its Discontents – The Evolving Chinese Health Care System," *New England Journal of Medicine,* 353 (2005): 1165-70.

56 http://www.npc.gov.cn/englishnpc/Special_11_4/index.htm.

57 See generally, Phillip C. Saunders, "China's Global Activism: Strategy, Drivers, and Tools," (Institute for National Strategic Studies Occasional Paper No. 4) (Washington: National Defense University Press, 2006); Yong Deng and Thomas G. Moore, "China Views Globalization: Toward a New Great Power Politics?" *Washington Quarterly* vol. 27 no. 3 (Summer 2004), pp. 117–136; Dwight Perkins, ed., "A Wary Welcome: China and Globalization," *Harvard China Review* vol. 5 no. 1 (2003).

58 Austin Ramzy, "Hu Heads for Washington – Will Tensions Ease?" *Time* April 2, 2010, http://www.time.com/time/world/article/0,8599,1977505,00.html (accessed June 28, 2011); Roya Wolverson, "Confronting the China-U.S. Economic Imbalance," *Council on Foreign Relations Backgrounder* (October 19, 2010), http://www.cfr.org/china/confronting-china-us-economic-imbalance/p20758 (accessed June 28, 2011).

59 "To improve relations, U.S. must respect China's core interests," *People's Daily* July 14, 2011, http://english.peopledaily.com.cn/90001/90780/91343/7440158.html (accessed July 14, 2011); Willy Lam, "Hawks vs. Doves: Beijing Debates 'Core Interests' and Sino-U.S. Relations," *China Brief* vol. 10 no. 17 (August 19, 2010), http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Bswords%5D=8fd5893941d69d0be3f378576261ae3e&tx_ttnews%5Bany_of_the_words%5D=PKK&tx_ttnews%5Bpointer%5D=4&tx_ttnews%5Btt_news%5D=36769&tx_ttnews%5BbackPid%5D=381&cHash=67f3336f2d (accessed June 28, 2011). But see Michael Swaine, "China's Assertiveness Part One: On 'Core Interests'," China *Leadership Monitor* No. 24 (Feb. 22, 2011) pp. 8-9, http://media.hoover.org/sites/default/files/documents/CLM34MS.pdf (accessed June 28, 2011).

60 Elisabeth Bumiller and Michael Wines, "Test of Stealth Fighter Clouds Gates Visit to China," *New York Times* (Jan. 11, 2011), http://www.nytimes.com/2011/01/12/world/asia/12fighter.html (accessed June 28, 2011).

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.[61] 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.[62] 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)[63] 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.[64] 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.'[65] 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.[66] China's participation in the periodic review by the UN Human Rights Council suggests a greater willingness to participate in international human rights discourses.[67] President Hu Jintao's

61 See Pitman B. Potter, *Law Policy and Practice on China's Periphery: Selective Adaptation and Institutional Capacity* (London: Routledge, 2011), Chapter Four. Also see Nancy Bernkopf Tucker, ed., *Dangerous Strait: The U.S. –Taiwan – China Crisis* (New York: Columbia University Press, 2005); Steve Tsang, ed., *Peace and Security Across the Taiwan Strait* (London: Palgrave Macmillan, 2004); Richard Louis Edmonds and Steven M. Goldstein, eds., *Taiwan in the Twentieth Century: A Retrospective View* (Cambridge: Cambridge University Press, 2001).

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

63 "Full Text of Anti-Secession Law," Third Session of the 10th National People's Congress and National Political Consultative Congress, http://www.china.org.cn/english/2005lh/122724.htm (accessed July 14, 2011).

64 http://www.canada.org.tw/taiwan/index.aspx?lang=eng (accessed July 11, 2011).

65 "Beijing blasts Nobel Peace Prize meddling," *People's Daily* October 9, 2010 (http://english.peopledaily.com.cn/90001/90776/90882/7160366.html) (accessed October 10, 2010).

66 Information Office of the State Council, "National Human Rights Action Plan of China" (2009-2010), available at: http://www.china.org.cn/archive/2009-04/13/content_17595407.htm (accessed April 13, 2011). For a critique, see Human Rights Watch, 'Promises Unfulfilled; An Assessment of China's National Human Rights Action Plan,' January 2011 www.hrw.org/en/reports/2011/01/11/promises_unfulfilled_0 (accessed 14 March 2011).

67 UN Human Rights Council. Draft Report of the Working Group on the Universal Periodic Review: China A/HRC/WG.6/4/L.11 (Feb. 11, 2009).

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

68 "Obama, Hu Questioned on Human Rights," *UPI* Jan. 19, 2011, http://www.upi.com/Top_News/US/2011/01/19/Obama-Hu-questioned-on-human-rights/UPI-87101295489952/ (accessed June 28, 2011).

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

1

PAUL EVANS

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

1 Address to the Canada-China Business Council, Beijing, 21 January 2005.

2 For a debate on the vitality and current relevance of the consensus approach, see Bruce Gilley, "Reawakening Canada's China Policy," and Paul Evans, "Responding to Global China: Getting the Balance Right," *Canadian Foreign Policy*, Volume 14, No. 2, Summer 2008, pp. 121–39.

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.[3] 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."[4]

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."[5]

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.[6] 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

3 *Globe and Mail*, 9 February 2007.

4 "Shèhuì pínglùn jiāzhōng liāngguó xiānggé dàodi yōu duō yuan," (Commentary: How far is it between Canada and China?), in Chinese, distributed by the Chinese Embassy in Ottawa, 4 June 2007. See: http://ca.mofcom.gov.cn/aarticle/jmxw/200706/20070604747809.html (Accessed July 13, 2011).

5 Lu Shumin, "Canada-China Relations as We Approach the 2008 Beijing Olympic Games," 10 January 2008. See: www.fccfa.ca/Ottawa/doc AmbassadorLuSpeech Jan10(web).doc.(Accessed July 12, 2011).

6 "Signs Hint of a New Approach to Chinese Relations," *National Post*, 27 September 2007. Available at: http://www.canada.com/story_print.html?id=e1f363a8-c414-4840-b549-f30af6a847ac&sponsor= (accessed July 13, 2011).

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

7 *Globe and Mail*, 4, 5 and 8 December 2009. See "A New Era for Canada Rises in the East" available at http://www.theglobeandmail.com/news/politics/a-new-era-for-canada-rises-in-the-east/article1392258/ (Accessed July 13, 2011) and "For Harper, Canada's Future is Asian" at: http://www.theglobeandmail.com/news/politics/for-harper-canadas-future-is-asian/article1390903/. (Accessed July 13, 2011).

8 Speech to the Canada-China Business Council, 24 June 2010. Available at: http://pm.gc.ca/eng/media_gallery.asp?media_category_id=20&media_category_typ_id=1&featureId=0&pageId=0&page=11#top (accessed July 13, 2011).

Partnership … has never been more promising".[9] And in Beijing, Canada's ambassador David Mulroney told an academic audience that "if ever there was a golden period in Canada-China relations it is now."

A day later John Baird reiterated the same points but subtly replaced the word "democracy" with "good governance" and spoke of a strategic partnership that is "comprehensive in nature."[10]

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

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,[11] the BBC World Service in 2005, 2009 and 2011,[12] and the Asia Pacific Foundation of Canada in 2004, 2006, 2008, 2010 and 2011.[13]

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.[14]
- 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.[15]

9 The speech is available at: http://pm.gc.ca/eng/media_gallery.asp?media_category_id=20&media_category_typ_id=1&featureId=11&pageId=65&page=8#top (Accessed July 13, 2011).

10 Speech available at: http://www.china.ualberta.ca/Conferences/~/media/University%20of%20Alberta/Administration/Academic/China%20Institute/Documents/Min_Baird_-_Canada_China_Relations.pdf (Accessed July 13, 2011).

11 The Lowy Institute Polls, "Australia and the World," can be accessed at http://www.lowyinstitute.org/Publication.asp?pid=1617 (Accessed July 13, 2011).

12 BBC World Service Poll, 29 March 2011, incorporating the 2005 and 2010 results, http://www.worldpublicopinion.org/pipa/articles/views_on_countriesregions_bt/683.php?lb=btvoc&pnt=683&nid=&id= (Accessed July 13, 2011).

13 Results and analysis for the June 2004 APF Canada poll are available at the following (all Accessed July 13, 2011). http://www.asiapacific.ca/sites/default/files/filefield/National_Opinion_Poll_04.pdf.

For September 2006 at: http://www.asiapacific.ca/sites/default/files/archived_pdf/surveys/opinion_poll2006.pdf.

For March 2008 at: http://www.asiapacific.ca/sites/default/files/archived_pdf/surveys/views_asia08.pdf.

For March 2010 at: http://www.asiapacific.ca/sites/default/files/filefield/2010PollReport.pdf.

And or March 2011: http://www.asiapacific.ca/sites/default/files/filefield/nop_report_apr_5_en_final_0.pdf.

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.

14 The findings parallel a Pew 2010 poll which revealed that a majority of Germans and Japanese feel the same. Even in the United States, 41% of Americans chose China as compared to 38% who chose American itself. See: http://pewglobal.org/database/?indicator=17&survey=12&response=China&mode=chart. (Accessed July 13, 2011).

15 Note that in the 2008 survey the question was worded to include India and China as surpassing the US within a decade. These findings reinforce a June 2008 survey conducted by Environics for DFAIT which found that 18% of Canadians felt that China was the most important foreign policy priority for Canada, second only to the US at 21% and far ahead of Afghanistan at 9% and the UK at 4%. See: http://www.embassymag.ca/site/files/2008/7/23/SurveyReport.pdf. (Accessed July 13, 2011); An Ipsos-Reid poll in April 2005 found that about 40% of Canadians felt China was a threat to world peace while 42% believed China will soon dominate the world. Information on the poll is available at http://www.wilsoncenter.org/article/ipsos-reid-releases-poll-china. (Accessed July 13, 2011); And in July 2006 in an Ipsos-Reid poll 68% believed the Chinese economy will surpass the American within a decade. As quoted in the *Edmonton Journal*, 10 July 2006. Available at: http://www.canada.com/story_print.html?id=3a2066bb-2005-47f3-90cb-4b311e342ce8&sponsor=. (Accessed July 13, 2011).

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%.[16]
- 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.[17]
- 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.[18]

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%.[19] 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.[20]
- 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.[21]
- 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.[22]

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.

17 A Pew study in 2007 found that while China was viewed favourably in Asia, in Canada 52% saw it favourably in 2007 as compared to 58% in 2005. See: The Pew Global Attitudes Project, June 2007 at http://pewglobal.org/2007/06/27/global-unease-with-major-world-powers/. (Accessed July 13, 2011).

18 "Public's Affinity for China Drops to Record Low 20%: Survey," *Japan Times*, 19 December 2010. Available at http://search.japantimes.co.jp/cgi-bin/nn20101219a6.html. (Accessed July 13, 2011); A very useful English-language archive of the findings from Northeast East Asian surveys is the Mansfield Asian Opinion Poll Database accessible at: http://www.mansfieldfdn.org/polls/index.htm.

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 figures 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 20% 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.

23 Angus Reid Strategies found in 2007 that 62% of Canadians want to see an outright ban on Chinese products until China establishes stricter controls and safety regulations. Available at: http://www.visioncritical.com/public-opinion/4457/2007-09-18-chinese-goods-press-release-pdf/ (Accessed July 13, 2011).

24 For more detail and an assessment of the policy implications, see Paul Evans, "Road to Beijing Runs through Alberta," *The Edmonton Journal*, 18 February 2009, available at: http://www2.canada.com/edmontonjournal/news/ideas/story.html?id=1dea1ba1-5aad-4a8c-84c3-da5b5fa05de6&p=1 (Accessed July 13, 2011).

25 A summary of the speech is available on the Canada China Business Council website: http://www.ccbc.com/CanadasForeignAffairsMinisterCallsStrengthen/tabid/350/language/en-CA/Default.aspx (Accessed July 13, 2011).

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

26 Kevin Rudd, "Australia and China in the World," 2010 Morrison Lecture delivered in Canberra at the Australian National University, 23 April 2010. A podcast of the Prime Minister's lecture is available at: *http://asiapacific.anu.edu.au/podcasts/20100423_Morrison-Lecture.mp3* (Accessed July 13, 2011).

27 Derek Burney, "Canada Must Outgrow its Juvenile Relationship with China," *Globe and Mail*, 11 April 2009. Available at: http://v1.theglobeandmail.com/servlet/story/RTGAM.20090409.wcoessay0411/business/Business/Business/ (Accessed July 13, 2011).

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.

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2

SCOTT MCKNIGHT

MISPERCEPTION, MISUNDERSTANDINGS AND MISCALCULATIONS: HOW CHINA SEES CANADA IN THE WORLD

Abstract

The study of international relations (IR) is a bourgeoning field in the People's Republic of China (PRC). In so many ways, its emergence as a legitimate discipline is due to the country's explosive economic growth, rising international profile and well-documented and much discussed rise—or re-rise (*fuxing*), as some Chinese will remind you. Just as the world is increasingly drawn to China, more and more Chinese are increasingly tuned in to world events, from the fallout of the global financial crisis to the nagging war in Afghanistan to the World Cup in South Africa. China's thirst for the world is arguably as strong as the world's thirst for China. So what does Canada mean to China? Scouring China's libraries, one will find only a handful of books on Canada—some general histories, but also the occasional study on NGO development or aboriginal rights, but virtually nothing on China's relationship with Canada. China's top universities have no resident Canada specialist, though a mass of Chinese scholars take to Canadian universities every year. IR journals analyze China's relations with Asia, Africa, the Middle East and Europe, but mention nothing of Canada. In discussions of the G8, Canada earns only passing mention, as if a formality. To China, Canada is a benevolent, though distant, addendum. If Canada and China indeed share a 'special relationship,' it is one of many.

Introduction

The study of international relations (IR) is a bourgeoning field in the People's Republic of China (PRC).[1] In so many ways, its emergence as a legitimate discipline is due to the country's explosive economic growth, rising international profile and well-documented and much discussed rise—or re-rise (*fuxing*), as some Chinese will remind you.[2] Just as the world is increasingly drawn to China, more and more Chinese are increasingly tuned in to world events, from the fallout of the global financial crisis to the nagging war in Afghanistan to the World Cup in South Africa. China's thirst for the world is arguably as strong as the world's thirst for China.

Nevertheless, China's study of international relations is still in its embryonic stages. IR professors recount stories of being taught by Red Guards during the Cultural Revolution, since 'rightist' teachers had been sent to the countryside (*xiaxiang*) for re-education.[3] The remnants of that revolutionary zeal, even 30 years later, have not entirely dissipated: in books, 'imperialist power' is used interchangeably with the United States;[4] the French Revolution of 1789 is a 'capitalist revolution';[5] the Korean War is the 'War to Resist American Aggression and Aid Korea.'[6]

Hegemony, or *baquan* in Chinese, is a dirty word to Chinese ears. Far from its original Greek meaning of 'leader', the term in Chinese musters memories of the fabled Warring States period, when China was carved and manipulated by ruthless regional leaders in their quest for supremacy.[7] No wonder China's leaders consistently reject notions of China one day becoming a hegemonic power. So China is 'developing' (*fazhan*), not 'rising' (*jueqi*).

1 For a broad-based view of China's foreign relations in the post-Cold War era in English, see Sutter, *Chinese Foreign Relations*.

2 For a solid discussion of the importance of global status to China, see Deng, "Better than Power."

3 For a discussion on 'rightism' in the post-Cultural Revolution era, see Baum, *Burying Mao*.

4 Zhang, *Shijie Xiandaishi*.

5 "Zichan Jieji Geming."

6 "Kang Mei Yuan Chaoxian Zhanzheng."

7 The literature on the Warring States period is robust. For a brief introduction, see Lu, *Baihua Benguoshi*.

Despite China's profound history in statecraft and diplomacy, the study of IR is still very new here. Books on the rise and fall of great powers (*da guo*),[8] on China's interpretations of Joseph Nye's 'soft power' or the structural inequalities of the world system[9]—overall, themes most pressing to China—dominate the prevailing literature on international relations.[10] In particular, IR theory is a source of great interest and discussion, wherein Chinese theorists grapple with Western notions of power and structure, and China's participation among a liberal, capitalist world order.[11]

Some of China's neighbours earn considerable attention in the literature: Russia before and after 1991,[12] Japan before and after 1945[13] and the contradictions of the Korean peninsula.[14] Other regions are seemingly of little interest: Vietnam and southeast Asia in general earn only scant attention, and curiously, India warrants very little mention, despite its looming importance to China and security to Asia in general.

So what does Canada mean to China? Scouring China's libraries, one will find only a handful of books on Canada—some general histories, but also the occasional study on NGO development or aboriginal rights, but virtually nothing on China's relationship with Canada.[15] China's top universities have no resident Canada specialist, though a mass of Chinese scholars take to Canadian universities every year. IR journals analyze China's relations with Asia, Africa, the Middle East and Europe, but mention nothing of Canada. In discussions of the G8, Canada earns only passing mention, as if a formality. To China, Canada is a benevolent, though distant, addendum. If Canada and China indeed share a 'special relationship,' it is one of many.

How Does Canada Fit In With China?

The question of where Canada fits into a greater Chinese strategy is not easy to answer. In fact, China's strategy itself is an endless cause of debate. "China doesn't have a strategy. And it doesn't need one," says well-renowned IR scholar Jin Shanrong of Renmin University.[16] The notion of strategy, to a multitude of Chinese specialists, implies something planned, inflexible, if not belligerent—something both Chinese discourse and practice have adroitly sidestepped.

China's relationship with Canada, while nothing new is not exactly a source of exoticism. Canada's relationship with 'new' China (*xin Zhongguo*), born of the victorious communist revolution in 1949, was for several decades one of isolation and animosity, if not missed opportunities.[17] Only with Sino-American rapprochement, and Trudeau's insistence, was Canada finally willing and able to break through and establish relations with the PRC.[18] For many Chinese, it was long overdue.

This is thematic of the relationship in general, with Canada playing a minor though constructive role behind the greater drama of China and the United States. Canada, married to the American camp by ideology, economy and culture, would prove useful as a temperate voice of reason to the United States. But Canada's utility in the triangular dynamic has always been in question: what are the benefits of passing through Ottawa before heading to Washington or Beijing? And where does Ottawa now fit in as Washington and Beijing have their own direct contact? It seems Canada's exalted utility as a reliable intermediary has passed; the middle power is a dying breed.

8 For example, Huang, *Dangdai Baguo*.

9 For example, Gu, *Zhanhou Guoji Guanxi*.

10 Wang, *Zhongguo Guoji Guanxi Yanjiu*. This book features extensive research on questions relating to Chinese foreign policy, including chapters on sovereignty, realism, structuralism, constructivism, globalization, etc.

11 For example, see Yan, *Guoji Zhengzhi*.

12 For example, Du, *Eluosi Waijia*; on Stalin's foreign policy, see Zhao, *Sidalin Guoji*; on Sino-Soviet relations until 1991, see Shen, *Zhongsu Guanxishi Gang*.

13 For example, Zhang and Zhang, *Riben Zhanhoushi*.

14 For example, Chen, *Lengzhan Tongmeng*.

15 A rare exception includes Guo and Li, *Zhongjia Liang Guo*. It is noteworthy that this publication was made possible by Canadian Studies Grant of the Department of External Affairs and International Trade.

16 Interview with Jin Shanrong, April 2010.

17 Beecroft, "Canadian Policy towards China."

18 Frolic, "The Trudeau Initiative," 189.

The limits of contact between Canada and China have not merely been structural. Canada, constrained by circumstance and choice, was never able to stray too far from American influence. This reticence—what some Canadian foreign policy scholars call the small 'c' of Canadian conservative foreign policy—has often been interpreted in China as a sign of Canada's lack of commitment to China, and a major impediment to deepening a potentially significant strategic relationship. The limits of Canada's influence in China, therefore, have been largely self-imposed.

The perception of Canada's cold feet is not without substance. Even after establishing relations with the PRC in 1971, Canada only reluctantly distanced itself from Taiwan, trying to have the best of both worlds—an economically thriving island democracy with the economic potential of the mainland behemoth. Indeed, it was the 'Canada proposal' which sought to give the PRC a seat in the United Nations keeping Taiwan's seat.[19]

Taiwan is a source of constant sensitivity among China's hawks and doves alike, a non-negotiable mainstay among the great flexibility of China's current foreign policy.[20] As Sino-Canadian relations deteriorated rapidly over the spring and summer of 2006, the Harper government was forced to reiterate its commitment to 'one China,' the lowest common denominator and bedrock of China's relations with the world, as a means to resuscitate the relationship from the brink of collapse. The relationship has yet to fully recover.

Canada and China: Friends or Acquaintances?

Canada is a distant speckle in the Chinese consciousness, occasionally referred to in conversations about relatives who emigrated to Vancouver or Toronto, or the *de facto* ambassadors of goodwill like Norman Bethune or TV personality Da Shan who have come to stand for Canada in the collective Chinese imagination. Whether from lack of knowledge of the relationship or simply from the Chinese cultural ethic of 'saving face' (*mianzi*) which seeks to avoid outward conflict or embarrassment, political impediments between the two countries are almost never brought up.

Overall, Canada is viewed as quite a good place: a big country with a small population, a wealthy and stable economy and a generous social system (*fuli guojia*). Multicultural, bilingual, stable and democratic are all admirable achievements. But they do not make Canada a model for China.

The reasons for this are as multifarious as they are self-evident. Apart from vast asymmetries in power, population and geography, Canada and China have charted fundamentally different courses. China's history has been one of pre-eminence and grandeur, regional dominance against periods of bloodshed and brutality, in short, a history of rising and falling dynasties.[21] China has grappled with the monumental challenges of an enormous population, a multiethnic empire, internal rebellion and dissent and invaders from abroad. Canada, on the other hand, was born neither of revolution nor civil war nor anti-colonial struggle; it was created almost by accident, if not at least by circumstance, signed off over a table and handshakes. It never suffered through crumbling central authority, long marches, devastating wars, collectivization campaigns or social revolutions—no revolutions of any kind, in fact.

There is no question that Canada and China live in two very different realities. 'Peace, order and good governance' sound strange next to the principles espoused by Mao Zedong before the crowd in Tiananmen Square in October 1949, or to those elaborated by Deng Xiaoping some 30 years later under the banner of 'opening up' (*gaige kaifang*).[22]

19 Fritzen, 'Sino-Canadian Relations," 297–312.

20 For a greater understanding of the importance of Taiwan to the mainland, see Chu, "The Evolution," 245–78. For a historical review of Mao Zedong's relations with the Guomindang, see Mo and Chen, *Mao Zedong Yu Guomindangren*. For a more militaristic view of the relationship, see Chen, *Mao Zedong Yu Jiang Jieshi*.

21 For a solid English history of contemporary China (from the fall of the Ming to today), see Spence, *The Search for Modern China*.

22 For a brief introduction to the founding principles of the PRC, see Chen, *Zhonghua Renmin*, 1–9. For a more detailed discussion, see *Xie, Zhongguo Dangdai Waijiaoshi*, 1–24.

While the birth pangs of the contemporary Chinese state are well documented, the threat of extinction which ultimately gave rise to the Chinese revolution is often overlooked.[23] It was the product, long and drawn out, of a century of spiritual and existential crises.[24] And it was only with the threat of extinction that a 'sinified' version of communism emerged as the solution to the profound political, economic and social crises that had dragged China to the brink of collapse. By contrast, Canada was thriving in the early years of its existence as an independent though timid nation, bound faithfully to Britain, though increasingly dependent on the United States. In short, these histories could be no further apart.

Historical and cultural differences alone are not enough to explain the divide between Canada and China, for, as IR scholar Liu Qingjian reminds us, today's China has cultivated friendly relations with virtually all countries, especially in the developing world, regardless of the vast disparities between them.[25] In fact, as some Western scholars fret over the possibility of a 'Beijing consensus,' China has become a model for many developing nations.

This seeming abundance of goodwill can be misleading. Indeed, herein lies the trap in dealing with China: distinguishing between a fruitful and productive relationship and one that merely avoids outright conflict. The difference is not merely semantic. Decades of 'quiet diplomacy' between China and Canada have yielded a series of photo ops and high-level visits, but it was of dubious substance, as the Harper government has eagerly pointed out. Upon reaching office, the Harper government promptly criticized the commitment of previous governments to a friendly but vacuous bilateral relationship with China. The Liberals had lost sight of both the national interest and the national ethos.

However, as the relationship has stabilized, neither Harper's confrontational public diplomacy nor the Liberals' private one has seemed to bear fruit. In fact, it seems regardless of the government's approach to China, either moralistic and headstrong or handled with kid's gloves, Canada has been sliding further from the Chinese radar. In analyzing Chinese perspectives of Canada and the vast structural inequalities between them, we will begin to understand why this is so.

Trade as a Sign and Trend

Bilateral trade has been a clear though regrettable indicator of the limits to the Sino-Canadian relationship. In the long list of countries doing business with China, Canada is among the leaders. It bests heavyweights like India, Brazil and Mexico in two-way trade. But this is only part of the story. Among developed economies, Canada has only been a modest contributor to China's economic story. For all the rhetoric around Canada consistently 'punching above its weight' as a middle power devoted to multilateralism, Canada's sway has very much been tempered in its dealings with China. And this is not without comparison.

In terms of two-way trade, Canada is a welterweight. Well behind Japan, Russia, South Korea, Germany, Britain, France, Italy and even the Philippines, Canada is slipping from China's economic radar. According to Statistics Canada, China has slipped from being Canada's second biggest export market to its fourth.

The Harper government's early chill of the relationship is not solely to blame. In a report released in early 2009, the Fraser Institute reported that Malaysia and Australia, both with smaller populations than Canada, have done more business with China.[26] In fact, Australian exports to China have soared in recent years. Moreover, Australia is on the positive end of a healthy surplus with China, much unlike Canada, which has grappled to counter a tide of growing imports from China since the early 2000s.[27] Only with considered effort has Canada managed to balk Chinese imports to Canada while its exports to China crawled upward. But this balancing act has come at the expense of greater

23 For a detailed though not unbiased history of the Chinese Communist Party, see the two volumes: Central Research Department of the Chinese Community Party, *Zhongguo Gongchandang Lishi*: 1921–1949.

24 Wang, *Zhongguo Jinxiandai*.

25 Interview with Liu Qingjian, May 2010.

26 Tiagi, "Canada's Economic Relations with China."

27 National Bureau of Statistics of China. "Wo Guo Tong Geguo," 730–731.

two-way trade, and a cooling of relations in general. In short, Canada is not fully taking part in China's economic growth.

How has Canada largely missed out on the greater Chinese economic story? The question has consumed scholars, vexed policymakers and frustrated the business community. On the one hand, Canada is poised geographically to benefit from China's economic rise, certainly much more than the Netherlands or Italy—two countries which do more two-way trade with China than Canada does with China.

As if adding insult to injury, in December 2009, Stockwell Day, Minister of International Trade, raved about the 'almost unlimited' opportunities for Sino-Canadian trade.[28] This has been pabulum for Canadian business interests—and certain Chinese ones as well—but in reality, little has come from Canada's rhetorical commitment to China. Canada has tried to lure China into its vast resource sector, particularly minerals, gas and oil. While the Chinese for their part have made known their interest in energy diversification, Ottawa looks skeptically at Chinese ambitions. In the end, the alarm has produced 'more thunder than rain.'[29]

On a related note, China's recent granting of 'Approved Destination Status' to Canada is unquestionably helpful—and something Canadian policymakers have sought since the 1990s. Estimates indicate that travel by Chinese to Canada would increase by up to 50 percent over the next five years; each 50,000 visitors would be worth around US$95 million to the economy. In 2008, nearly 160,000 Chinese visited Canada.

But the main dilemma remains: with 40 years of goodwill between the countries, why has so much potential gone to waste?

How China Sees Canada in the World: A Story Untold

So how does China see Canada in the world? In many cases, Canada's respected international image is watered down by the smoothness and benevolence of its bilateral relationship with China. Canada is the forgotten number eight in the G8, the unsuspecting rotating member of the UN Security Council, the 'Ottawa' in the Ottawa Process,[30] and one of the major authors of the Responsibility to Protect doctrine. Canada's profound contributions to the international community, whether through peacekeeping, international assistance or greater international activism in general, are little known in China because, simply put, these are issues China has yet to consider relevant to its own interest and vision of world order.

China does not participate in the G8, but instead is a leading force in the revamped G20; it is a permanent member of the Security Council, not just a rotating member; it has been an active though largely uncreative participant in multilateral organizations; and it has been most notoriously unbending on revising the norm of sovereignty, especially for humanitarian reasons. While Canada calls for the democratization of states *within* the international system, China calls for democratization (*minzhuhua*) of the international system. China has only reluctantly budged on issues of humanitarian intervention, whereas Canada has largely led the charge. In so many ways, Canada and China are doing very different things in the world.

China is seen as a ruthlessly pragmatic and calculated power, what Avery Goldstein has called 'neo-Bismarckian.'[31] This claim is often not without substance. However, Robert Kaplan's thesis that China is an 'amoral power'—as are all rising powers in the beginning—is a bit overdone. China's thick strain

28 Campbell, "Potential for Canada-China Trade."

29 Evans, "Canada and Global China," 150–68.

30 The Ottawa Treaty or the Mine Ban Treaty, completely bans all anti-personnel landmines. As of April 2010, there were 156 States Parties to the treaty. Two states have signed but not yet ratified while 37 states are non-signatories to the Convention, making a total of 39 states not party. See "International Campaign to Ban Landmines."

31 See Goldstein, *Rising to the Challenge*.

of realism seems more in line with E.H. Carr's thesis, that the two central elements of international politics are power and morality, and the trick is in finding a balance between the two.

The idyllic debate inherent to Canadian foreign policy between interests and values is a debate that virtually does not exist in China. Indeed, China does not have such a luxury: its interests are its values, and vice versa.[32] But this is not to say that China does not have a vision of the world. In fact, China's vision of the world, however muddled by history, rhetoric and an internal struggle between modernity and tradition, is more normative than prescriptive, and not nearly as structural, transparent or even predictable as some observers wish. But a vision does actually exist.

China envisions a peaceful and harmonious world of mutual respect and benefit. This vision lives in the well-renowned 'Five Principles of Coexistence' (*wu xiang yuanze*), in the reform movement's commitment to 'peaceful development' (*heping fazhan*), as well as in President Hu Jintao's very Confucian 'harmonious world' vision (*hexie shijie*). However quixotic this may sound to the cynical observer, China's leadership and public are readily committed to it.

Where Canada stresses 'human security,' China stresses national sovereignty; where Canada stresses democracy promotion, China stresses economic development; where Canada stresses good governance, China stresses stable government. However much China may seem behind the normative tide of a more active humanitarianism and a more flexible norm of sovereignty, these fundamental gaps in perceptions and objectives have no doubt limited the depth of the relationship—and they will no doubt limit the relationship in the future.

In short, Canada enjoys a stability which China has longed for throughout its history, but has only been able to achieve periodically. Conversely, China bears the colossal potential which Canada, though 'rich, large and new' in Joe Clark's words, will never be big enough to inherit the world system—a prospect many onlookers believe to be China's inevitable birthright.

As a stable and prosperous democracy, bounded by oceans and the world's greatest power as a neighbour and good friend, Canada lives in a much different reality. China's neighbourhood is not nearly so amiable. Bordered by several fragile states, including the perennial headache of North Korea, not to mention great powers such as Russia, India and Japan, China no doubt lives in a more challenging, if not outright dangerous, environment. Its reality is shaped by legitimate security challenges, including border disputes which have in recent decades exploded into violent conflict and even war. By contrast, Canada's wars, few and far between, have invariably taken place abroad, across oceans and in distant lands. As a result, the Canadian perception of security has been shaped by an overarching sense of morality. A developed global conscience, the hallmark of Canadian foreign policy, is the product of Canada's unique circumstance among nations. But it is not necessarily the ideal of all states.

With its growing status and recognition, China's morality has consistently been under question. And this censure has been a source of unrelenting sensitivity for the country's leadership and public alike. Western governments, squeezed by the media and various constituencies, have carried the torch in the campaign to chastise China. But the rigorous moral standards set by Western governments has at times taken on the overtones of a moral crusade, one which has created a siege mentality among many Chinese policymakers and academics, who increasingly question how China fits in among democratic, capitalist Western states.

This is not to say that China does not care about bloodshed in Darfur, democracy in Myanmar or electoral fraud in Zimbabwe. But it cares about these issues in much different ways. Of course, the cruel irony is that many of these issues are very much as bound to the Chinese national interest as they are to the Canadian worldview.

32 For an enlightening discussion on China's understanding of its self-interest, see Xu, *Zhongguo Guojia.*

China's behaviour in the world has been a constant source of discussion. Chinese policymakers and rhetoricians insist that China is committed to a vision of a 'harmonious world' and 'peaceful development'; meanwhile Western analysts wonder about revisionism and the fate of the status quo. The notion of strategy (*zhanlüe*) implies a more calculated, systematic approach.[33]

Consider the ominous ululation the western media has often beat towards China's 'neo-colonial' march into Africa, the image of a colossus descending ravenously on a helpless continent.[34] China's presence in Africa is often viewed as entirely negative and as part of a concerted and coherent strategy. The reality is not so. Instead, a more scattered, piecemeal approach to fulfilling China's sizable domestic economic needs while building bridges into the developing world seems much more likely and logical.

Another source of tension is China's uncritical support of the world's nastiest tyrants, from Kim Jong-Il's nightmarish North Korea to Robert Mugabe's Zimbabwe to the renegade generals in Myanmar. Unsurprisingly, China's relations with these countries earn almost no mention in the state-run media or academic literature. But criticism has not always fallen on deaf ears. Increasing pressure over Sudan has led to a recent spurt among the academic community.[35] Chinese media and policymakers have successfully spun criticism into the rhetoric of Western powers bent on destabilizing China.

Regrettably, Canada is member to the greater perception—and misperception—of China as an immoral power. Prime Minister Harper's promise to not sell out to the 'almighty dollar' adds vitriol to an already visceral discourse about dealing with China as a sort of Faustian ordeal, that the economic benefits of a good relationship bear a heavy moral cost. Concerns over human rights, greater political participation, cultural autonomy in Tibet and Taiwanese referendums are consistently thrown out as simplistic and often misunderstood remedies holding back the West's wholehearted acceptance of China in the international community. These ostensible impediments fail to understand the profound significance and complexity these issues hold to China, whether cultural and sociological as in human rights or even existential as in the case of Taiwan or democratization. Instead, Canadian policymakers have fallen prey to the influence of a media eager to cast shots across the Chinese bow under the false pretense that greater pressure creates greater change. And it has come at the greater cost of a deeper, more fruitful bilateral relationship.

The Sobering Reality: The Limits of Canada's Reach

Regardless of the cyclical debate over the 'private' diplomacy of the Liberals or the 'public' diplomacy of the Conservatives as the better approach to influence China, the reality has proven far more sobering: Canada's reach in China is extremely limited. Where it does possess influence, the product is subtle if not unseen. The so-called 'special relationship' captures Canada's delusions of grandeur, which features an economically mighty and morally superior Canada teaching a politically and economically adolescent China how to chart both a successful and moral path in the world.

It is ignorant, insulting, yet the historical inheritance of how Canada has dealt with China, as part of a broader *mission civilatrice* which has seen Christianity, trade and immigration as the ways to mould the Chinese character. But it is a vision which fundamentally neglects the basic asymmetries between both countries, if not reverses these asymmetries altogether. Indeed, as bilateral relations deteriorated in 2007, there was a growing belief among Chinese academics and policymakers alike that it was Canada that needed China, not the other way around.

Often the countries seem to be working towards opposite ends. While the Harper government proudly lays down its most severe sanctions on Myanmar, China uses incentives to stabilize the regime on its border. While Canada publicly scolds the Sudanese government and presses for intervention in Sudan,

33 Zhou, *Da Zhanlue Fenxi*.

34 "The New Colonialists." For a Chinese perspective of China's economic role in Africa, see Li, *Zhongfei Jingji Gaige*. For a discussion of China's role in African civil society, see Liu and Shen, *Feizhou Feizhengfu*.

35 Long, *Chaoyue Feizhou Moshi*.

China bolsters its relations with the government in Khartoum.[36] While Canada calls on Zimbabwe to respect human rights, the Chinese government reiterates its commitment to noninterference to the Mugabe government.

In general, greater questions loom over how China will participate in an international system that Canada has worked so hard to construct and maintain. Debates over Chinese revisionism question China's loyalty to the international system, one built on liberal and democratic principles, and ones which for over two decades kept China out in favour of a democratic, though diminutive Taiwan. The birth pangs of the Chinese revolution were ones felt in isolation, which forced Chinese hands into a decade-long marriage of convenience (*yi bian dao*) with the Soviet Union, and ultimately prolonged suffering and conflict in Asia.

So, in 1949 as now, it becomes clear that what matters to China in the world does not necessarily matter to Canada and vice versa. Perhaps it is no surprise that Canadian and Chinese definitions of the 'special relationship' between them have very different meanings.

36 For a solid understanding of the Chinese perspective on Darfur, see Liu, *Quanqiu Shiyexia*.

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3

MYLES HULME

THE CANADA-TAIWAN PARLIAMENTARY FRIENDSHIP GROUP

Abstract
On October 13, 1970, Canada signed an agreement on the exchange of diplomatic relations with the People's Republic of China. Within this agreement, Canada "took note" of China's claim to Taiwan, and defined this phrase as "neither an endorsement of nor a challenge to" that claim. In subsequent years, Canada has effectively managed a "one-China" policy on these terms. However, its operation has never been perfectly smooth. The existence of a separate authority in Taiwan with a keen interest in maintaining an international identity has meant that Canada has always been confronted with a need to manage its agreement with China in light of this reality. Within this context, this paper analyzes how Taiwan has been able to work its international identity in Canada by making contacts with the Parliament of Canada. Its three sections analyze the initial contacts Taiwan made in the 1970s; the creation of the Canada-Taiwan Parliamentary Friendship Group in the 1980s; and the more recent activities of the Friendship Group in the 1990s and 2000s.

Introduction
When Canada established a diplomatic relationship with the People's Republic of China on October 13, 1970, the diplomatic relationship Canada had maintained with the Republic of China since December 20, 1928 was severed.[1] The severed diplomatic relationship with the Republic of China was straightforward. The People's Republic of China, in control of the Mainland Area of China, and the Republic of China, in control of the diminutive albeit salient Taiwan Area, both refused to establish or to maintain a diplomatic relationship with any state engaged in an equivalent sovereign diplomatic relationship with the other China.[2] The realistic option for Canada, therefore, after its decision to negotiate a sovereign diplomatic relationship with the People's Republic of China, was the adoption of a "one-China" agreement, and the articulation of an alternative, non-sovereign diplomatic relationship with the Republic of China (or, for legal precision in the aftermath of the October 13, 1970 Joint *Communiqué*, with Taiwan.)[3]

The "one-China" agreement was included within the October 13, 1970 Joint *Communiqué* of the Government of Canada and the Government of the People's Republic of China, and its specific formulation continues to operate as the bilateral legal framework for the conduct of both the sovereign diplomatic relations Canada has developed with the People's Republic of China, and the articulation of the non-sovereign diplomatic relations Canada has developed with Taiwan.[4] Within the diplomatic text of the Joint *Communiqué*, are two passages relevant to the articulation and conduct of the "one-China" agreement, at least as concerns these two distinct, albeit interlinked, diplomatic relationships; these two passages are situated within the second and third articles of the four-article diplomatic text.[5] They warrant explicit reproduction and a brief analysis here, because each is profoundly relevant to both the sovereign and non-sovereign diplomatic relationships Canada has developed with the People's Republic of China and Taiwan:

1 Evans, "Canada and Taiwan," 166; Chiu, "Sino-Canadian Relations," 26–30.

2 Canada, House of Commons, *Debates: Official Report*, 28th Parliament, 1st Session, 5044; Canada, House of Commons, *Debates: Official Report*, 28th Parliament, 3rd Session, 50.

3 Frolic, "The Trudeau Initiative," 193–216; Wu, *Institutional Development and Adaptability*, 255–357. For the complete elaboration of the Joint *Communiqué* of the Government of Canada and the Government of the People's Republic of China Concerning the Establishment of Diplomatic Relations between Canada and China, refer to Canada, House of Commons, *Debates: Official Report*, 28th Parliament, 3rd Session, 49–51.

4 Canada, House of Commons *Standing Committee on Foreign Affairs and International Trade: Evidence*, 38th Parliament, 1st Session (June 14, 2005).

5 Edmonds, "Canada's Recognition," 201–17.

2. The Chinese Government reaffirms that Taiwan is an inalienable part of the territory of the People's Republic of China. The Canadian Government takes note of this position of the Chinese Government.
3. The Canadian Government recognizes the Government of the People's Republic of China as the sole legal Government of China.[6]

The third article represents the decision of Canada to recognize the People's Republic of China as the singular sovereign Government of China, and operates as the basic international legal framework for the articulation of a bilateral sovereign diplomatic relationship. In practical terms, insofar as the third article is enacted in the international policies and practices of the Government of Canada and the Government of the People's Republic of China, these two states are able to share in a sovereign diplomatic relationship defined within the regular international legal mechanisms and networks as codified within the Vienna Conventions on Diplomatic and Consular Relations.[7] The second article represents, in its first sentence, the sovereign claim of the People's Republic of China to Taiwan, and it concludes, in its second sentence, with the "takes note of" formulation the Government of Canada, defined as neither an endorsement of nor a challenge to the sovereign claim of the People's Republic of China to Taiwan.[8] It is within the boundaries of the "takes note of" formulation that Canada and Taiwan are able to articulate a diplomatic relationship, albeit a non-sovereign diplomatic relationship, resident beneath the upper limit of the "one-China" agreement, wherein Canada agreed not to challenge the sovereign claim of the People's Republic of China to Taiwan.[9]

This non-sovereign diplomatic relationship is a remarkable achievement, because it has not depended upon any of the usual international legal mechanisms and networks available to a sovereign diplomatic relationship.[10] The inventiveness of the relationship aside, it has without a doubt encountered a number of difficult circumstances insofar as the "one-China" agreement Canada signed with the People's Republic of China was never endorsed or recognized as an international legal agreement by Taiwan. For the past 40 years, therefore, there has existed an element of tension in the non-sovereign diplomatic mechanisms and networks Canada and Taiwan have developed, because on the one side there is an agreement to ensure the creation and operation of these networks remains within the boundaries of the "one-China" agreement, and on the other side there is a desire to augment the creation and operation of these networks to reflect the sovereign self-representation of the government in control of Taiwan.[11] The boundaries of the "one-China" agreement are, furthermore, somewhat unclear insofar as a "challenge" to the sovereign claim of the People's Republic of China to Taiwan is not an easy or straightforward issue to determine.

The analysis presented in the subsequent sections of this paper focuses on a particular example of a difficult circumstance in the non-sovereign diplomatic relationship Canada has developed with Taiwan, and it employs the information provided in this introduction as a backdrop. The difficult circumstance investigated in the analysis is a product of the efforts of the Government of Taiwan to forge a network with the Parliament of Canada, and to use this network to enhance the development of its general diplomatic relationship with Canada. On a basic level, the difficult circumstance is a product of the unclear status—sovereign or non-sovereign—of the network established with Parliament, because the MPs who partake in the network, and who make frequent trips to Taiwan at the invitation of its government, are representable either as sovereign government officials or as non-sovereign private citizens.

We begin in the first section of this paper with an investigation into the origins of the network with the Parliament of Canada, and continue, in the second section, with an investigation into the creation of the Canada-Taiwan Parliamentary Friendship Group. The analysis concludes, in the third section,

6 Canada, House of Commons, *Debates: Official Report*, 28th Parliament, 3rd Session, 49.

7 United Nations, "Vienna Convention on Diplomatic Relations," 95–110; United Nations, "Vienna Convention on Consular Relations," 261–89.

8 Canada, House of Commons *Debates: Official Report*, 28th Parliament, 3rd Session, 49–50.

9 Madsen, "The Struggle for Sovereignty," 158–80.

10 Wu, *Institutional Development and Adaptability.*

11 Madsen, "The Struggle for Sovereignty," 158–80; *Paltiel, "Constructing the State,"* 354–56; Wu, "Canada and the Global Diffusion," 329–36.

with an investigation into the recent activities of the network on a whole and of the Canada-Taiwan Parliamentary Friendship Group in particular.

The Origins of the Network with the Parliament of Canada

The October 13, 1970 Joint *Communiqué* of the Government of Canada and the Government of the People's Republic of China marked a significant change in the international status and fortunes of the Republic of China, the government with an effective control over the Taiwan Area, because included within the Joint *Communiqué* was the first bilateral articulation of a "one-China" agreement with the People's Republic of China, the government with an effective control over the Mainland Area. The period subsequent to the October 13, 1970 Joint *Communiqué* witnessed what was, in effect, an international cascade of severed sovereign diplomatic relationships with the Republic of China as states around the world emulated, albeit with subtle variations in the language applied, the "one-China" agreement Canada had formulated with the People's Republic of China.[12] As time passed, the sovereign diplomatic networks available to the Republic of China became fewer, and the Taiwan Area under its effective control became, in a fashion, blockaded from international participation due to the expansion in the number of "one-China" agreements, and to the effective supervision and enforcement of these agreements on a bilateral basis with the use of the sovereign diplomatic networks the People's Republic of China had established with other states and, in a somewhat different context, with international institutions.[13]

The Republic of China was not hesitant in its reaction to the expansion in the international network of bilateral "one-China" agreements, and it began to articulate a diplomatic program developed under the rubric of an "all-out" diplomatic effort in order to salvage, maintain, enhance, or even to re-establish, on a sovereign basis, its diplomatic relationships. On September 24, 1971, the premier of the Republic of China, Yen Chia-kan, announced the all-out diplomatic program in a speech delivered to the Legislative Yuan, and in the subsequent four decades the all-out diplomatic effort continued to evolve under a series of different rubrics such as the "total," "pragmatic," and "flexible" diplomatic programs. Insofar as Premier Yen's speech contained most of the significant elements in the diplomatic program of the Republic of China for 40 years, it warrants being reproduced and analyzed here:

> Facing the present uncertain international circumstances, we are counting on our undaunted determination and the spirit of independence and self-determination to assure the carrying on of our persevering struggle. The Government [of the Republic of China] has been taking flexible actions of response to strengthen our diplomatic front. We are mobilizing all available manpower and financial resources under a single command to coordinate the struggle and carry out the functions of an all-out diplomacy … Through wide-ranging international economic and technical cooperation, cultural exchanges and mutual visitation, we are trying on the one hand to broaden international friendships, and bring more friendly nations on our side.[14]

The all-out diplomatic program envisaged in the words of Premier Yen involved the application of the substantive elements of a diplomatic relationship, but it did not involve, due to the diplomatic circumstances of the Republic of China, the application of the status-based international legal elements of a sovereign diplomatic relationship. The planned application of the substantive elements of a diplomatic relationship was, of course, intended to re-establish, in each case, a status-based sovereign diplomatic relationship, whether the application was with Canada or with another state. But despite expressed optimism in the Republic of China for a certain degree of success from the all-out diplomatic program, it was, without a doubt, designed for an extended period of operation. Within the period just prior to and just after Premier Yen's speech, the diplomatic structure of the Republic of

12 Republic of China, Government Information Office, *Republic of China, 1986*, 352; Saywell, "A Shifting Asian Power Balance," 7–11; Wu, "Canada and the Global Diffusion," 324–29.

13 Cho, *Taiwan's Application to GATT/WTO*; Wu, "Yi Zhong (Ge Biao)," 131–58.

14 Yen, "Premier Yen Chia-kan's Administrative Report," 71.

China was modified in order to undertake the substance-based requirements of the all-out diplomatic program. In certain cases, the Republic of China established new diplomatic institutions with a focus on international economic, cultural, or technical relationships. The China External Trade Development Council, established on July 1, 1970 with a mandate to promote international economic relationships, was one such example of a new diplomatic institution. The Republic of China also enhanced the diplomatic capabilities of its older institutions with the addition of an international affairs section. The General Chamber of Commerce of the Republic of China, authorized to establish an international affairs section in 1973, was one example.[15]

The earliest empirical effect in Canada from the all-out diplomatic effort of the Republic of China was the establishment of a Far East Trade Services office in Montreal *a few months after the Republic of China had closed its sovereign diplomatic establishments in Ottawa and Vancouver*.[16] *This office* was linked with the China External Trade Development Council, an institution set up under the chairmanship of Sun Yun-suan, the minister of economic affairs, and its operations were partnered after a few years with the establishment of the Far East Trade Services offices in Toronto and Vancouver in 1975 and 1981.[17] The second empirical effect in Canada was the establishment of a General Chamber of Commerce of the Republic of China office in Toronto on July 11, 1980 after the short-lived Progressive Conservative government of Prime Minister Joe Clark granted its approval in June 1979. The General Chamber of Commerce of the Republic of China was, even before the establishment of its office in Toronto, in direct contact with a number of politicians and businesspersons in Canada, and after the establishment of its International Affairs Section under the directorship of Chen Chih-Chen in 1973, the General Chamber of Commerce began to engage in the organization of a number of prominent commercial delegations from Taiwan to cities in the western, central and Atlantic regions of Canada.[18]

It could be argued that the offices of the Far East Trade Services were in all likelihood enabled without the support or sanction of the Government of Canada, because its offices (at least based on the available evidence) operated within the boundaries of market information collection and international economic exchange. The General Chamber of Commerce of the Republic of China office in Toronto, was something quite different, however, because it was linked in an explicit fashion to a well-established semi-governmental institution in Taiwan, and because it included staff members who, in comparison with the staff members of the Far East Trade Services offices, maintained a deeper and, in at least one case, a more obvious connection with the Government of the Republic of China.[19] Approval for the creation of the General Chamber of Commerce office in Toronto was, as mentioned, an act of the Government of Canada, and it operated as a legitimate institution, albeit not without incident, until its closure, along with that of the Far East Trade Services offices, in 1994. The General Chamber of Commerce office was, however, the subject of a significant amount of protest from the People's Republic of China, articulated in reference to the bilateral "one-China" agreement.[20]

The final element in the speech Premier Yen delivered to the Legislative Yuan is important, therefore, because it refers to the practice of mutual visits, and it is apparent in hindsight how vital these mutual visits were to the objectives of the Republic of China when it was decided the boundaries of a particular bilateral "one-China" agreement might need to be widened to fulfill the objectives of the all-out diplomatic program. The boundaries of the "one-China" agreement in Canada were operated under the management of the Department of Foreign Affairs, and because the Republic of China considered these boundaries to be far too restrictive, it decided to engage on a personal level an

15 "Economic Milestones," in *Free China Review* 20:8 (August 1970), 53–54; Wu, *Institutional Development and Adaptability*, 325.

16 Library and Archives Canada, Consular Affairs—Policy and Plans—Consular Relations and Representation by Canada and Other Countries, 1965–1984 (October 11, 1970); Wu, *Institutional Development and Adaptability*, 316–17.

17 "Economic Milestones," in *Free China Journal* issues 26:10 (October 1976), 38; 27:11 (November 1977), 35–36; "28:9 (September 1978), 41; 28:10 (October 1978), 39; 29:6 (June 1979), 39–40; 30:10 (October 1980), 41; Republic of China, Government Information Office, *Republic of China 1983*, 304; Auman, "Is Canada Missing Chances?"

18 The first General Chamber of Commerce commercial delegation from Taiwan to Canada occurred in 1976. See Republic of China, Government Information Office, *China Yearbook: 1977*, 350; *China Yearbook: 1980*, 350; *Republic of China 1983*, 304; *Republic of China 1986*, 532; Wu, *Institutional Development and Adaptability*, x, 323–25, 327–28, 330–31.

19 Interview with David Lee, November 19, 2008; Library and Archives Canada (LAC), Political Affairs—Policy and Background—Canadian External Policy Relations—Taiwan, 1984–1986 (May 14, 1985; February 12, 1986).

20 LAC, Political Affairs—Policy and Background—Canadian Foreign Policy and Relations—Taiwan, 1989–1989 (August 14, 1989); Wu, *Institutional Development and Adaptability*, 330.

assortment of academics, journalists, legislators, and other members of the public in Canada. The element of mutual visits within the all-out diplomatic program of the Republic of China was the subject of a certain degree of negative attention in Canada, because it was considered to be problematic for the Department of Foreign Affairs to fulfill its role as the manager of the "one-China" agreement when changes to the operation of the agreement were being generated, at least to a certain extent, outside of its purview.[21]

The first invitation offered to a Canadian MP to visit Taiwan and to hear a first-hand account of the diplomatic program of the Republic of China occurred in the second half of 1973, but it was clear from the earliest stages in the operation of the "one-China" agreement that the Parliament of Canada was, at least to some extent, susceptible to the diplomatic efforts of the Republic of China.[22] When Mitchell Sharpe, the minister of foreign affairs, announced the "one-China" agreement to the House of Commons on October 13, 1970, he elicited a mixed response. For the most part, Liberal MPs were in substantial concurrence with the decision of the Liberal government of Prime Minister Pierre Trudeau to establish a sovereign diplomatic relationship with the People's Republic of China, and because of the shared, albeit opposed, "one-China" policies of the People's Republic of China and the Republic of China, Liberal MPs were prepared to accept the severed sovereign diplomatic relationship with the Republic of China. Opposition Progressive Conservative MPs, however, articulated serious reservations on the subject of the "one-China" agreement, and its consequential feature of a severed sovereign diplomatic relationship with the Republic of China. Leader Robert Stanfield stated: "I recognize the fact that it is appropriate to establish diplomatic relations with [the People's Republic of China] under the proper conditions. I still believe that it is not appropriate to accept as a condition the withdrawal of recognition [from] the Government [of the Republic of China on] Taiwan … I do not approve of the Government of Canada having accepted that condition and I wish to make this very clear."[23]

A significant element in the diplomatic program of the Republic of China in Canada was to make contact with federal legislators who might be inclined to assist in its all-out diplomatic program. Establishing contact with the Parliament of Canada was not simple, however, due to the operative guidelines of the "one-China" agreement, which were designed to avoid all government-to-government contacts with the Republic of China, and to preserve, at a maximum, the people-to-people contacts with Taiwan, defined as economic, cultural, and technical relationships.[24] The solution the Republic of China devised and implemented to circumvent the "one-China" boundaries was to recruit a local public relations firm, Robert T. Smylie and Co. Ltd., to contact MPs in an indirect fashion.[25]

Company president Robert T. Smylie claimed, in a statement published in the *Globe and Mail* on September 29, 1973, to have received "a letter cold in the mail" from the Chinese Information Services office in New York.[26] He also claimed that after initial contact was made with his solicitor in New York, he received an invitation to visit Taiwan for a discussion on the possible appointment of his firm as the public relations representative in Canada of the Republic of China.[27] Smylie obliged, and his public relations firm began to issue letters and telephone calls to MPs, who were invited, in each case, to visit Taiwan at the expense of the Republic of China.[28] The first set of invitations was targeted at a delegation of MPs and journalists on the roster of an official visit by Prime Minister Pierre Trudeau to the People's Republic of China from October 10 to 17, 1973, but this attempt

21 The inclusion of mutual visitations in the all-out diplomatic program of the Republic of China was never concealed, and a massive list of journalists, academics, and legislators who visited Taiwan from states around the world can be compiled from the diplomatic and general yearbooks published in the Republic of China.

22 Cotter, "Ousted from Ottawa."

23 Tommy Douglas, leader of the New Democratic Party, and Réal Caouette, leader of the Social Credit Party, also delivered statements in support of the Republic of China. See Canada, House of Commons, *Debates: Official Report*, 28th Parliament, 3rd Session, 50–51.

24 Library and Archives Canada, Consular Affairs—Policy and Plans—Consular Relations and Representation by Canada and Other Countries—Taiwan, 1965–1984, (October 11, 1970; November 3, 1970).

25 "Toronto Firm to Represent Taiwan"; Cotter, "Ousted from Ottawa."

26 The Chinese Information Services office in New York was associated with the Government Information Office in the Republic of China.

27 Cotter, "Ousted from Ottawa."

28 "Toronto Firm to Represent Taiwan"; Cotter, "Ousted from Ottawa"; Johnson, "10 MPs Accept"; "Tory MPs Treated."

failed to solicit a positive response from a single MP, owing to significant disapproval from the Liberal government and the Department of Foreign Affairs.[29] The second set of invitations was issued in a much more low-key fashion, and the first delegation of MPs from Canada to visit Taiwan since the October 13, 1970 Joint Communiqué departed on January 5, 1974.[30]

This delegation included Progressive Conservatives Lloyd Crouse (who led the delegation) and Marcel Lambert, and Liberals Jacques Trudel and Victor Railton, and it received, as did all subsequent delegations, an all-expenses paid visit to Taiwan, from January 6 to 11, 1974. The group met with a number of government officials to discuss issues related to what were, for the most part, the basic elements of the non-sovereign diplomatic relationship Canada and Taiwan maintained. According to Lloyd Crouse's report on March 4, 1974 to the House of Commons, included within the discussions was a request to upgrade the non-sovereign diplomatic relationship with the establishment of a Liaison Office in Taiwan similar to what the United States had established in the Mainland Area despite its maintaining a sovereign diplomatic relationship with the Republic of China.[31] Crouse's argument was, in effect, a perfect representation of the all-out diplomatic program of the Republic of China, because it relied at each point of its elaboration on substantive-based issues to promote status-based results. Although the argument appears to have borne no immediate empirical results, its force continued to build as each year successive delegations of MPs visited Taiwan.[32]

The year after the first delegation's visit, the invitations continued to be issued on behalf of the Republic of China from the offices of Robert T. Smylie and Co. Ltd., and a further seven MPs, in a series of separate delegations, accepted.[33] Robert Coates, a Progressive Conservative with an appreciation for the rhetoric of anti-communism expressed in the diplomatic struggle of the Republic of China with the People's Republic of China, accepted an invitation to visit Taiwan in April 1975, and after his return to Canada he delivered his own message to the House. His message differed from Lloyd Crouse's in its anti-communist content, but it did contain a similar plea for a Liaison Office in Taiwan and—in a new twist—in Canada.[34] Coates's message was reinforced a mere two months later with a second speech from Progressive Conservative Lloyd Crouse on the establishment of an office in Taiwan and also in Canada.[35]

The program of diplomatic visits by MPs to Taiwan continued in a similar fashion and with similar results in 1976 and 1977, but in 1978 it changed somewhat, because Robert T. Smylie, with the assistance of a number of politicians and businesspersons, established the Canada-Taiwan Trade Council, to replace his company as the mechanism of indirect contact with Parliament.[36] Robert T. Smylie and Co. Ltd. was, however, responsible for the initial indirect contacts the Republic of China made from 1974 until 1978 with members of the House of Commons and, to a lesser extent, of the Senate. A complete list of parliamentary visitors to Taiwan, 21 in total, is not available, but even an incomplete list provides some insight. The Progressive Conservatives who visited Taiwan from 1974 until 1978 were, from the earliest visit until the latest, Lloyd Crouse, Marcel Lambert, Robert Coates, Claude Wagner, Edward Lumley, Frank Oberle, Robert Muir, and Otto Jelinek; the Liberals were Jacques Trudel, Victor Railton, Arthur Portelance, Hugh Alan Anderson, Ralph Stuart, Tom Lefebvre, Paul Langlois, and Eymard Corbin.[37]

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29 Cotter, "Ousted from Ottawa"; Wu, *Institutional Development and Adaptability*, 305–07.

30 "The Month in Free China," 5; "Events from Day-to-Day," in *Free China Review* 24:2, 60; Republic of China, Government Information Office, *China Yearbook*: 1975, 361.

31 The United States established a Liaison Office in the Mainland Area on May 1, 1973, and it did not sever its sovereign diplomatic relationship with the Republic of China until January 1, 1979. See Kissinger, *White House Years*, 786, 1092–93; Kissinger, *Years of Upheaval*, 61–63, 67.

32 Canada, House of Commons, *Debates: Official Report*, 29th Parliament, 2nd Session, 124.

33 Republic of China, Government Information Office, *China Yearbook: 1976*, 362; "Events from Day to Day," in *Free China Journal* 25:11, 45.

34 Canada, House of Commons, *Debates: Official Report*, 30th Parliament, 1st Session, 7178.

35 Ibid., 12406. Lloyd Crouse delivered a third and fourth speech on the reciprocal establishment of offices in Canada and Taiwan. See Canada, House of Commons *Standing Committee on External Affairs and International Trade*, 32nd Parliament, 1st Session (October 22, 1974), 27–29; (February 12, 1975), 29–30.

36 Liberal Senator Richard Stanbury was a co-founder alongside Robert T. Smylie of the Canada-Taiwan Trade Council. Sidney B. Handleman, a member of the Ontario Legislature, was on its board of directors. See Rusk, "Taiwanese Are Trying Hard"; "Taiwan Trade"; Lukasiewicz, "Dramatic Growth is Expected"; Lukasiewicz, "Taiwan Grain Orders"; "Sidney B. Handleman"; Smylie, "Trade with Taiwan"; Westell, "Senator Tries to Promote"; Williamson, "Closed Doors Hid Feeble Parlay"; Lukasiewicz, "Imports Pour In."

37 Republic of China, Government Information Office: *China Yearbook: 1975*, 361; *China Yearbook: 1976*, 362; *China Yearbook: 1977*, 349–50; *China Yearbook: 1978*, 345–46; *China Yearbook: 1979*, 347–48; "The Month in Free China," 5; "Events from Day to Day," *Free China Journal*, issues 25:11, 45; 26:2, 57; 26:3, 57; 27:4,52; 28:3, p. 49. Canada, House of Commons, *Debates: Official Report*, 29th Parliament, 2nd Session, 124; Johnson, "10 MPs Accept"; Cleroux, "Former Minister a Veteran Traveller"; "Tory MPs Treated to Mideast Junket."

The Progressive Conservatives, on a basis of their numbers in the House of Commons, accepted more invitations, than the Liberals, who were more inclined to accept the operative guidelines of the "one-China" agreement. The difference is, at least in appearance, not substantial, but it is worthwhile to consider it in light of the establishment of the General Chamber of Commerce of the Republic of China office in Toronto. From the time of the October 13, 1970 Joint *Communiqué*, the Liberals governed under Pierre Trudeau, and from the 1974 federal election until the 1979 federal election the Liberals maintained 141 of the 264 seats in the House of Commons, in comparison with the 95 seats the Progressive Conservatives maintained. The period of Liberal tenure did not witness a single substantive change in the operation of the "one-China" agreement, and the multiple requests for the reciprocal establishment of an office with Taiwan did not elicit Liberal government support. The indirect contact the Republic of China had established with Parliament appeared, therefore, during these four and a half years not to have a substantial impact, because the Government of Canada, in the form of the Liberal Cabinet of Pierre Trudeau, did not respond to the messages delivered on behalf of the Republic of China. In the aftermath of the 1979 federal elections, however, the Progressive Conservatives formed a short-lived government under Joe Clark, and within its six-month window of operation from May 1979 until December 1979 it granted approval for the creation of the General Chamber of Commerce office in Canada.[38]

The establishment of the General Chamber of Commerce of the Republic of China office in Toronto was the first substantive result of the all-out diplomatic program as it related specifically to the network the Republic of China had established with the Parliament of Canada. The fact the office was created during the short-lived Progressive Conservative government of Joe Clark, and not the long-tenured Liberal government of Pierre Trudeau, indicated an element of partisanship in the engagement of interests within Parliament, and although the Progressive Conservatives had maintained a more favourable disposition towards Taiwan since the announcement of the Joint *Communiqué*, it is quite probable that the establishment of the network with the Parliament of Canada maintained the favourable disposition and focused its interests on a specific diplomatic objective.

The next section of this paper takes the analysis of the network beyond its origins, and investigates the creation of the Canada-Taiwan Parliamentary Friendship Group in 1982 within the context of the all-out diplomatic program of the Republic of China.[39]

The Establishment of the Canada-Taiwan Parliamentary Friendship Group

The Republic of China was, for the most part, successful in its adaptation to the expansion in the number of bilateral "one-China" agreements the People's Republic of China had established with other states, but the decision of the United States on December 15, 1979 to sign a bilateral "one-China" agreement with the People's Republic of China, and to sever on January 1, 1979 its sovereign diplomatic relationship with the Republic of China, marked a second significant change in its international status and fortunes.[40] The Republic of China had lost, for all intents and purposes, the diplomatic struggle to represent itself as the Government of China, and the People's Republic of China had positioned itself to rise as an international power with the assistance of the international resources and influence it had acquired with the establishment of its sovereign diplomatic relationships.[41] The international status and fortunes of the Republic of China were granted an unexpected reprieve, however, owing to a legislative process initiated in the Congress of the United States, where from January 15, 1979 until March 29, 1979 the members developed and sanctioned a national legal framework entitled the Taiwan Relations Act, in order to articulate an enhanced, non-sovereign diplomatic relationship with Taiwan.[42]

38 Republic of China, Government Information Office, *China Yearbook: 1980*, 350; Chiu, "Sino-Canadian Relations"; Evans, "Canada and Taiwan," 174.

39 Bedeski, "Canada, Mainland China, and Taiwan," 189; Fritzen, "Sino-Canadian Relations," 312; Wu, *Institutional Development and Adaptability*, 335; "MPs to Visit Taiwan."

40 Brzezinski, *Power and Principle*, 196–227; Carter, *Keeping the Faith*, 188–99.

41 Bush, *At Cross-Purposes*, 145; Lee, *The Making of the Taiwan Relations Act*, 14–15; Madsen, "The Struggle for Sovereignty," 156–63.

42 Lee, *The Making of the Taiwan Relations Act*; Myers, *A Unique Relationship*; United States, United States Congress, *Taiwan Relations Act*.

The sovereign diplomatic relationship the Republic of China maintained with the United States until January 1, 1979 contained an indispensable assortment of the diplomatic mechanisms and networks the Republic of China relied upon for its access to international resources and, in a related fashion, for its international survival. The Republic of China was focused, therefore, for obvious reasons, on the preservation of its sovereign diplomatic relationship with the United States, but because its expressions of protest targeted at the December 15, 1978 decision of the United States to adopt a "one-China" agreement with the People's Republic of China failed to elicit a positive response, the Republic of China was forced, reluctantly, to shift its focus towards the articulation of a non-sovereign diplomatic relationship. The United States was receptive, and the administration of President Jimmy Carter was intent on presenting a piece of draft legislation to Congress in order to fulfill the objective after it had engaged in a series of consultations with the administration of President Chiang Ching-kuo.[43]

The Carter administration conducted a series of consultations with the Chiang administration from December 27, 1978 until February 28, 1979, and in the intermediate stages of these consultations, in spite of the persistence of certain unresolved issues on the subjects of regional strategic concerns and the reciprocal establishment of non-sovereign diplomatic offices, it presented a piece of draft legislation, the Taiwan Omnibus Bill, to Congress.[44] The Bill was designed to articulate, within the boundaries of the January 1, 1979 "one-China" agreement, a non-sovereign diplomatic relationship with Taiwan, but the Congress, after its reception of the Bill on January 15, 1979, identified what it believed to be some unresolved issues similar to those the Chiang administration had identified in its consultations with the Carter administration. Accordingly it decided to engage in a redraft process, from January 15, 1979 until March 29, 1979. The result was the *Taiwan Relations Act*, and although it was unclear at the time—due to the concerns of the Carter administration and the protestations of the People's Republic of China—whether the Act fit within the boundaries of the January 1, 1979 "one-China" agreement, it was sanctioned in Congress with a significant amount of support on March 29, 1979, and was accepted as an effective piece of national legislation on June 22, 1979 with a retroactive effect dated back to January 1, 1979.[45]

The redraft process was controversial, and the *Taiwan Relations Act*, despite the benefits it provided to the non-sovereign diplomatic relationship the United States developed with Taiwan, was a significant source of contention in the sovereign diplomatic relationship the United States developed with the People's Republic of China. The unresolved issues the Chiang administration and Congress had identified in the Taiwan Omnibus Bill were to a significant extent resolved in the Taiwan Relations Act after a series of passages on regional strategic concerns and an enhanced provision for the number and operation of non-sovereign diplomatic offices was incorporated.[46] The incorporation of these passages was controversial, however, because the Carter administration was not an active supporter of the redraft process, and each one of these novel and enhanced passages drew significant protest from the People's Republic of China, articulated in reference to the January 1, 1979 "one-China" agreement.[47] To explain the controversial redraft process and its resultant product, the *Taiwan Relations Act*, it is worthwhile to consider them in reference to the all-out diplomatic program of the Republic of China.

The Republic of China engaged in the design of the all-out diplomatic program in order to respond to the threat of its diplomatic isolation in the aftermath of the October 13, 1970 "one-China" agreement Canada had signed with the People's Republic of China. While the all-out diplomatic program was designed in certain respects to be applied in states engaged in a non-sovereign diplomatic relationship with Taiwan, it was also designed to be applied in states engaged in a sovereign diplomatic relationship with the Republic of China. The Republic of China was engaged in a sovereign diplomatic relationship with the United States until January 1, 1979, and its initial objective with the all-out diplomatic program

43 Bush, *At Cross-Purposes*, 151; Myers, *A Unique Relationship*, 27–28; Lee, *The Making of the Taiwan Relations Act*, 50–51.

44 Carter, *Keeping the Faith*, 200–01, 210–11; Yang, "With Dignity and Vigour," 9–18; "Events from Day to Day," in *Free China Journal* 29:2, 52.

45 Myers, *A Unique Relationship*, 33.

46 Lee, *The Making of the Taiwan Relations Act*, 58–171.

47 Lee, *The Making of the Taiwan Relations Act*, 172–74; Myers, A Unique Relationship, 49–76.

in the United States was to secure its sovereign diplomatic relationship. On December 15, 1978, the United States decided to adopt a "one-China" agreement with the People's Republic of China, however, and the Republic of China was forced to change its application of the all-out diplomatic program and focus on the articulation of a non-sovereign diplomatic relationship. The Republic of China was able to use the visitation element of its all-out diplomatic program to its advantage, because it was in operation before and after the December 15, 1978 decision of the United States to adopt a "one-China" agreement. Specifically, the Republic of China was able to use the visitation element to coordinate the interests, at least to a certain extent, of the Chiang administration and members of Congress on the articulation of a non-sovereign diplomatic relationship. A passage from the work of David Lee, the current representative of Taiwan in Canada, is of considerable value to the explanation presented here:

> Taiwan had excellent public relations on Capitol Hill. Many Members of Congress had visited Taiwan either through invitations from Taiwan institutions or as part of a "codel" (a congressional delegation trip paid for by U.S. taxpayers). During their stay, they witnessed first-hand the economic miracle created by the small island country. Since the early 1970s, when Taiwan began its Congressional staff trip program, every year scores of important staff members shared a similar experience. Hardly anyone left Taiwan without a good impression. All these efforts paid off during the *Taiwan Relations Act* deliberations.[48]

The redraft process of the Taiwan Omnibus Bill in the Congress was, therefore, at least to some extent, coordinated with the assistance of the visitation element of the all-out diplomatic program of the Republic of China.[49]

In a slight variation on the explanation presented here, there was also a significant element of feedback on the development of the all-out diplomatic program of the Republic of China associated with the redraft process of the Taiwan Omnibus Bill and its consequent product, the *Taiwan Relations Act*. The decision of Congress to redraft the Taiwan Omnibus Bill in a fashion amenable to the interests of the Republic of China was of great significance to the subsequent development of the all-out diplomatic program, because of the potential it demonstrated with respect to the development and sanction of legislation amenable to the interests of the Republic of China in the legislatures of other states.[50] The *Taiwan Relations Act* was significant because it represented the articulation of an enhanced, non-sovereign diplomatic relationship with Taiwan, complete with passages on regional strategic concerns, the reciprocal establishment of non-sovereign diplomatic offices, and the preservation of other non-sovereign diplomatic mechanisms and networks on a bilateral basis.[51]

In Canada, the Republic of China was intent on the continued application of its all-out diplomatic program in the aftermath of the development and sanction of the *Taiwan Relations Act* in the United States, and it decided to reorganize the visitation element of its diplomatic program to promote an improvement in its operation and empirical effects. The establishment of the Canada-Taiwan Trade Council in May 1978 was the first attempt of the Republic of China to reorganize and improve the application of its all-out diplomatic program in Canada, and the council was able to combine the visitation element of the diplomatic program with the promotion of an enhanced bilateral economic relationship. The Canada-Taiwan Trade Council engaged in a significant number of diplomatic efforts in Canada and, in conjunction with its role as the indirect contact of the Republic of China with the Parliament of Canada, it was responsible for the organization of an economic procurement mission from Taiwan to Canada in May 1979 and for the development of an unfulfilled set of Canada-Taiwan

48 Lee, *The Making of the Taiwan Relations Act*, 178.

49 The evidence of the coordination process was published, in an explicit fashion, in the general and diplomatic yearbooks of the Republic of China. The *Free China Journal* also published explicit evidence on the interactions of members of Congress with the Chiang administration. See Yang, "With Dignity and Vigour," 9–18; Yang, "Ongoing American Friendship," 9–14; Yang, "Counting Our Friends," 9–15; Liu, "ROC-US Relations, 22–28; Yang, "Picking Up the Pieces," 9–15; Yang, "US, Free China and the Treaty," 9–16.

50 The evidence for the passage is derived from private conversations with academics in Taiwan.

51 Japan established a non-sovereign diplomatic representative office in Taiwan in 1972, but it never developed a piece of national legislation like the *Taiwan Relations Act*. See United States. United States Congress Taiwan Relations Act 96th Congress, Law 96–8 (January 1, 1979); Li, *De-Recognizing Taiwan*, 19, 26.

Trade Council offices in Toronto and Taipei.[52] The council was short-lived, however, and its operations ceased after three years of service due to a shortage of finance.[53]

The ceased operations of Canada-Taiwan Trade Council coincided with significant progress in the results of the all-out diplomatic program. The General Chamber of Commerce of the Republic of China office was established in Toronto with the permission of the Government of Canada on July 11, 1980, and the office was able to replace the Canada-Taiwan Trade Council as the indirect contact of the Republic of China with the Parliament of Canada and as the promoter of an enhanced bilateral economic relationship. The General Chamber of Commerce office was, furthermore, able to enhance its diplomatic efforts in the solicitation of support from the Parliament of Canada with the assistance of the Far East Trade Services offices, because the combined efforts of these four offices in the promotion of an enhanced bilateral economic relationship created a powerful mechanism of attraction for members of Parliament who were in search of an electoral and, in a related fashion, an economic advantage.[54]

The establishment of the Canada-Taiwan Parliamentary Friendship Group in December 1982 clearly resulted from these combined efforts within the all-out diplomatic program of the Republic of China. Although the establishment of the Friendship Group was a reserved affair, a few indications as to its genesis were evident. The Republic of China invited Progressive Conservative MP Otto Jelinek, the founder and first chairman of the Friendship Group, to visit Taiwan from January 17 to 23, 1978, through contact with the Parliament of Canada. Jelinek was inclined to accept the invitation because he shared an appreciation with fellow Progressive Conservative Robert Coates for the rhetoric of anti-communism expressed in the diplomatic struggle of the Republic of China with the People's Republic of China.[55] Although the visit created an initial contact for the Republic of China with Otto Jelinek, the motivation to establish a Friendship Group was not present until after the General Chamber of Commerce and the Far East Trade Services offices were able to combine the solicitation of visits with the promotion of an enhanced bilateral economic relationship.[56]

The earliest operations of the Canada-Taiwan Parliamentary Friendship Group were coordinated with the assistance of Patrick Chang, a staff member at the General Chamber of Commerce office from January 1983 until February 1986, but these coordinated operations were not revealed until the Government of Canada ordered the deportation of Patrick Chang for unsanctioned diplomatic activities in February 1986.[57] The first delegation of seven MPs from the Friendship Group to visit Taiwan departed in April 1983, and after they returned to Canada, Otto Jelinek delivered a message to the House of Commons on the potential economic benefits of an office in Taiwan.[58] He repeated this message to the House of Commons on three separate occasions from April 1983 until May 1983, but the Liberal government of Prime Minister Pierre Trudeau responded in the negative each time, referring to the stable growth in the bilateral economic relationship Canada maintained with Taiwan and the People's Republic of China for its justification.[59]

Accordingly, the Canada-Taiwan Parliamentary Friendship Group decided to increase the coordination of its efforts in order to boost its initiative to establish an office in Taiwan. On September 21, 1983, Otto Jelinek delivered a number of consecutive announcements in the House of Commons, and in the process he revealed the substance of the coordinated efforts behind the diplomatic initiative. The first announcement was to propose a private member's bill wherein he recommended Canada

52 Rusk, "Taiwanese Are Trying Hard"; Lukasiewicz, "Dramatic Growth Is Expected"; Lukasiewicz, "Taiwan Grain Orders"; Westell, "Senator Tries to Promote"; Williamson, "Closed Doors Hid."

53 Lukasiewicz, "Imports Pour In."

54 Canada, House of Commons, *Debates: Official Report*, 32nd Parliament, 1st Session, 3427, 5709; Rusk, "Taiwanese Are Trying Hard"; Lukasiewicz, "Dramatic Growth Is Expected"; Lukasiewicz, "Taiwan Grain Order"; Smylie, "Trade with Taiwan"; Westell, "Senator Tries to Promote"; Williamson, "Closed Doors Hid"; "Taiwan Trade"; Lukasiewicz, "Imports Pour In"; "Economic Milestones," *Free China Journal* 30:10, 41.

55 "Events from Day to Day," *Free China Journal* 28: 3, 49; Republic of China, Government Information Office, China Yearbook: 1979, 347–48.

56 Fritzen, "Sino-Canadian Relations" 312; Vienneau, "MPs Visit Taiwan"; Vienneau, "Taiwan Trip No Junket"; Republic of China, Government Information Office, *Republic of China*, 1983, 304.

57 "Taiwan Representative Ordered"; Malarek, "Taiwanese Envoy Fights Deportation."

58 "MPs Visit Taiwan"; "Taiwan Trip No 'Junket'"; Canada, House of Commons, *Debates: Official Report*, 32nd Parliament, 1st Session, 24948.

59 Ibid., 25133–34, 25335–37.

establish an office in Taiwan.[60] The second announcement was to advertise the recent decision of the Board of Foreign Trade in the Republic of China to send a 14-member economic procurement mission to Canada scheduled for November 9 to 23, 1983.[61] The third and final announcement was to reveal the support of the 60 to 70 MPs in the Friendship Group for the private member's bill.[62]

The private member's bill was never put to a vote or forwarded in the legislative process, because it failed to elicit the requisite sanction of the Standing Committee on Procedure and House Affairs, but the Friendship Group was not deterred.[63] A second delegation of 12 MPs from the Friendship Group departed for Taiwan in October 1983, and after they returned to Canada a number of participants delivered messages to the House of Commons Standing Committee on Foreign Affairs and National Defence on the initiative of the Friendship Group to establish an office in Taiwan. These MPs included Otto Jelinek and, Liberal Ursula Appolloni, and their messages were replete with references to the non-sovereign diplomatic offices other states had established in Taiwan.[64]

The response from the Liberal government was nuanced in comparison with its previous responses, and although Gerald Regan, the minister of international trade, was inclined to repeat the "one-China" agreement guidelines operative in Canada, he also indicated that the Canadian Chamber of Commerce was interested in establishing an office in Taiwan.[65] In the aftermath of Regan's response, the Friendship Group engaged in another visit to Taiwan from January 6 to 11, 1984, and after the nine MPs returned to Canada, the process in the House of Commons Standing Committee was repeated, with messages delivered from Progressive Conservatives Ronald Stewart and Robert Wenman, and Liberals Ursula Appolloni and Gérald Laniel.[66] Their messages were sophisticated, and each one of these four MPs referred to the reciprocal establishment of non-sovereign diplomatic offices in the relationship the United States maintained with Taiwan.[67]

The program of the Friendship Group in its earliest operations was developed in its frequent interactions with the Republic of China in Taiwan, and it reflected the efforts of the Republic of China to articulate non-sovereign diplomatic relationships within the context of the bilateral "one-China" agreements its diplomatic partners had signed with the People's Republic of China. The non-sovereign diplomatic relationship the United States maintained with Taiwan was the template for the Republic of China with regard to Canada, because the relationship represented, with the assistance of the Taiwan Relations Act, the most enhanced non-sovereign diplomatic relationship available. The Canada-Taiwan Parliamentary Friendship Group was inclined, therefore, after its visits to Taiwan, to refer to elements in the non-sovereign diplomatic relationship the United States maintained with Taiwan, and insofar as its earliest initiative was to encourage the Government of Canada to sanction and support the establishment of a non-sovereign diplomatic office in Taiwan, it referred in a number of instances to the American Institute in Taiwan provided for in the Taiwan Relations Act. A letter from Progressive Conservative Howard Crosby, a member of the Friendship Group, to Joe Clark, the minister of foreign affairs, in April 1985 provided a detailed explanation of the earliest and, based on the subsequent evidence, current program of the Friendship Group:

> For many years, Members of the Canadian Parliament in the House of Commons and the Senate have sought to assist the Republic of China on Taiwan notwithstanding the recognition by the Government of Canada of the People's Republic of China on Mainland China as the Government of all of China on October 13, 1970 … Some of these interested Members formed a Parliamentary Group called the "Canada-Taiwan Parliamentary Friendship

60 Ibid., 27339–40; Canada, House of Commons, *House of Commons Journals* 32nd Parliament, 1st Session 126: 549 (September 21, 1983), 6200.

61 Canada, House of Commons, *Debates: Official Report*, 32nd Parliament, 1st Session, 27340–41; "Trade Mission"; "Taiwan Buys More Potash"; "Taiwan Urges More Trade."

62 Canada, House of Commons, *Debates: Official Report*, 32nd Parliament, 1st Session, 27341.

63 Fritzen, "Sino-Canadian Relations," 373.

64 Canada, House of Commons *Standing Committee on External Affairs and International Trade*, 32nd Parliament, 1st Session (November 22, 1983), 19–21; (November 29, 1983), 15–38.

65 Ibid. (November 29, 1983), 15–16.

66 "MPs Visiting Taiwan"; Abel, "MP Delegation Tests Peking"; Canada, House of Commons *Standing Committee on External Affairs and National Defence*, 32nd Parliament, 2nd Session (March 22, 1984), 17–18.

67 Ibid. (March 22, 1984), 17–24; (May 15, 1984), 36–37; (March 29, 1984), 41–43.

> [Group]." Before and since the formation of the Parliamentary [Group], delegations of Canadian Parliamentarians have travelled to Taiwan under various sponsorships in the hope and expectation of improving relations between Canada and Taiwan … The goal of the Parliamentary [Group] has remained … the promotion of a relationship between Canada and Taiwan similar to that established by the United States of America and other democratic nations that also recognize the People's Republic of China. The relationship of the United States and Taiwan does not involve diplomatic recognition but permits reasonable access between the two countries through the American Institute [in Taiwan] … and the Coordination Council for North American Affairs [in the United States] … The members of the Parliamentary [Group] are also mindful of the trade imbalance between Canada and Taiwan and believe improved relations will benefit Canada. [68]

The Government of Canada was reluctant to be pressured, however, and even after the election of a Progressive Conservative government under Prime Minister Brian Mulroney in September 1984, it continued to try to make certain that the enhancement of the non-sovereign diplomatic relationship Canada maintained with Taiwan was articulated well within the boundaries of its bilateral "one-China" agreement.[69] The Department of Foreign Affairs in fact consulted with the People's Republic of China on whether it interpreted the potential establishment of a Canadian Chamber of Commerce office in Taiwan as a challenge to its sovereign claim, and after a negative response, the department proceeded articulating and establishing a suitable non-sovereign diplomatic office arrangement.[70] From the perspective of the Friendship Group, the engagement of Foreign Affairs was a protracted and inadequate effort, but the Government of Canada was inclined to refer to the stable growth in the bilateral economic relationship Canada maintained with Taiwan and the People's Republic of China as its justification.[71]

The Canadian Chamber of Commerce was able to establish the Canadian Trade Office in Taipei with the financial support of the Government of Canada on November 28, 1986, and although the specific contributions from the diplomatic efforts of the Canada-Taiwan Parliamentary Friendship Group in its establishment were unclear, it was apparent that the network the Republic of China had established with the Parliament of Canada was in a process of intensification.[72] In the aftermath of the establishment of the Friendship Group in December 1982, the number of visits to Taiwan from Canadian MPs increased substantially, and within 12 months of the first visit to Taiwan a total of 28 MPs had participated.[73] The partisanship content of the delegations from Canada to Taiwan was also changing: the proportion of Liberal MPs increased after the solicitation of visits was combined with the promotion of an enhanced bilateral economic relationship. The most substantial change was in the participation of Liberal MPs alongside Progressive Conservative MPs in the messages delivered to the House of Commons after visits to Taiwan.[74] The increased Liberal participation was in all likelihood due to the weakened condition of the Liberal government of Pierre Trudeau during its final period of tenure.

The next section of this paper takes the analysis of the network established with the Parliament of Canada up to the present, and investigates the recent activities of the Friendship Group in reference to the legislative process of the *Taiwan Affairs Act*.

68 Library and Archives Canada (LAC). Political Affairs—Policy and Background—Canadian External Policy and Relations—Taiwan, 1984–1986 (DEA File Date: April 30, 1985).

69 Canada, House of Commons *Debates: Official Report*, 33rd Parliament, 1st Session, 7584–85, 7638–39.

70 Wu, *Institutional Development and Adaptability*, 332–33.

71 LAC, Political Affairs—Policy and Background—Canadian External Policy and Relations—Taiwan, 1984–1986 (DEA file date: February 19, 1985; April 11, 1985; April 30, 1985; May 14, 1985; June 3, 1985).

72 Evans, "Taking Taiwan Seriously," 24; Republic of China, Government Information Office, *Republic of China*, 1988, 388.

73 "MPs Visit Taiwan"; "Taiwan Trip No 'Junket'"; "Trade Mission"; "MPs Visiting Taiwan,"; Abel, "MP Delegation Tests Peking,"; "MPs to Visit Taiwan."

74 There were, in fact, no outspoken Liberal members of Parliament on the subject of the non-sovereign diplomatic relationship with Taiwan until after the establishment of the Friendship Group.

The Recent Activities of the Network with the Parliament of Canada, and the Recent Activities of the Canada-Taiwan Parliamentary Friendship Group

The "one-China" agreement Canada adopted with the People's Republic of China on October 13, 1970 was a pragmatic decision developed in response to the diplomatic circumstances at the time, and although these circumstances were subject to a significant amount of change, the "takes note of" formulation within the "one-China" agreement allowed for significant adaptation. The formulation was a representation of the decision of Canada neither to endorse nor to challenge the sovereign claim of the People's Republic of China to Taiwan, and insofar as a challenge to this claim was an indefinite feature within the "one-China" agreement, Canada was able to adjust the boundaries of the agreement to adapt its operation to any significant changes in the diplomatic circumstances.[75] The adjustments Canada effected were accomplished in consultation with the People's Republic of China, and the adjustments often led to improved diplomatic relationships with the People's Republic of China and with Taiwan.[76] The Government of Taiwan endeavoured at times to adjust the boundaries of the "one-China" agreement in the absence of consultation with the relevant institution in Canada, however, in consequence, a difficult circumstance in the management of the agreement in Canada arose.

The Department of Foreign Affairs was responsible for the management of the "one-China" agreement in Canada, and in the aftermath of the decision to include the "takes note of" formulation in the agreement, a Taiwan Panel was established in the department, to articulate the initial boundaries of the non-sovereign diplomatic relationship with Taiwan.[77] The Taiwan Panel was coordinated with the assistance of John McCordick from the Protocol Division, but it also included officers from the various other federal departments with responsibilities related to the management of the diplomatic relationship with Taiwan. The panel's initial determinations were issued in a memorandum after a series of interdepartmental consultations were conducted from October 15 to November 3, 1970, and the content of the memorandum focused upon the logistics involved for Canada in the termination of its government-to-government contacts with the Republic of China and, in a concomitant fashion, in the subsequent articulation of its people-to-people contacts with Taiwan. In certain cases, it was not possible for the Taiwan Panel to create a clear distinction between the two varieties of contacts, however, and as a result elements of the government-to-government contacts were blurred in with elements of the people-to-people contacts.

The most significant case of a blurred distinction concerned official travel from Canada to Taiwan. The Taiwan Panel was not inclined towards a complete restriction on official travel from Canada to Taiwan, and so the guideline proposed in the memorandum was to permit the travel of officials from Canada to Taiwan, but to restrict the use of official passports during such travel in order to avoid an explicit suggestion of a sovereign diplomatic relationship. This guideline was not composed in explicit reference to Canadian members of Parliament, but it warrants being reproduced here insofar as it operated as the initial baseline for the subsequent efforts to regulate the travel of MPs to Taiwan after the all-out diplomatic program of the Republic of China was engaged: "Canadian officials can still travel to Taiwan but must do so on an ordinary passport. Officials based in Canada should ask the Passport Office, Department of External Affairs, to provide passports and obtain visas for Taiwan … Canadian officials while in Taiwan should maintain a low profile, endeavour to avoid publicity and keep official contacts (when inevitable) at as low a level as possible."

The guideline was an inevitable outcome of the effort in the Department of Foreign Affairs to create a clear distinction in the government-to-government contacts and the people-to-people contacts with Taiwan. Nonetheless, it represented a point of unbalanced contact wherein the Department of Foreign Affairs endeavoured to regulate the travel of officials from Canada to Taiwan on the basis of people-to-people contacts, and the Republic of China endeavoured to invite officials from Canada to visit Taiwan on the basis of government-to-government contacts.

75 Edmonds, "Canada's Recognition of the People's Republic of China," 210–12; Frolic, "The Trudeau Initiative," 193–216.

76 A significant example includes the consultations of the Government of Canada with the People's Republic of China on an air-services arrangement with Taiwan. See Library and Archives Canada (LAC), Political Affairs—Taiwan—Visits, 1988–1989 (October 11, 1989).

77 LAC, Consular Affairs—Policy and Plans—Consular Relations and Representation by Canada and Other Countries, 1965–1984 (October 9, 1970).

The restriction on the use of official passports for travel from Canada to Taiwan emerged as part of a contentious debate in Parliament on June 23, 1976, after Progressive Conservative Marcel Lambert protested a travel restriction stamp in his official passport.[78] Lambert's protest was in direct reference to the inclusion of Taiwan in the travel restriction stamp, and although a number of other territories without sovereign diplomatic recognition from Canada were included in the travel restriction, the support Lambert received for his protest from MPs and senators was for the most part delivered in reference to Taiwan. Minister of Foreign Affairs, Allan MacEachen responded on June 29, 1976, explaining the stamp as part of a program to avoid an explicit suggestion of sovereign diplomatic recognition from Canada in the territories included in the travel restriction stamp.[79] Members of Parliament continued their protest, in an intermittent fashion, and it was another four years before Minister of Foreign Affairs Flora MacDonald, explained in full the initiative behind the travel restriction stamp: the Department of Foreign Affairs was responsible for the decision to place the travel restriction stamp in the official passports of members of Parliament, but the authorization for the stamp was attributed to then-minister of foreign affairs Mitchell Sharpe, on April 21, 1973, and the active effort to place the stamp in the official passports of MPs was initiated on February 17, 1976.[80]

The second most significant case of a blurred distinction in the elements of the government-to-government contacts and the elements of the people-to-people contacts in the diplomatic relationship with Taiwan concerned official travel from Taiwan to Canada. For a second time, the Taiwan Panel was not inclined towards a complete restriction on official travel, and so the guideline proposed in its memorandum was to permit the travel of officials from Taiwan to Canada, but to restrict the use of official passports during such travel, and to decide the merit of each application on a selective basis. The guideline also included a recommendation for a review process on the regulation of official travel from Taiwan to Canada, because the Taiwan Panel was at the time uncertain whether practical difficulties were imminent. [81] In 1971, the Department of Foreign Affairs was in fact inclined to implement a review process after the emergence of a number of diplomatic incidents related to the admission of officials from Taiwan to Canada.[82]

Although their admission was conducted on the premise of people-to-people contacts, their activities were often related to the promotion of government-to-government contacts. The Department of Foreign Affairs was resolved, therefore, in the aftermath of these diplomatic incidents, to enhance its role in the admission and supervision of officials from Taiwan, and in its review process the department was inclined to recommend the referral of each visa application from Taiwan to its headquarters in Ottawa. This resolve was implemented, but the practical limits of its operation were uncertain, and diplomatic incidents were no less frequent.[83]

A decade after the review process initiated in the Department of Foreign Affairs, Patrick Chang applied for a visa to enter Canada from Taiwan to work in the position of secretary-general at the General Chamber of Commerce of the Republic of China office in Toronto. The application was reviewed and approved by the Department of Foreign Affairs, but explicit conditions were attached. These included a personal pledge not to engage in the promotion of government-to-government contacts with the Republic of China in Canada and, specifically not to engage in the organization of visits by Canadian politicians to Taiwan. Chang entered Canada from Taiwan with these explicit conditions in place, and he occupied the position of secretary-general at the General Chamber of Commerce office on January 3, 1983.[84]

78 Canada, House of Commons, *Debates: Official Report*, 30th Parliament, 1st Session, 14801.

79 Ibid., 14801, 14806, 14885, 14932–36; Canada. Senate, *Debates of the Senate: Official Report*, 30th Parliament, 1st Session, 2262–63, 2362–64, 2443

80 Canada, House of Commons, *Debates: Official Report*, 31st Parliament, 1st Session, 1555.

81 Library and Archives Canada, Consular Affairs—Policy and Plans—Consular Relations and Representation by Canada and Other Countries, 1965–1984 (November 3, 1970).

82 Ibid. (July 15, 1971).

83 Ibid. (July 15, 1971).

84 LAC, Political Affairs—Policy and Background—Canadian External Policy Relations—Taiwan, 1984–1986 (February 12, 1986); Schiller, "Ottawa Says Taiwanese Official," A1, A4.

In spite of the explicit conditions attached to the approval of his visa, Chang engaged in the promotion of government-to-government contacts with the Republic of China and in the organization of visits of Canadian politicians to Taiwan. The Canadian Security Intelligence Services completed an investigation into his violations of the explicit conditions on January 21, 1985, and it provided a suggestion to the Department of Immigration not to approve his visa extension application.[85] The Department of Immigration was hesitant in its approach to Chang, however, perhaps to avoid a diplomatic incident. The Government of Canada withheld its reaction for some time—that is, until a delegation of 10 MPs departed from Canada to Taiwan on October 6, 1985, and after the total number of MPs visiting Taiwan reached 65.[86]

Patrick Chang was summoned to the Canada Immigration Centre in Toronto on January 21, 1986, and issued with a deportation order for February 12, 1986. Chang hired a lawyer, Mendel Green, to defend his position in Canada, but the evidence in support of the deportation order was incontrovertible. Media reports further damaged his case: Progressive Conservative MPs Murray Cardiff, Donald Blenkarn, and Peter Elzinga were quoted in the Toronto Star, referring to the assistance Chang provided to the Canada-Taiwan Parliamentary Friendship Group in its organization of visits to Taiwan.[87] Consequently, although Chang was initially successful in postponing the deportation order, the effort to defend his position in Canada was a lost cause, and the Republic of China ordered his return to Taiwan on March 1, 1986.[88]

The travel of officials from Canada to Taiwan and from Taiwan to Canada represented a point of unbalanced contact in the non-sovereign diplomatic relationship Canada maintained with Taiwan, and the effort of the Department of Foreign Affairs to regulate the point of unbalanced contact within the boundaries of the "one-China" agreement was a difficult endeavour. The department's attempts to regulate the travel of officials on the basis of people-to-people contacts was in effect reversed at each point, due to the effort of the Republic of China to promote the travel of officials on the basis of government-to-government contacts. The placement of a travel restriction stamp in the official passports of members of Parliament resulted in a significant debate in the House of Commons and in the Senate, and in significant resistance to the effort of the Department of Foreign Affairs to regulate the travel of officials from Canada to Taiwan.

The deportation of Patrick Chang from Canada was in certain respects a successful endeavour in the effort to regulate the travel of officials from Canada to Taiwan, but the Government of Canada was not inclined to repeat it, because it feared the potential diplomatic consequences. After Chang's deportation, the intensification of the network with the Parliament of Canada was placed in a sustained period of restraint, but the deportation was probably a transient cause of the restraint. The effort of the Progressive Conservative Cabinet of Brian Mulroney to regulate the visits of MPs to Taiwan was a more significant cause. A statement New Democrat Ian Waddell delivered to the House of Commons on February 14, 1986 was an accurate representation of the circumstance: "In Canada, under the Canadian Parliamentary system, there is a strict Party system. It is not as useful to lobby individual Members of Parliament as it is to lobby individual Congressmen in the United States. Individual Members of Congress have more power than individual Members of Parliament. Generally speaking, individual Members of Parliament do not have very much power. They are a part of the Party system."[89]

Although the delegations of MPs from the Friendship Group to Taiwan continued, the messages delivered to the House of Commons in reference to the enhancement of the diplomatic relationship with Taiwan were fewer in number. Brian Mulroney's government was committed to the "one-China"

85 LAC, Political Affairs—Policy and Background—Canadian External Policy Relations—Taiwan, 1984–1986 (February 12, 1986).

86 Ibid. (January 11, 1985; February 19, 1985; October 15, 1985); "MPs Visit Taiwan"; "Taiwan Trip No 'Junket'"; "Trade Mission"; "MPs Visiting Taiwan"; Abel, "MP Delegation Tests Peking"; "MPs to Visit Taiwan"; "Tory MPs Return from Taiwan Junket"; "The Ottawa Scene"; "Who Is Paying for MPs' Trips?"; "Senators, MPs under Fire"; "MP Defends Free Trip"; "Ten MPs, Senators on Junket"; "Coates Leads Group of 10 MPs"; "Free Taiwan Trip Good"; Warburton, "Gray Defends Boudria's Acceptance"; "Critic Sees Tables Turned"; Schiller, "Ottawa Says Taiwanese Official."

87 Schiller, "Taiwan Rep's Deportation"; Schiller, "Taiwanese Trade Official to Stay"; Schiller, "Ottawa Says Taiwanese Official Works."

88 Malarek, "Trade Official Facing Deportation"; Spears, "Envoy's Leaving Sparks Call"; "Taiwan Orders Home Official."

89 Canada, House of Commons, *Debates: Official Report*, 33rd Parliament, 1st Session, 10840.

agreement with the People's Republic of China, and was inclined to work with the Department of Foreign Affairs in consultation with the People's Republic of China to adjust the boundaries of the "one-China" agreement in Canada as the diplomatic circumstances warranted. The boundaries were in fact widened in consultation with the People's Republic of China, and the diplomatic relationship with Taiwan was enhanced from 1986 until 1993 with the establishment of the Taipei Economic and Cultural Offices in Toronto, Vancouver, and Ottawa, and with the inclusion of a number of Department of Foreign Affairs officers in the Canadian Trade Office in Taipei. In the meantime, the efforts of the Government of Taiwan to use its network with the Parliament of Canada to enhance its general diplomatic relationship with Canada were restrained, because the Progressive Conservative Cabinet enforced a strict discipline upon its MPs, and because the Government of Taiwan was permitted a certain degree of diplomatic access to the Government of Canada.[90]

The network of Taiwan with the Parliament of Canada was in a period of restraint for a decade, but it was resuscitated after Taiwan engaged in a diplomatic effort to accede to the World Health Organization as an observer, from 1997 until 2009. To enhance this effort, Taiwan solicited support from a number of states with membership in the WHO. The first initiative was to request its sovereign diplomatic partners that belonged to the WHO to deliver an application proposal on its behalf to the World Health Assembly, but the application proposal was rejected because a significant number of these WHO members adhered to a series of bilateral "one-China" agreements. The second initiative was to solicit the support of its non-sovereign diplomatic partners that were members of the WHO. Although the points of focus in this second initiative were the United States, Japan, and the European Union, Canada and a number of other states were included as potential supporters.[91]

The Parliament of Canada was susceptible to the solicitation of support from Taiwan for a number of reasons. Parliament was in frequent contact with Taiwan, due to the uninterrupted program of visits flowing from its all-out diplomatic program and, furthermore, Taiwan was prudent in its decision to pursue membership in an international institution focused on human health. The first statement delivered in the House of Commons in reference to the application proposal of Taiwan was made by New Democrat MP Svend Robinson, in the aftermath of the September 21, 1999 earthquake in Taiwan, and if there was an element of solicitation involved in his November 2, 1999 statement, it was not possible to determine. Although he had visited Taiwan at the invitation of its government in 1998, Robinson's concern of for the health of the people in Taiwan was genuine.[92]

Svend Robinson delivered a second statement to the House of Commons on December 10, 2001 in reference to the application proposal of Taiwan to accede to the World Health Organization, but Minister of Foreign Affairs John Manley, cited the "one-China" agreement Canada had signed with the People's Republic of China in his denial of the request.[93] In retrospect, Robinson's statements in the House were peripheral elements within the interaction of Taiwan and Parliament; the centre of the interaction was located at the level of the chairman of the Canada-Taiwan Parliamentary Friendship Group. The first chairman, Otto Jelinek, and the second chairman, Peter Elzinga, were inclined to promote the diplomatic program of Taiwan in Canada; subsequent chairmen Bill Attewell, Don Boudria, John Nunziata, and Paul Szabo were less so inclined. However, the seventh chairman, Liberal MP John McKay, engaged in a substantial effort to promote the application proposal of Taiwan to accede to the World Health Organization.[94]

90 Library and Archives Canada, Political Affairs—Policy and Background—Canadian Foreign Policy and Relations—Taiwan,1989–1989 (December 19, 1988; January 27, 1989; January 30, 1989; January 31, 1989; February 24, 1989; March 7, 1989; April 7, 1989; July 21, 1989; August 14, 1989); Political Affairs—Taiwan—Visits, 1988–1989 (November 3, 1989; September 12, 1990); Political Affairs—Policy and Background—Canadian Foreign Policy and Relations—Taiwan, 1991–1991 (March 28, 1991; April 8, 1991; April 10, 1991); Political Affairs—Policy and Background—Canadian Foreign Policy and Relations—Taiwan, 1989–1989 (July 18, 1989); "Taiwan to Open Ottawa Office"; "Taiwan Office Won't Have"; Gibbens, "Bilateral Trade Opportunities Improving"; Carlisle, "Opportunities Abroad"; Rusk, "Ottawa, Sensitive to Mainland"; Rusk, "Canada to Step Up"; Terry, "Airline and Trade Links"; Bociurkiw, "Canadians Crack the High-Tech Barrier."

91 The Republic of China, Government Information Office, *The Republic of China Yearbook*: Taiwan 2001; Republic of China, Ministry of Foreign Affairs, Zhonghua Minguo 2002; Taipei Economic and Cultural Office, "Taiwan Wins US, European Support."

92 Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 1998*; Canada, House of Commons, Debates: *Official Report*, 36th Parliament, 2nd Session, 273, 401, 1037–38, 1382, 1999.

93 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 1st Session, 8057.

94 Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 2001*.

John McKay succeeded Paul Szabo in January 2001, and a few months later he participated in a delegation of Canadian MPs to Taiwan, organized with the assistance of the Taipei Economic and Cultural Office in Ottawa. The week-long all-expenses paid trip started on August 1, 2001, and members received an invitation to the Presidential Office of Chen Shui-bian.[95] John McKay subsequently published an article in the National Post on August 21, 2001 that detailed the interaction of the delegation with the Chen administration, and the initial coordination of the Friendship Group with the Chen administration on the initiative to promote the application proposal of Taiwan to accede to the World Health Organization:

> When a … delegation comprising eight Members of Parliament, including myself, met with President Chen Shui-bian this month, he raised the issue of Taiwan joining the World Health Organization … President Chen wanted Canada's support … [The People's Republic of] China, however, pressures nations like Canada to resist the application. The "one-China" [agreement] means Taiwan has no legal status and therefore cannot participate in international health initiatives. How sensible is it to jeopardize health because of pressure from [the People's Republic of] China? Is that in our national or international self-interest?[96]

After the August visit to Taiwan, the efforts of the Friendship Group in the Parliament of Canada were directed towards engendering support from MPs and senators for Taiwan's WHO application proposal. From 1998 until 2001, a total of 69 MPs had visited Taiwan, but the specific initiative of the Friendship Group was to collect signatures on a petition.[97] The petition in support of the application proposal of Taiwan was circulated in Parliament in spring 2002, and in a single month 162 MPs and senators signed it.[98] The representative at the Taipei Economic and Cultural Office in Ottawa published an appreciative article in the *TECO News* in summer 2002, wherein he thanked the chairman of the Friendship Group.[99]

The network stepped up its activities even more in the spring of 2003 in the wake of the outbreak of the SARS virus in Taiwan and Canada. The outbreak was evidence of the need to ensure the access of Taiwan to the international health resources available in the World Health Organization, and the support of Canadian MPs and senators for Taiwan's application proposal increased as a result.[100] Canadian Alliance MP Stockwell Day was responsible for the first representation in Parliament on behalf of Taiwan in the midst of the SARS outbreak, and on April 3, 2003 he presented to the Standing Committee on Foreign Affairs and International Trade a resolution in support of the application proposal. This resolution was approved with a vote of 10 in favour and 3 against, and it was later carried forward to the House of Commons.[101]

Day was a participant in a parliamentary delegation to Taiwan from May 16 to 20, 2002, and he was a prominent supporter of the application proposal of Taiwan in the House of Commons.[102] On May 5, 2003, Day delivered a statement to the House in reference to the resolution in the Standing Committee on Foreign Affairs and International Trade, and requested the support of MPs for the resolution. The resolution received support from Canadian Alliance, New Democrat, and Bloc Québécois MPs, but the discipline imposed on Liberal MPs under Prime Minister Jean Chrétien prevented its being approved. The explanation the Liberal government provided for its decision not to support the resolution was straightforward, and it referred to the force of the bilateral "one-China" agreements among World

95 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 1st Session, 7100; Republic of China, Office of the President, "President Chen Meets."

96 McKay, "Taiwan Deserves Our Recognition," A15.

97 Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 1998*; *Zhonghua Minguo 1999*; *Zhonghua Minguo 2000*; *Zhonghua Minguo 2001*.

98 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 1st Session, 6424, 10723, 11088, 11832.

99 Taipei Economic and Cultural Office, "Ottawa Asked to Support."

100 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 2nd Session, 4821, 6444; Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 2003*; Taipei Economic and Cultural Affairs Office, "Message from Representative Thomas Chen."

101 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 2nd Session, 5239, 5813–17, 5866–67, 6454; Taipei Economic and Cultural Affairs Office, "Canadian MPs Support Taiwan."

102 Republic of China, Office of the President, "President Chen Receives a Group."

Health Organization member nations, and the need to develop the support of the People's Republic of China before such an effort to admit Taiwan was feasible.[103]

The decision of the Liberal government to prevent the approval of the resolution in the midst of the outbreak of the SARS virus resulted in recrimination by opposition MPs, who initiated a coordinated effort to develop and support a second resolution in support of the application proposal. Canadian Alliance MP Jim Abbott carried the second resolution into the House of Commons on May 26, 2003, and he delivered a sophisticated statement in its support. Abbott had participated in a parliamentary delegation to Taiwan from January 13 to 20, 2002, but the support he demonstrated for the application proposal of Taiwan emerged in the aftermath of the outbreak of the SARS virus.[104] Abbott's statement to the House was followed with statements in support of the second resolution from Bloc Québécois, Progressive Conservative, and New Democrat MPs, and the sophistication and coherence of each subsequent statement demonstrated the coordination behind the effort. Liberal John McKay also delivered a statement in favour of the second resolution, but in reference to his position as the chairman of the Canada-Taiwan Parliamentary Friendship Group.[105]

The House of Commons voted on the second resolution on May 27, 2003, and it was approved with a vote of 163 in favour and 67 against, because a significant number of Liberal MPs decided to break ranks with the Liberal government, either by abstaining or by voting in favour.[106] Furthermore, a third resolution in support of the application proposal of Taiwan was carried into the Senate of Canada and approved unanimously on June 11, 2003.[107] These resolutions were unable to change the position of the Liberal government, however, because they were not empowered to bind its position, and because the Liberal government was not inclined to change its position until a more comprehensive support for the application proposal was reached in the World Health Organization.[108]

The Canada-Taiwan Parliamentary Friendship Group was forced to reconsider its initiative to support the application proposal of Taiwan in the subsequent months, but in the meantime the Taipei Economic and Cultural Office in Ottawa was engaged in the sustained intensification of the network with the Parliament of Canada. The intensification was initiated in the period subsequent to the initial application of Taiwan to accede as an observer to the World Health Organization, and as a result of this redoubled effort the number of members of Parliament in the Friendship Group increased from a low of 37 in 1997 to a high of 109 in 2004.[109] The number of MPs and senators to visit Taiwan from 1998 until 2004 was recorded at 135. (Although a certain number of MPs were inclined to visit Taiwan for a second or even a third time, the number of invitations from the Taipei Economic and Cultural Office was sustained at an increased level.)[110]

The engagement of the Taipei Economic and Cultural Office in the intensification of the network with the Parliament of Canada received a boost in its earliest period with the appointment of a new representative who had a significant amount of personal and professional experience in Canada. Thomas Chen was appointed to replace Alex Fang in December 2000, and although Chen's efforts were a continuation of his predecessor's, Chen's personal and professional experience in Canada endowed him with many important contacts. One of the most significant was John McKay. Chen and McKay were former members of the faculty of law at Queen's University in Kingston, Ontario, and after Chen was appointed representative at the Taipei Economic and Cultural Office, McKay succeeded to the position of chairman of the Friendship Group in January 2001.[111]

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103 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 2nd Session, 5866–67.

104 Republic of China, Office of the President, "President Chen Meets with a Group"; Interview with Jim Abbott, March 24, 2009.

105 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 2nd Session, 6414–26, 6443–65.

106 Ibid., 6540–6541.

107 Canada, Senate of Canada, *Debates of the Senate* 37th Parliament, 2nd Session.

108 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 3rd Session, 1454, 1456, 2035, 2586, 3185; Canada, House of Commons *Debates: Official Report*, 38th Parliament, 1st Session 2065–66; Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 2004*; Taipei Economic and Cultural Affairs Office, "Canadian Parliament Supports"; Taipei Economic and Cultural Affairs Office, "Canada Thanked."

109 Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 1997*; Zhonghua Minguo 2004.

110 Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 1998–2004*.

111 Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 2000*.

Members of Parliament in the Friendship Group delivered a number of statements to the House of Commons in support of the application proposal of Taiwan in 2004, but the reconsideration of the initiative was not carried into the House of Commons until 2005.[112] The House was in a period of substantial change after a federal election in June. The Liberals were reduced to a minority government, which created an advantageous situation for the Friendship Group.

A new initiative in support of the application proposal of Taiwan was tabled on April 4, 2005, and it was entitled the *Taiwan Affairs Act*. Conservative MP Jim Abbott tabled the *Taiwan Affairs Act* in the House of Commons as a private member's bill, after securing the support of New Democrat and Bloc Québécois MPs. The *Taiwan Affairs Act* was passed forward to the Standing Committee on Foreign Affairs and International Trade for further consideration. Although the Liberal government was opposed, it was not in a position to influence the coordination of the opposition parties in support of the Act. The *Taiwan Affairs Act* was, furthermore, designed to force a change in the position of the Liberal government in reference to the application proposal of Taiwan, because although the resolutions approved in the House of Commons and in the Senate were not empowered to bind the position of the Liberal government, the passage of a piece of national legislation in the form of the *Taiwan Affairs Act* was.[113]

The *Taiwan Affairs Act* was modelled after the *Taiwan Relations Act* of the United States, and the two pieces of national legislation shared a number of similar passages. The *Taiwan Affairs Act*, however, contained some subtle, albeit important, differences. In one respect, the *Taiwan Affairs Act* represented a relaxation in the effort codified within the *Taiwan Relations Act* to expand the boundaries of the "one-China" agreement, because the passage in the *Taiwan Affairs Act* on regional strategic concerns did not include a provision for Canada to export strategic arms to Taiwan. In another respect, the *Taiwan Affairs Act* represented an enhancement in the effort codified within the *Taiwan Relations Act*, because the passage in the *Taiwan Affairs Act* on international institutions contained a provision to support the accession of Taiwan, whereas the similar passage in the *Taiwan Relations Act* contained a provision not to support the expulsion of Taiwan.[114] The passage in the *Taiwan Affairs Act* on international institutions was in fact a representation of the influence of the network with the Parliament of Canada, and of the distance the Friendship Group was prepared to travel to support Taiwan's application: "The Government of Canada shall: support the participation of Taiwan in multilateral international organizations, including the World Health Organization, and urge other states and non-governmental organizations to support this goal so that Taiwan may play a role commensurate with its economic, trade, cultural, social and other positions in the Asia-Pacific region."[115]

The first session of the Standing Committee on Foreign Affairs and International Trade on the subject of the *Taiwan Affairs Act* was convened on June 14, 2005, and the Department of Foreign Affairs delivered a number of statements in reference to its position on the *Taiwan Affairs Act*. The department's representatives were David Mulroney and Ted Lipman, and they explained to the Standing Committee how the "one-China" agreement with the People's Republic of China operated, and how the *Taiwan Affairs Act* endangered its operation. The "one-China" agreement, the two representatives explained, operated on the basis of consultation, and insofar as a consistent process of consultation with the People's Republic of China was maintained, the boundaries of the "one-China" agreement were able to be adjusted as diplomatic circumstances warranted. The *Taiwan Affairs Act* was designed to force Canada to support an expansion in the boundaries of the "one-China" agreement, however, and it therefore interrupted the process of consultation with the People's Republic of China.

112 Canada, House of Commons, *Debates: Official Report*, 37th Parliament, 3rd Session, 1454, 1456, 2035, 2585–86, 3184–85; Canada, House of Commons, *Debates: Official Report*, 38th Parliament, 1st Session, 221–22, 235–36, 2065–66, 3458, 5813.

113 Canada, House of Commons, *Debates: Official Report*, 38th Parliament, 1st Session, 4632–33; Canada, House of Commons, Bill C-357, 1–5; Canada, House of Commons, *Debates: Official Report*, 38th Parliament, 1st Session, 5980–88.

114 Canada, House of Commons, *Bill C-357*, 1–5; United States, United States Congress, *Taiwan Relations Act*.

115 Canada, House of Commons, *Bill C-357*, 4.

This interruption, the two representatives concluded, endangered the sovereign diplomatic relationship Canada maintained with the People's Republic of China, and it furthermore endangered the willingness of the People's Republic of China to compromise on the subjects of international concern related to Taiwan.[116]

The consideration of the *Taiwan Affairs Act* in the Standing Committee continued for a total of seven sessions until November 15, 2005. In the meantime, the People's Republic of China indicated its disapproval of the *Taiwan Affairs Act*.[117] The objective of the People's Republic of China was to preserve the operation of the "one-China" agreement on the basis of consultation, and its disapproval was therefore directed towards the passages in the *Taiwan Affairs Act* wherein the consultation process was interrupted. The passage on international institutions was an obvious example, because it forced Canada to support the accession of Taiwan to a number of international institutions regardless of whether or not the People's Republic of China was in support. The passage on the international status of Taiwan was another example, because although the passage was not intended to define a specific international status for Taiwan, it in fact enabled Canada to develop a relationship with Taiwan on the premise of a sovereign diplomatic relationship.[118] The protest the spokesperson for the ambassador of the People's Republic of China delivered to the media in Canada on June 21, 2005 was in all likelihood in reference to the passage on the international status of Taiwan:

> We take no exception to the development of normal people-to-people exchanges and economic cooperation and trade between Canada and Taiwan. The "*Taiwan Affairs Act*," however, is in essence treating Taiwan as a [state] and aims to change the status of Taiwan being an inalienable part of China and to create "one-China, one-Taiwan" or "two-Chinas." This runs counter to the "one-China" [agreement] the Canadian Government has long pursued. We cannot but express concern about this.[119]

The seventh session of the Standing Committee on Foreign Affairs and International Trade on the subject of the *Taiwan Affairs Act* was concluded on November 15, 2005, but a recommendation from the Standing Committee was not completed before Parliament was dissolved, due to a motion of no confidence, on November 28, 2005. In consequence, the *Taiwan Affairs Act* died on the order paper of bills in the House of Commons, and it was not resuscitated after the resumption of Parliament in April 2006. The number of parliamentary supporters for the *Taiwan Affairs Act* was substantial, and based on the level of support from the New Democrats, the Bloc Québécois, the Conservatives, and some Liberals, 150 is a realistic estimation.[120] The number of participants in the actual decision to draft and table the *Taiwan Affairs Act* is difficult to discern, but insofar as the Act was drafted to solicit the comprehensive support of the House of Commons, the participants probably included MPs from all parties.[121] The significant number of supporters and participants was a representation of the power of the network Taiwan established with the Parliament of Canada, but it also represented its climax insofar as the subsequent Parliament did not resuscitate the *Act*.

Paul Martin's Liberal government was forced to call an election for January 23, 2006, and in the aftermath the Conservatives formed a government under Prime Minister Stephen Harper. The Conservatives were not inclined to reconsider the *Taiwan Affairs Act*, and it was not tabled in the House of Commons for a second time. The Conservative government was forced to come to terms

116 Canada, House of Commons *Standing Committee on Foreign Affairs and International Trade*, 38th Parliament, 1st Session (June 14, 2005), 5980–88.

117 Canada, House of Commons *Standing Committee on Foreign Affairs and International Trade*, 38th Parliament, 1st Session (June 14, 2005), 1–8; (June 20, 2005), 1–8; (October 6, 2005), 1–9; (October 20, 2005), 1–19; (October 25, 2005), 1–6; (October 27, 2005), 1–7; (November 15, 2005), 1–7.

118 Canada, House of Commons, *Bill C-357*, 3–4.

119 People's Republic of China, Embassy of the People's Republic of China in Canada, "Embassy Spokesperson's Remarks."

120 The number of members of Parliament to sign the petition in support of the application proposal of Taiwan to accede to the World Health Organization in 2002 was 162. The number to vote in favour of the second resolution in was 163. In 2005, all opposition parties indicated comprehensive support for the *Taiwan Affairs Act*, and the number of MPs in the opposition parties was 172. The number of MPs in the Canada-Taiwan Parliamentary Friendship Group in 2004 was 109, and the membership was indicated to be over 100 in 2005. See Economic and Cultural Affairs Office, "Ottawa Asked to Support"; Canada, House of Commons, *Debates: Official Report*, 37th Parliament 2nd Session, 6540; Republic of China, Ministry of Foreign Affairs, *Zhonghua Minguo 2004*.

121 The evidence for the participation of MPs from all parties in the draft process of the *Taiwan Affairs Act* was corroborated during a private conversation in Taiwan.

with the importance of the sovereign diplomatic relationship Canada maintained with the People's Republic of China and, in a similar fashion, it was forced to face the fact that the non-sovereign diplomatic relationship with Taiwan was secure within the boundaries of the "one-China" agreement. It signalled the change in its disposition to the People's Republic of China on March 12, 2008 with a speech delivered to the heads of mission from the Asia-Pacific region in Ottawa. In the speech, Maxime Bernier, the minister of foreign affairs, referred to the adherence of the Government of Canada to the "one-China" agreement, and he reiterated the commitment to the development of diplomatic relations with the People's Republic of China and Taiwan inside the "one-China" boundaries.[122] The People's Republic of China in turn signalled its reception of the speech on March 16, 2008, when a spokesperson from its Foreign Ministry indicated the appreciation of the People's Republic of China for the change in disposition.[123]

The support for the application proposal of Taiwan to accede to the World Health Organization as an observer was developed in a gradual fashion in consultation with the People's Republic of China, and its accession was achieved on April 29, 2009, after the People's Republic of China announced its decision to withdraw its objections at the World Health Assembly.[124] The administration of President Ma Ying-jeou was a significant factor in the decision, because it was the first Government of Taiwan to respect the operation of the international network of bilateral "one-China" agreements with the People's Republic of China. The network Taiwan established with the Parliament of Canada was still in operation after the election of President Ma Ying-jeou, however, and the visits of members of Parliament from Canada to Taiwan were still common and important events. Jim Abbott succeeded John McKay to the position of chairman of the Canada-Taiwan Parliamentary Friendship Group, and in an interview on March 24, 2009 he indicated his intent to enhance the non-sovereign diplomatic relationship with Taiwan, albeit within the boundaries of the "one-China" agreement.[125] The latest delegation of MPs to visit Taiwan departed on July 6 and returned on July 10, 2009.[126]

122 Canada, Department of Foreign Affairs, "Notes for an Address."

123 People's Republic of China, Ministry of Foreign Affairs, "China Applauds."

124 Bradsher, "Taiwan Takes Step Forward."

125 Interview with Jim Abbott, March 24, 2009.

126 Republic of China, Office of the President, "President Ma Meets."

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4

DER-YUAN WU

BRIDGING "FORBIDDEN" AND "TRUE NORTH" NATIONS: TAIWAN'S AGENCY IN CANADA'S CHINA POLICY

Abstract

Taiwan (the Republic of China), regardless of its administration, has, broadly speaking, sought to affect Canada's China policy by aiming to be treated as a distinct entity deserving equal and dignified status, with or without reference to the People's Republic of China. This paper explores the various methods, issue areas, and key themes in Taiwan's management of its relations with Canada, with varying emphases across administrations since the early 1990s.

When Taiwan has tried to affect the course of Sino-Canadian relations, it has been mainly in the legitimate context of an effort to gain some kind of recognition as an autonomous entity apart from and not subject to the sovereignty of the People's Republic of China. At the same time, Taiwan's efforts to gain attention from both the Canadian government and the Canadian public have led Taiwan to stress common values and commitments in ways that have in turn affected Taiwan's own evolution as a democratic polity; and Taiwan's promotion of substantive relations with Canada in several issue domains has also shaped its engagement with other countries in various ways. These developments are demonstrated in some international aspects of Taiwan's higher education and science and technology policies, as well as in much of its aboriginal policy. In the course of policy development, Taiwan's priorities in regard to the mainland-international nexus and its guiding themes of economic prosperity, democracy, and human rights have varied from administration to administration.

Introduction

In the context of the People's Republic of China's rise and the waning hegemony of the United States, Canada, like other states in the world, has found it necessary to review its China policy. New policy initiatives by Stephen Harper's government, such as sending International Trade Minister Stockwell Day to Beijing,[1] a visit by Foreign Minister Lawrence Cannon,[2] and finally a visit by Prime Minister Harper in December 2009, show signs of a policy readjustment after the 2008 federal election. But a rational and comprehensive Canadian policy toward China cannot be developed without taking into account the Taiwan factor. The factual existence of the island state (the Republic of China) was a "problem" during much of the Cold War era for both the normalization of Canada-China relations and the development of Canadian-American ties. At the time, insofar as four-party relations were concerned, Canada often confined its interactions simply to the United States or China and had little direct communication with Taiwan, especially after de-recognition in 1970. On some occasions, Canada's policy actions were frustrated by the Taiwan factor, as illustrated by the episode of Taipei's participation in the 1976 Montreal Olympics. In the contemporary context, with Chinese ascendancy and an ongoing dramatic cross-Strait rapprochement that is changing the contours of the Asia-Pacific security community, Ottawa's interests would be better served by paying more attention to Taipei's perspective as well as Taiwan's policy toward Canada.

As a fundamental issue encountered in practical diplomacy, the maintenance or promotion of relationships with particular countries is often imbued with a realist policy orientation. According to a common-sense assumption, allocation of diplomatic resources is inevitably selective, and resources

1 Wheeler, "China Becomes the Great Wall"; Lee-Young, "Canada Warms Up."

2 Mackinnon, "Canada Resumes 'Quiet Diplomacy'"; Clark, "Cannon Lays Groundwork."

thus should be aimed primarily at improving ties with great powers rather than with other states of equal or lower rank. As an interesting parallel, in many foreign policy analyses, the relationships between less-than-great powers, especially those with a dyadic special linkage to a neighbouring great power, are often neglected.[3] The relationship between Taiwan and Canada, in the context of their respective connections with China and the United States, is the very case in point. Since there are only a few great powers in the world and relationships among less-than-great powers constitute another important but often overlooked part of international relations, they deserve more attention.

The case of Canada-Taiwan relations is part of the broader "one China" problem, and the interactions between the two less-than-great powers may cast new light on how unofficial and soft power diplomacy is undertaken in areas where the "high politics" issue might be invoked. Against this backdrop, some questions may arise: Is there a distinct Canada policy for Taiwan? Or is Taiwan's Canada policy simply "business as usual"? Has Taiwan tried to swing Canada's China/Taiwan policy in its own favour? (It should be noted that while some of Taiwan's policy initiatives toward Canada might ultimately target Beijing either directly or indirectly, others might not be readily reduced to this goal, or might be tarnished by "ulterior motives.") If so, how can this be demonstrated? Are there guiding themes or principles that are related to the development of Taiwan's foreign policy toward Canada? Can a transformation of policy discourses across administrations be discerned?

This paper assumes that Taiwan, regardless of its administration, has, broadly speaking, sought to affect Canada's China policy, by aiming to be treated as a distinct entity deserving equal and dignified status, with or without reference to China. In addressing how Taipei attempts to affect Canada's China/Taiwan policy, it explores the various methods, issue areas, and key themes in Taiwan's management of its relations with Canada, with varying emphases across administrations since the early 1990s. This requires, first, a sketch of overall bilateral relations in a historical context. Then the paper focuses upon the contemporary setting and seeks to identify the major themes and functional areas of Taiwan-Canada relations and the approaches by which Taipei constructs, maintains, or strengthens its ties with Canada. Changes in priorities are traced through three successive governments in Taiwan. To demonstrate both change and continuity, the paper examines aboriginal affairs, education and science and technology; economic and trade policy are excluded only because of space limitations. The paper then explores the direction in which the engagement and influence have flowed, from either side of the Pacific; examines the distinctiveness of Taiwan's Canada policy; and discusses the bilateral relationship in light of Taiwan's mainland-international policy linkage.

The paper draws mostly from Taiwan government agency publications, relevant website sources, and interviews with Taipei government officials, incumbent or retired. The Ministry of Foreign Affairs (MOFA) is obviously the key organization responsible for the governance of bilateral relations, and its *Republic of China Diplomatic Almanac* records in detail the meetings, exchanges, official visits, and other developments in Taiwan's public diplomacy.[4] Other Taiwanese government agencies, including the Ministry of Education (MOE), the National Science Council (NSC), and the Council of Indigenous Peoples (CIP), are also involved in the institutionalization of bilateral ties with Canada in their respective functional areas and have also yielded information for this paper.

Historical Context

Both before and after the Chinese Nationalist (Kuomintang, or KMT) government relocated itself in Taiwan in December 1949, Canada was on the brink of recognizing the Communist regime in Beijing. The eruption of the Korean War put the Canadian plan on hold, however,[5] and until Sino-Canadian diplomatic relations were formally established in 1970, the Nationalists continued to maintain a diplomatic presence in Canada. The Canadian government had never set up any representation in

3 This predisposition was highlighted in a literature review in relation to Canada and Taiwan in my unpublished thesis; Wu, "Institutional Development and Adaptability." For its updated and reformulated publication in Chinese, see Wu, *International Constitution*.

4 The MOFA *Diplomatic Almanac*, in Chinese, was published annually in print through 1996 and has been published online since 1997 at http://www.mofa.gov.tw/web_UTF-8/almanac. The almanac is cited in this paper only when a specific page is of note.

5 Beecroft, "Canadian Policy," 49–52; Ronning, *Memoir of China*, 171–75; Wu, "Institutional Development and Adaptability," 95–97.

Taipei, however, and before the de-recognition, Canadian ties with the Republic of China (ROC) on Taiwan were, as a Department of External Affairs officer put it at the time, "friendly but not intimate relations."[6] Much of Taipei's effort during this time was aimed at influencing Canada's China policy to accept the Nationalists' position as representing China to the world. Taipei's major concerns were to increase Canada's support for its claim to the "China seat" in the United Nations, to bring about an expansion of diplomatic or consular representation in Canada, and to persuade Ottawa to set up an embassy on the island.

On October 13, 1970, Canada established diplomatic relations with the People's Republic of China (PRC), with a formula by which Ottawa recognized Beijing as the sole legal government of China while taking note of the Chinese position that Taiwan is an inalienable part of China. From then on, Ottawa no longer recognized Taipei as the locus of the Chinese government. In the aftermath of the breakup, bilateral relations went through a period of turmoil, with disputes often revolving around the display of the Nationalist official nomenclature and other relevant symbols on Canadian soil. This notably culminated in the mid-1970s crisis over Taiwan's participation in the 1976 Montreal Olympics.[7] During these turbulent years, especially in the 1970s and early 1980s, some of the Canadian diplomatic establishment—obviously assuming Taipei's foreign policy was made by a unitary set of individuals or organizations—held that the Nationalists were deliberately capitalizing upon all available opportunities to politicize bilateral relations through the display of ROC symbols in order to sabotage the newly established Sino-Canadian diplomatic ties. These symbols were present when Taipei participated directly in Canadian trade fairs, book fairs, or international conferences as well as when it indirectly sponsored activities undertaken by the local Chinese-Canadian community or visits by Taiwanese cultural troupes.

On the other hand, from the time of de-recognition to the early 1990s, Canada-Taiwan relations were transformed and directed into several functional "low politics" domains, primarily through unofficial channels, with discrete, typically individual-based or trade-related organizational forms of representation. For Taipei, this sort of representation was performed by the Central News Agency, the Far East Trade Service, or the Chunghwa Chamber of Commerce, whereas for Ottawa, the comparable function was served by individual Canadians living in Taiwan, the Canadian Society,[8] or Canada's Chamber of Commerce. The main parts of this representation were reassembled through the establishment of the Canadian Trade Office in Taipei (CTOT) in 1986 and the Taipei Economic and Cultural Office (TECO) in Canada in 1991.[9] Since then, bilateral relations between Canada and Taiwan have been in their contemporary phase.

Taipei's Policy Objectives and "High Politics" Issues: Continuity and Change

Arguably, it is in the contemporary phase of development that Taiwan is genuinely able to expand and institutionalize substantive ties with Canada with fuller agency. From Taipei's perspective, the establishment of a TECO office in Ottawa in 1992–93 was an unprecedented milestone after the Canadian de-recognition in 1970. It brought many of the previously discrete domains of representation back under the umbrella of a consolidated organizational framework in which the functions of public, consular, economic, cultural, information, and technological affairs, nearly identical to those of an official embassy, are performed. It provided a solid organizational basis enabling Taipei to broaden and deepen bilateral exchanges, as well as to coordinate its efforts across various policy sectors.

The opening of TECO Canada was achieved when President Lee Teng-hui of the KMT was in his first presidency. After the KMT lost in the 2000 presidential election, Chen Shui-bian's Democratic Progressive Party (DPP) came into office. When in power, the DPP government became more and

6 National Archives of Canada, Department of External Affairs file 20-1-2-Taiwan, Part 1.2, Vol. 10057: Memorandum for Minister, May 12, 1966.

7 Wu, "Institutional Development and Adaptability," 255–92.

8 The Canadian Society in Taiwan (http://www.canadiansociety.org) was created in 1983 by a group of Canadians, in response to the absence of official Canadian representation in Taiwan at that time. In 1984, the Canadian Society was officially registered with the Ministry of Interior as a foreign association—the first of its kind in Taiwan.

9 In March 1991, TECO Canada was first established in Toronto. One month later, TECO Vancouver was set up. Another TECO office in Ottawa was formed in July 1992. Then, in August 1993, TECO Canada was relocated to Ottawa. (Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac, 1994*, 235–36). Some representation continued through other institutions as well, including the Central News Agency, the Taiwan Trade Center (successor of the Far East Trade Service), and the Canadian Society.

more aggressive in pushing forward Taiwan's international visibility. Taiwan's profile in Canada was raised accordingly. Eight years later, Ma Ying-jeou's KMT took over the state mechanism again and adopted a new approach that departed significantly from those of his predecessors. This section deals first with overarching policy objectives and personnel deployment for representation during these three administrations.

Obviously, Taiwan's new form of representation in Canada through the TECO mechanism would not be working effectively without some fundamental guiding institutional framework having been put in place. In other words, the general objectives of Taiwanese foreign policy have set the parameters for governing its ties with Canada. The overall policy objective specifies what is to be pursued. As divergent values underlaid the agendas among the Lee Teng-hui, Chen Shui-bian, and Ma Ying-jeou governments, the priorities of Taiwan's policy toward Canada changed accordingly. Although there is some thread of continuity in such policy goals as "expanding or enhancing substantive ties with the outside world," including the similarity of measures taken across such policy domains as economic, education, and technological affairs, the primary themes or policy discourses highlighted and the approaches adopted generally varied between the three administrations.

In the preface of the 1994 *Diplomatic Almanac*, "freedom, democracy, human rights and economic development" were identified as universal values in the world. This highlighted reference provided the primary rationale for Taiwan's foreign policy initiatives at the time. In these years, constitutional reform and economic development were not only underscored as major domestic goals, but were also translated into international policy, aiming to promote substantive ties based upon Taiwan's achievement in both realms. Meanwhile, "improving cross-Strait relations and pursuing rights to participate in international organizations and affairs" were also accentuated as main tasks.[10] These have provided the raison d'être for Taiwan's bids for participation in the UN and the World Health Organization (WHO)[11] since 1993 and 1997, respectively. In 1997–98, the Lee Teng-hui government set policy goals to uphold the "democratic idea to safeguard peace in the Taiwan Strait" and to use "economic and trade [relations] to promote pragmatic diplomacy."[12]

TECO Canada, under the leadership of Jason Yuan and Fang Chin-yen for the Lee Teng-hui administration, sought to promote Taiwan's standing as deserving dignified international participation based on its achievements of economic prosperity and democracy. Through sponsoring various forums, speeches, or activities, TECO Canada gained support for its causes by mobilizing local Chinese-Canadian community members as well as targeting a selective audience in policy and academic circles, albeit using relatively low-profile methods. In particular, Fang, who had served as deputy foreign minister before taking the post in Canada, was instrumental in building momentum for Taiwan's UN bid in the early 1990s, "hoping to create a condition where Taipei could co-exist equally with Beijing in international society [and] thereby benefiting cross-the-Strait relations."[13] In some sense, this meant Taiwan's international policy at the time was not subsumed by its mainland policy. In his tenure at TECO Canada, not surprisingly, Fang continued to pursue the cause of the UN bid and WHO participation. He also sought to assert Taiwan's de facto sovereignty status, albeit in a low-key way, notably by stressing Taiwan's primary jurisdiction in the controversial *Maersk Dubai* incident of 1996.[14] In helping settle the case, Fang tactfully instructed his delegates not to challenge the legality in court of the Royal Canadian Mounted Police's arrest of Taiwanese crews after the ship docked in Halifax. Instead, his agents appealed to the stipulation in the law of the sea that the flag state possesses primary jurisdiction in the high seas—a move that highlighted, if indirectly, the de

10 Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac, 1994*, 3.

11 Taiwan "has been seeking to participate in the WHO since 1997 [and has] also consistently set observers status at the World Health Assembly as an important goal"; Taiwan, Ministry of Foreign Affairs, "Taiwan's Request." The World Health Assembly (WHA) is the supreme decision-making body for WHO.

12 Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac, 1998*, preface.

13 Yi, "Exemplar Persists," 94.

14 The incident in March 1996 drew much international attention. Crewmen on the vessel claimed that its Taiwanese officers had thrown stowaways overboard. The Dalhousie University libraries collected much information on the incident and its follow-up in Collection No. MS-8-203; http://www.library.dal.ca/DUASC/FindingAids/MS_8_203/#a0.

facto sovereignty of the ROC on Taiwan—while promising that the Taiwanese crews would be put on trial fairly in the courts of the island state.[15]

As the Lee Teng-hui government left office in 2000, the relatively low-key approach of defending Taiwan's de facto independence as well as accentuating its democratization and its economic achievement in order to build international support yielded to more aggressive strategies adopted by the DPP government. The Chen Shui-bian government put a much greater focus on promoting democracy, multiculturalism, and human rights as major policy objectives that were closely linked to and extended from the administration's domestic initiatives. While the Lee administration had tended to stress Taiwan's achievements in economic development and political democratization as dual common denominators on the basis of which Canada-Taiwan bilateral relations could be enhanced, the Chen government was inclined to put more emphasis on themes that usually contain greater political connotations, such as democracy, multiculturalism, and human rights, and it proposed that both sides could learn from each other's experiences. It should be noted that some of the key themes stressed by the DPP government had actually already been identified as potential terrains for bilateral cooperation since the mid-1990s. Cooperation between Canada and Taiwan on aboriginal affairs, which is to be elaborated further in the next section, is a case in point. To be brief, although the two countries reached a Memorandum of Understanding (MOU) on Aboriginal Affairs Cooperation in late 1998, its implementation was less evident in Lee's last two years in office. Nevertheless, it was during the Chen administration from 2000 to 2008 that much more comprehensive and deeper mutual exchanges were undertaken and witnessed in this domain.

Aboriginal affairs indeed stood far out as a distinct area where the DPP government could boast of real practice in democracy, multiculturalism, and human rights. In many ways, the relatively high profile of the issue area in the DPP years was related to domestic Taiwanese politics and its international engagement. The DPP's emphasis on aboriginal affairs was closely connected to Taiwan's identity politics and the "indigeneity" of Taiwan as a whole, and it was used as a way of setting Taiwan's identity apart from China's.[16] It should be noted that among the domains of Taiwanese international engagement in the multilateral setting, aboriginal affairs had scored high visibility long before. For example, Taiwan's activities in the Unrepresented Nations and Peoples Organization (UNPO), where DPP supporters had long been present, gave an international dimension to the deprivation of sovereign rights with which other indigenous peoples across the globe could identify, thus collectively promoting their common cause. This was a real boon for Taiwan, as Taiwanese indigenous delegates' participation in annual meetings of the Working Groups on Indigenous Populations in the UN Human Rights Commission could be traced to as early as 1988 and the delegations had become even more active in the mid-1990s. These working groups also provided Taiwanese aboriginal delegates, led by Icyang Parod, a unique UN-level forum in which to lash out against the PRC's missile tests around Taiwan in 1996.[17]

Since the improvement of aboriginal living and cultural conditions constitutes one of the legitimate realms of human rights, and would demonstrate the practice of plural democracy and multiculturalism in Taiwan, the Chen government naturally identified and promoted aboriginal affairs and human rights together as primary areas where Taiwan could share values with Western democracies. The Chen administration expected its endeavours in these domains would at least be appreciated and recognized by the international community, including Canada. Various policy actions taken from 2000 to 2008 indicated the primary importance the Chen government attached to democracy and human rights as well as the vital role played by aboriginal affairs. For example, the administration appointed ambassadors at large on aboriginal affairs[18] and human rights and encouraged frequent mutual visits of aboriginal or human rights delegations between Canada and Taiwan. At the institutional level there were exchanges between think tanks on such themes as human security, the formation of the Taiwan Foundation for Democracy (TFD), and the establishment of the Democratic Pacific Union (DPU).

15 Yi, "Exemplar Persists," 96; Hsia, "Setting Exemplar."

16 My interview with an anonymous MOFA official on April 21, 2009. Jeremy Paltiel also rightly highlighted this point in his comments on an earlier draft of this paper.

17 Parod, "Participation Report."

18 The first to take the post was Masegeseg Z. Gagu.

In September 2001, Taiwan's human rights delegation, including two ambassadors at large and the deputy minister of the Council of Aboriginal Affairs (renamed the Council of Indigenous Peoples in March 2002), visited the Canadian Human Rights Commission. Subjects of discussion included general human rights and the rights of women and aboriginal and disabled people.[19] The following March, the chief commissioner of the Canadian Human Rights Commission, Michelle Falardeau-Ramsay, in turn made a visit to Taiwan.[20] The establishment of the TFD in June 2003 was a milestone for Chen's human rights and democracy diplomacy. As the first national democracy assistance foundation in Asia, the TFD aimed to "consolidate and transform Taiwan's democracy [and] keep in step with international democratic processes to spread Taiwan's democratic experience."[21] In international networking, the TFD played an active role in inviting well-known international democratic leaders, including former U.S. president Bill Clinton, former Polish president Lech Walesa, and former South Korean president Kim Young-sam; initiating the World Forum for Democratization in Asia in 2005 and the Initiative and Referendum Institute-Asia in 2006; and participating in the Community of Democracies and the World Movement for Democracy.[22] It also established the Asia Democracy and Human Rights Award.[23]

On October 31, 2003, en route to Central America for a state visit, Chen Shui-bian received an award from the International League for Human Rights and made a speech in New York, which symbolized and culminated his human rights diplomacy. Moreover, to highlight Taiwan's human rights accomplishments regarding the international disabled community, the First Lady of Taiwan Career Award was created; it was presented on the 11th annual United Nations International Day of Disabled Persons.[24] In mid-August 2004, the Democratic Pacific Conference, initiated by Vice-President Annette Lu, was held to build ties among legislators of democracies in the Pacific basin, and it concluded with the Pacific Declaration. One year after, the DPU was formed in Taipei. Canadian parliamentarians, led by Mac Harb, were invited for the ceremony and became members of the newly established organization. In January and May 2005, President Chen Shui-bian visited Taiwan's allies in the South Pacific. This trip not only revealed Taipei's intensifying diplomatic maneuvering in the region but also served as a prelude to an aboriginal-centred Austronesian diplomacy. In 2005 alone, a large number of diplomatic initiatives related to democracy and human rights were undertaken for this purpose.[25]

Meanwhile, the Chen government's support for the cause of democracy won much appreciation from the Canadian Coalition for Democracy (CCD), founded in 2003, which was critical of the federal government's failure to support such sister democracies as India, Israel, and Taiwan. Before and after Beijing passed the Anti-Secession Law in March 2005, the CCD made statements to support Taiwan and urged Prime Minister Paul Martin's Liberal government to review its "one China" policy. This position was illustrated in a speech given by CCD's president, Alastair Gordon, during a "Support Taiwan" rally in Toronto in March. Later, on November 1, 2005, Gordon and his colleagues testified at hearings on the Taiwan Affairs Act before the House of Commons Standing Committee on Foreign Affairs and International Trade.[26] In 2006–07, moreover, the TFD became a must-visit institution for Canadian delegations of parliamentarians and scholars; such delegations were seldom seen after the transfer of power in May 2008.[27] The DPP government's democracy diplomacy culminated in an initiative at the Global Forum on New Democracies, which was proposed by Chen Shui-bian himself.

19 Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac*, *2001*, 221.

20 Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac*, *2002*, 231–32.

21 Jin-pyng Wang, TFD chairperson and Legislative Yuan speaker, remarks on the first-anniversary celebration, in "Taiwan Foundation for Democracy," a short pamphlet introducing the TFD.

22 The Community of Democracies was established in 1999 by the governments of Chile, the Czech Republic, India, Mali, Mexico, Poland, Portugal, South Africa, South Korea, and the United States. The TFD was invited to participate in 2005. The World Movement for Democracy was initiated by the US National Endowment for Democracy in 1999.

23 Taiwan Foundation for Democracy, "5th Anniversary."

24 "Ralph Meehan Wins."

25 In the *Diplomatic Almanac*, MOFA estimated there were approximately 173 initiatives, including inter-parliamentary diplomacy, in total.

26 Gordon, "CCD Speech"; Gordon's evidence before the House of Commons Standing Committee on Foreign Affairs and International Trade, November 1, 2005, http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=2077985&Language=E&Mode=1&Parl=38&Ses=1.

27 These delegations included those of parliamentarians led by Stephen Owen, Barry Devolin, Donald Boudria, and Fabian Manning as well as scholars, namely Andrew Cohen, David Harris, Judith Ann Nagatz, and T.V. Paul.

It concluded with a gathering of former presidents of Bulgaria, South Korea, Poland, South Africa, El Salvador, Mongolia, and Romania on January 26, 2007.[28]

Academic or think tank exchanges on democracy and human-rights-related themes were often undertaken from 2000 to 2008. For example, in December 2002, the Institutes of International Relations at both National Chengchi University and the University of British Columbia held a Conference on Human Security. The Canadian participants included Professors Paul Evans and Brian Job. Almost at the same time, members of Canadian think tanks, including Professors Bernie Frolic, Jacob Kovalio, and Richard Guisso, visited Taiwan. One year later, an academic delegation led by Professor Victor Carl Falkenheim followed suit. In the heyday of the DPP's democracy diplomacy in 2005, Thomas Axworthy, the chair of the Centre for the Study of Democracy at Queen's University, was invited to visit Taiwan.

The Chen government also seized upon the outbreak of SARS in both Canada and Taiwan to push for Canadian support for Taiwan's participation in the World Health Organization, or its supreme decision-making body, the World Health Assembly (WHA), beginning in 2003.[29] The House of Commons and the Senate passed non-binding resolutions to support Taiwan's observer status in the WHA on May 27 and June 12, 2003, respectively. In the following year, Canadian MPs continued to press the federal government to support Taiwan's participation. This prompted the Canadian delegate to the WHA to make explanatory statements on May 17, 2004. In November, a Canadian government representative also spoke in favour of observer status for Taiwan when the WHO deliberated upon an amendment to International Health Regulations (IHR). Next year, Canadian MPs continued to pass resolutions to support Taiwan's participation in the WHA. In the meantime, the amendment to the IHR based upon the principle of "universal application" was passed, and the Canadian endorsement for Taiwan's participation was restated. Similar support by the Canadian parliament was won in 2006 with a letter endorsed by 151 parliamentarians and addressed to Lee Jong Wook, the secretary general of the WHO. In May 2007, Tony Clement, the Canadian health minister, publicly expressed his government's endorsement for Taiwan's participation. In the meantime, Chen Shui-bian's administration also repeatedly dispatched ambassadors at large to Canada to get government and popular support for Taiwan's bid.

During its eight years in power, the DPP government was assertive in efforts to institutionalize Canada-Taiwan relations along the lines of the American model, where substantive bilateral relations are governed by a domestically codified framework of the Taiwan Relations Act.[30] The introduction of Bill C-357, the Taiwan Affairs Act (TAA), by Jim Abbott in the House of Commons on April 4, 2005, provided opportunities for Taipei to influence Ottawa's agenda setting in this direction. Although the TAA was drafted cautiously so as not to transgress the PRC's "one China" red line by aiming to "provide an improved framework for economic, trade, cultural and other initiatives between the people of Canada and the people of Taiwan," it incited heated debates in the House of Commons that lasted for more than six months, creating serious concerns in both the Department of Foreign Affairs and International Trade and the PRC's embassy.[31] The bill became dormant in the fall of 2005, because of the dissolution of Parliament for the federal election, but the deliberation process helped raise much concern over the Taiwan issue in Canada. As an anonymous MOFA official put it, this episode also symbolized a transformation of Taipei's strategies from seeking merely non-binding resolutions in Parliament on matters such as Taiwan's WHA participation toward aiming for binding legislation.[32]

28 Taiwan Foundation for Democracy, "5th Anniversary."

29 In fact, before 2003, some Canadian MPs, notably John McKay, wrote to Canada's prime minister and foreign minister asking for support for Taiwan's participation; "Ottawa Asked to Support."

30 It should be noted that while the "Canadian formula" of 1970 broke the ground for the international community to normalize relations with Beijing, the Japanese and American practices went even further to pursue the simultaneous establishment of permanent institutional representations and legalization of non-official relations with Taiwan, in 1972 and 1979 respectively. See Wu, "Institutional Development and Adaptability"; Wu, "Canada and the Global Diffusion"; Wu, *International Constitution*.

31 House of Commons, *Debates*, 38th Parliament, 1st Session, Vol. 140, no. 099, May 16, 2005. Evidence before the House of Commons Standing Committee on Foreign Affairs and International Trade, May 3, 2005, http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=1812316&Language=E&Mode=1&Parl=38&Ses=1; November 1, 2005, http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=2077985&Language=E&Mode=1&Parl=38&Ses=1.

32 The juxtaposition of "non-binding" and "binding" was drawn from Myles Hulme's interview with a MOFA official in Taipei, on July 28, 2009.

Although several MPs and the Canada-Taiwan Parliamentary Friendship Group (CTPFG) evidently played a direct role in the TAA deliberations, the policy process of its issue framing and agenda setting was more or less shaped by TECO Canada.

The CTPFG was formally created in December 1992. As the largest subgroup in Parliament, with more than 100 members among MPs and senators, it aimed to promote substantive ties with Taiwan. Like numerous parliamentary groupings in other countries that had a clear disposition toward Taiwan, the CTPFG constituted one of the core Taiwan lobbies that exerted influence on Taiwan-related policy-making by the Canadian federal government. On average, three delegations of parliamentarians were assembled to visit Taiwan each year. Some politicians were also solicited to attend particular symbolic events, often organized along the themes of security, democracy, and human rights. For example, three parliamentarians led by Senator David Smith were invited for a one-week visit to attend the first annual meeting of the International Parliamentary Forum for Asia-Pacific Security in January 2004. Similarly, Senator Mac Harb visited Taiwan and attended the ceremonial establishment of the DPU in August 2005. Two years later, he and MP Nina Grewal came back to participate in the DPU annual meeting. The Canadian visits to Taiwan were reciprocated with trips from sister Taiwanese organizations, and groups parallel to the CTPFG were formed in Taipei. For instance, on August 21, 2005, a Taiwan-Canada Parliament Social Group delegation led by Legislator Cheng Kuo-chong visited Ottawa to meet their counterparts, including MPs Don Boudria and David Kilgour.[33]

Dr. Thomas Chen served at TECO Canada for most of the eight-year DPP administration until his successor, Dr. David Tawei Lee, took office in April 2007. In his tenure, Thomas Chen significantly raised Taiwan's visibility in Canada. Taiwanese parliamentary, human rights, and democracy diplomacy toward Canada was conducted, with his staff's logistical support. In addition, the WHO/WHA and UN bids and the TAA were among the core issues during his years. Additionally, he made mutual visits by high-level officials one of his top priorities.[34] As such, the majority of Taiwanese cabinet-level officials, with the exception of the foreign minister, the defense minister, the vice-premier, and the premier, visited Canada during Chen's tenure. Perhaps most noteworthy was the visit in February 2007 by Dr. Joseph Wu, in his capacity as the chair of the Mainland Affairs Council, before he took the position of representative of the Taipei Economic and Cultural Representative Office in Washington, DC.

Capitalizing on a global trend of soft power diplomacy, Chen launched a quarterly Web-based edition of *TECO News* as a major forum to enhance local understanding of Taiwan's accomplishments on democracy, multiculturalism, and human rights, as well as of the state of bilateral exchanges. Despite its seemingly non-political function, the publication highlighted any event with a connotation of de facto recognition for Taiwan's sovereignty. For example, *TECO News* devoted a whole page to celebrating a Quebec Superior Court decision affirming that Taiwan exists as a state and benefits from jurisdictional immunity under the State Immunity Act.[35] Various social events were held in Chen's official residence during his tenure, and all were explicitly reported in *TECO News*. These events included the launch of the Capital Style Magazine Angel Foundation, the reception of Miss Canada 2003, local charity events, a breast cancer fundraiser, and a fashion show fundraiser.[36] Although these soft power events might not have directly aimed to shape Canadian policy, they nevertheless helped project a new brand of Taiwanese representation.

It should be added that, at the time, neither TECO Canada nor its representative, Thomas Chen, monopolized all major bilateral-oriented social functions or activities. TECO Toronto and its directors general, for example, were also quite active in promoting exchanges through frequent meetings and visits with Canadian elites from various policy sectors, which were recorded in the *Diplomatic Almanac,* at least from 2003 to 2007.

33 In January 2009, the group was chaired by Legislator Kuo-dong Liao; http://webhost1.ly.gov.tw/10964/bo-blog/read.php?31.

34 My interview with an anonymous MOFA official in Taipei, April 21, 2009.

35 "Canadian Court Recognizes." The case was *François Parent v. Singapore Airlines v. Civil Aeronautics Administration* (2003).

36 "TECO Hosts Angel Foundation Launch"; "TECO Hosts Miss Canada"; "TECO Hosts Local Charity Events"; "TECO Hosts Breast Cancer Fundraiser"; "TECO Hosts Fall Fashion Show."

Other Taiwanese public diplomacy measures included inviting the chief-level editors or columnists of major Canadian media to visit Taiwan. For example, in November 2003, Chris Nelson, editor-in-chief of the *Calgary Sun,* made a trip to Taiwan. Shortly after, a well-known international columnist from the *Vancouver Sun*, Jonathan Manthorpe, was invited for a longer visit in February 2004. One year later, Kirk LaPointe, the managing editor of the *Vancouver Sun,* went to the island for a visit.

While much of the parliamentary diplomacy and local engagement activities as well as other measures to implement the goal of enhancing substantive relations with Canada continued after May 2008, the Ma Ying-jeou administration departed significantly from its predecessors in its formulation of fundamental objectives and approaches. As officially stated, the Ma government has sought to promote "flexible (or viable) diplomacy" and to uphold the principles of "dignity, autonomy, pragmatism and agility."[37] It has also delivered to both domestic and external audiences the message that it wants a diplomatic truce with Beijing. In a senior MOFA official's view, "For too long, we have suffered the infamous label of using chequebook (*sic.*) diplomacy and being troublemakers in the Pacific … The previous government lost rather than gained diplomatic partners … while losing the friendship of almost all the major countries."[38] Therefore, the Ma government tried to shift Taiwan's image away from that of "troublemaking" and toward "peacemaking." In the meantime, at least at the time of writing, aboriginal affairs and human rights, and to a lesser extent democracy, have lost their position as primary policy objectives. Instead, Canadian approval of visa waivers for Taiwanese visitors and mutual cooperation in such functional areas as science and technology have been promoted to primary concerns for the administration. This juxtaposition may become clearer in the broader context of functional issue areas.

Asserting Agency in Various Issue Domains

To achieve Taiwan's overarching foreign policy objectives, the main task of its policy toward Canada, as toward other Western countries, is to promote both substantive relationships and Taiwan's brand. Indeed, the communications aspect of public diplomacy has increasingly become a vital part of Taipei's interactions with Ottawa, as partly shown in *TECO News*. Toward that end, there are a variety of means by which Taiwan has sought to cultivate and strengthen bilateral linkages. As noted above, these include the promotion of reciprocal visits by cabinet-level executives or legislature members and the solicitation of support via agents such as the CTPFG. Taiwan's policy has also focused on convening bilateral consultations between officers from government agencies and NGOs from both countries, typically in such areas as higher education, the initiation of the Taiwan Scholarship Program, the twinning of cities, and the conclusion of MOUs or the exchange of letters on various functional issues. This section outlines several institutionalized bilateral exchanges in city-to-city relationships, aboriginal affairs, education, and science and technology.

At the local level, twinning of cities and city-to-city mutual visits are often components of contemporary Canada-Taiwan exchanges. For example, at the invitation of TECO Vancouver, Alberta's capital city, Edmonton, signed "Trade Cities" agreements with the three largest metropolitan cities in the island, namely Taipei, Taichung, and Kaohsiung in January 2004.[39] Oxford, Ontario, the hometown of missionary George Leslie Mackay, who is revered in Taiwan, entered into a twin cities agreement with Tamsui (Danshui) in Taipei County and dispatched a 22-member group to visit Taiwan and celebrate the historical legacy of Mackay in March 2002. Five years later, a large delegation of Canadian mayors and officials made a special visit to Taiwan.

It should be emphasized that while many bilateral exchanges are supposed to fall within non-political or functional spheres that are by default society-to-society in their presentation, central government agencies in Taiwan, due to its unitary state system as opposed to the Canadian federal framework, continue to be key players in bridging the two nations. The bilateral cooperation on aboriginal affairs appears to be unique: here, exchanges and their arrangements launched by the state have successfully spilled over to people-to-people initiatives that have moved aside or bypassed the state agencies.

37 Ou, "Foreign Policy Report."

38 Callick, "China and Taiwan."

39 "Edmonton Mayor Signs Agreements."

This model contains more spontaneous elements that could persist for a longer time even without guidance from state agencies. The institutionalization of aboriginal cooperation between the two countries, which signifies in some ways the bridging of a "forbidden nation" with First Nations,[40] continues even with the decline of state power. This needs some elaboration.

From their beginnings in the late 1990s, Canada-Taiwan aboriginal exchanges started with various state initiatives, particularly on the Taiwan side and later reciprocated by the Canadian side, without much advocacy or pressure from either country's societal groups.[41] This was most evident in the conclusion of the first MOU on aboriginal affairs cooperation in December 1998. These initiatives would probably not have been launched without the timely formation of an independent Taiwanese government agency, the Council of Aboriginal Affairs (CAA), on December 1, 1996. As of March 13, 2010, the CAA's official mandate states that it "plans and promotes indigenous policies and affairs based on guidelines laid out in constitutional amendments, the Indigenous Policy White Paper and a new partnership agreement between Taiwan's government and indigenous people signed by President Chen Shui-bian." It also aims "to respond to the needs of the indigenous peoples, as well as to bring Taiwan in line with global trends."[42]

From 1997 to 1999, Hwa Chia-chih, minister for the CAA at the time, led delegations to visit Canada every year, reaching a MOU in late 1998. It broke significant new ground for both parties. Since then, exchanges have been increasingly under way. For example, in May and June 2002, a 20-member First Nations delegation led by former MP Elijah Harper visited the CIP and MOFA and participated in cultural exchanges in Pingtung, Taitung, and Hualien Counties, where many Taiwanese aboriginal people reside.[43] In the meantime, interpersonal linkages among a few individuals such as Harper and Kon Wen-ji, a well-known aboriginal lawmaker in Taiwan, grew across the Pacific. Gradually, more initiatives were taken by these individual advocates at the societal level.

There were cases of contacts and exchanges that even bypassed the state agencies from their beginnings. For instance, the Agreement of Exchange between the Institute of Aboriginal Health at Tzu Chi University, Hualien, Taiwan, and the First Nations University of Canada (FNUC), Saskatchewan, was reached on June 20, 2006, as an individual initiative.[44] A twinning agreement between National Donghua University at Hualien and the FNUC was realized in a similar way in Saskatoon one year later. On the other hand, Taiwan-Canada aboriginal ties in a sort of state-society linkage across the Pacific continue to grow and be institutionalized at the same time. The most evident institutionalized exchanges in this regard are the CIP-led delegations to the annual meetings of the Assembly of First Nations (AFN) from 1999 to 2007. So far, virtually all ministers responsible for the CIP have routinely led Taiwanese delegations to attend such events. (Exceptions were Minister Walis Pelin of the DPP government, who cancelled his trip for family reasons and instead sent his deputy minister, Pu Chung-cheng; and Chang Jen-Hsiang in the Ma government.[45]) These practices have made cooperation on aboriginal affairs across the Pacific even more distinctive than exchanges on other policy issue areas.

Moreover, the CIP-AFN exchanges helped break new ground for government-to-government contacts between the two parties. In some cases, the CIP officials attending the AFN meetings were able to make en route visits to the Indian and Northern Affairs Canada (INAC) headquarters in Ottawa to meet their counterparts, accompanied by MOFA officers serving in TECO Canada. The CIP also sponsored and sent several aboriginal youths to Canada for international affairs training, which helped cultivate prospective indigenous leaders who would build ties and have good international knowledge. In July 2008, for instance, three indigenous Taiwanese students were chosen by the CIP to take up internships at the Métis National Council.[46]

40 Manthorpe, *Forbidden Nation*.

41 My interview with an anonymous senior CIP official, Taipei, August 14, 2009; my interview with Sylvia Yan, Canadian Trade Office in Taipei, August 17, 2009.

42 Council of Indigenous Peoples, "About CIP."

43 Council of Indigenous Peoples and Canadian Trade Office in Taipei, "Celebrating 10 Years."

44 My interview with Sylvia Yan, Canadian Trade Office in Taipei, August 17, 2009.

45 Chang stepped down in a cabinet shuffle in September 2009.

46 Chang, "Foreword"; Hagao, Kwesi, and Akimn, "Internships Report."

There are some distinctions between the institutional format undertaken in economics, education, or science and technology on the one hand and aboriginal affairs on the other. Unlike economics, education, and the cultural and scientific realms, where government agencies on both sides can theoretically contact one another directly in both capitals, aboriginal affairs has no independent division at TECO Canada specifically responsible for contacting INAC on behalf of the CIP. Thus, much of the government-level communication occurs between the CIP and CTOT in Taipei. The 1998 and 2008 MOUs were signed and renewed in such a way. But it should be noted that even when there is a special division in TECO Canada in charge of such issue areas as economics, education, or science and technology, no MOU has been formally signed between comparable government agencies located in Canada and Taiwan using their official titles. Even if negotiations were conducted between officials from respective agencies on an individual rather than institutional level, the eventual deals on an institution-to-institution basis were struck either between the CTOT and TECO, or between a Canadian government agency and TECO. Nevertheless, Canada-Taiwan cooperation on aboriginal affairs is unique in the sense that significant amounts of negotiations and exchanges were done in Taipei, where the CIP and CTOT represented the various parties, directly or indirectly.

Educational and cultural relations are among the major resources that any country can deploy to display its soft power. In particular, artistic or cultural exhibitions, scholarly exchanges, and promotion of studies of the host countries are among legitimate pivotal programs for public diplomacy.[47] Taiwan is not exceptional in pursuing such campaigns toward Canada. Indeed, various programs have been set up in this issue area and have served as important instruments of influence. They also give both Canada and Taiwan a level of "soft political access to each other that both parties would not have otherwise due to lack of official diplomatic relations."[48] The exchanges in this domain were facilitated primarily after the formation of TECO Canada's cultural division in 1992.[49] Since then, the Ministry of Education's Bureau of International Cultural and Educational Relations (BICER), for which the cultural division is accountable, has negotiated several MOUs with CTOT on education-related cooperation. It also regularly undertakes working group meetings with CTOT. In these small-scale meetings, both sides plan various programs, events, or activities and discuss how to coordinate and implement them in the coming year.[50]

There are other bilateral institutionalized meetings. Among them, the best known is the Canada-Taiwan Conference on Higher Education, which has been hosted in alternation by universities in Canada and Taiwan since its inception at the University of Calgary in 1991. Over more than a decade, these consultations have seen participation by greater numbers of higher education institutions from both sides. For example, at the eighth conference, in May 2005, 17 universities reached agreements on academic cooperation. Among them, the University of Toronto concluded a Letter of Intent for Canada-Taiwan Academic Cooperation. One year later, the number of participant institutions increased to 29 Canadian universities and 21 Taiwanese counterparts when the conference was hosted at National Taiwan University. The most recent meeting was convened at Carleton University in April 2009. The Canada-Taiwan Conference on Higher Education also turned out to serve as an invaluable exemplar for Taiwan's bilateral consultations on higher education with other countries, including the United Kingdom and Australia.

Taiwan's exchanges with Canada in other education-related domains also became models for its bilateral engagements with other countries. In the area of recruiting English teachers, for example, Canada was the forerunner to Taiwan's bilateral engagements with other Western countries. When the arrangement began, in 2005, five Canadian English teachers were recruited for service in Taiwan, in accordance with an MOU concluded in May 2004. Since then, Canadian English teachers have significantly outnumbered those recruited from other English-speaking countries such as the United

47 Potter, *Branding Canada*.

48 Potter, *Branding Canada*, 136.

49 Before the MOE established its cultural division within TECO Canada, it already had overseas offices in the United States, Japan, France, Belgium, Germany, and the United Kingdom. Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac*, *1992*, 315.

50 My interview with an anonymous MOE official, July 14, 2009.

States.[51] In 2005, Canadian English teachers teaching in Taiwanese primary or secondary schools increased to 35, and the number grew to 84 by the end of 2006. As the scale of exchanges escalated, the initial MOU was further revised and concluded in June 2007.

The MOE has also been in charge of the Taiwan Scholarship Program, coordinating collective contributions from other departments including MOFA, the Ministry of Economic Affairs, and the National Science Council since 2004. It supported international students to attend Mandarin-based undergraduate as well as graduate degree programs at Taiwanese universities for a maximum of five years.[52] The MOE also set up the Hanyu Enrichment Scholarship Program to attract overseas students to learn Mandarin at any of the Chinese language centres in Taiwan for a period of three months to one year. Up until the end of 2007, 56 Canadian scholars or students had received the scholarships and gone to study in Taiwan. Moreover, as another part of soft power diplomacy, the cultural divisions of TECO branches publicized the DPU's provision of graduate and visiting fellowships for scholars, NGO leaders, politicians, and media representatives of the DPU member states for the study of subjects related to various aspects of Taiwan's development.

A Taiwan Studies Grant for Canadian Scholars was created to sponsor Canadians to pursue field research on Taiwan-related subjects. At its genesis in the early 1990s, a general category of scholarships was established by the MOE to attract Western scholars doing research on Taiwan. Canada was not originally among the targeted clients for the general scholarship, but it was added as a "special" category as of 1993.[53] In the late 1990s, CTOT also launched the George Mackay Scholarship, which offered Taiwanese scholars opportunities for field research on Canada-related studies. In this way, the embryo of reciprocal arrangements between the two sides came into being, although it did not result from planned coordination between the MOE and CTOT. The scholarship nevertheless set a model for Taiwan's bilateral academic exchanges with other countries. In fact, the offer of Taiwan Studies scholarships was later expanded to cover those studies by other national scholars from the West, even though they did not necessarily exist in the form of reciprocal arrangements.[54] More importantly, the special scholarship subsequently evolved into the Taiwan Studies Scholarship, which coincidentally matches the Canada-initiated Canadian Studies Scholarship (now renamed the Understanding Canada Scholarship) in a reciprocal way.

Notwithstanding the expansion of bilateral exchanges in education, there are some limitations on enhancing the level and extent of mutual engagement. One particular barrier is related to institutional disparity. While the Taiwanese constitution and government are organized for a unitary-state system, where education constitutes one of the key central government agencies, in Canada there is no comparable department at the federal government level. Therefore, the cultural division of TECO Canada can deal only with responsible provincial or local government agencies or directly with universities or societal organizations such as the Association of Universities and Colleges of Canada. In Taiwan, this bilateral coordination must be conducted between BICER and CTOT or the Canadian Education Centre. So coordination problems are significant in preparing for consultations on higher education. From the MOE perspective, it is a challenge for the Canadian side simply to decide which university will host the next conference when it is to be held in Canada.[55]

These path-breaking achievements in Canada-Taiwan cooperation on education should not be taken to indicate consistently high performance across all areas in this domain. In some fields, such as the export of Mandarin teachers from Taiwan to Canada, initiatives were not as fruitful as expected. Although this program began as early as the mid-1990s,[56] it did not grow substantially, and the plan

51 My interview with an anonymous MOE official, July 14, 2009.

52 The ministry later imposed a maximum of two years for Mandarin training.

53 Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac, 1993*, 321, 326.

54 My interview with an anonymous MOE official, July 14, 2009.

55 My interview with an anonymous MOE official, July 14, 2009.

56 Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac, 1995*, 371.

to promote Canada as a destination for teachers appears to be suspended, in contrast to similar policy actions targeted at other major Western countries.[57]

In the domain of science and technology, Canada and Taiwan have maintained close exchanges since at least the mid-1990s. On the Canadian side, the National Research Council of Canada (NRC) is no doubt one of the major players. Since 1997, the NRC has developed very strong relationships and facilitated collaborative R&D projects with Taiwanese institutions, most notably through its agreements with the Industrial Technology Research Institute and the National Science Council (NSC). These international partnerships have grown, and as of 2005 they included over 40 joint research projects, several technical workshops, training for PhDs and post-doctoral fellows, and exchanges of eminent researchers. The president of the NRC, Dr. Pierre Coulombe, chose Taiwan as a destination for his first visit to Asia, in September 2005. As the Canadian Trade Commissioner Service reported, "The National Research Council's cooperation with Taiwan's National Science Council represents one of its largest bilateral research and development relationship [sic] outside of North America."[58]

The record of bilateral sci-tech collaborative activities where the Science and Technology Division of TECO Canada has been instrumental is substantial.[59] Among them, collaborations with the NRC are indeed top of the list; a number of MOUs have been signed with it since 1997. The NSC and the NRC have collaborated in the fields of natural sciences and engineering through these programs:

- Canada-Taiwan Sci-Tech Personnel Visiting Program. Since 1998 more than 600 sci-tech professionals from Taiwan have visited Canada, and more than 200 Canadians have been to Taiwan.
- Eminent Researchers Program. Each side recommends five outstanding scholars and researchers from this program to visit each other every year.
- Post-doctoral researchers and PhD students exchange program.
- Astrophysics and engineering collaborative study program. The NRC has offered six positions to young Taiwanese scientific researchers to study at its Herzberg Institute of Astrophysics. The program includes studying astrophysics and various techniques for the proper use and maintenance of instruments and equipment.
- Bilateral symposia and workshops in fields including natural hazards mitigation, civil engineering and structure, neuroscience, internet technology, aerospace, agricultural biotechnology, semiconductor technology, and marine biosciences.
- Collaborative research projects. The NSC and the NRC have performed more than 34 joint research projects since 1998 on such themes as natural sciences and engineering and bio-tech-related subjects.
- Large-scale nanotechnology collaborative research projects.

Second, the NSC has collaborated with the National Sciences and Engineering Research Council of Canada (NSERC), the major source of funding in Canada for university-based research in natural sciences, engineering, and life sciences. Under an MOU signed by NSERC and the NSC in September 1998, the two agencies cooperate by exchange of information, exchange of researchers between Taiwan and Canada, bilateral research collaborations in the fields of natural sciences and engineering research, and other means. The collaborative Summer Program in Taiwan, ongoing since 2004, allows five to ten Canadian graduate students the opportunity to study or conduct internships in Taiwan for eight weeks in summer.

Third, the NSC has worked with the Communications Research Centre (CRC), an agency of Industry Canada and the primary federal laboratory for research and development in advanced telecommunications. The NSC-CRC MOU on Telecommunication Technology was signed in May 2001. A three-year collaborative project from 2006 to 2009 was involved with joint research and development on the design and fabrication of biomedical chips and environmental detective chips. Four NSC scientists were sent to CRC each year to participate in this project.

57 My interview with an anonymous MOE official, July 14, 2009.

58 "Economic Profile—Taiwan."

59 Descriptions of the NSC's collaborative activities in the following paragraphs are drawn from "Bilateral Science and Technology Cooperation."

Fourth, the NSC has collaborated with other federal institutions, including the Social Sciences and Humanities Research Council (SSHRC) of Canada and the Canadian Institutes of Health Research (CIHR). The NSC and SSHRC signed an MOU on Social Sciences and Humanities Cooperation in March 1999, involving the exchange of personnel and bilateral workshops. The NSC also maintained active and close relationships with the CIHR, sending strategic planners in the development of biotechnology policies from Taiwan to the CIHR over the past few years. A joint workshop on hepatocellular carcinoma was held in Taipei in December 2007. Finally, the NSC has also engaged with Canadian universities.

Insofar as major bilateral agreements are concerned, Industry Canada and TECO Canada first reached an MOU for Cooperation in the Fields of Communications and Information Technologies (CIT) on June 1, 1998. As spam increasingly posed threats to economic security, both sides went further in accordance with the 1998 MOU on CIT and reached a separate MOU on Cooperation in the Field of Anti-Spam Policies and Strategies (ASPS) in November 2006.[60] This came after the formal establishment of the National Communications Commission (NCC) in Taiwan in February 2006. And a new MOU for cooperation on CIT was concluded to replace the 1998 document in July 2007.[61]

After the Ma Ying-jeou government took office, bilateral cooperation in science and technology continued and was undertaken on an even more intensive and frequent basis. This was indicated by the first and second meetings pursuant to the anti-spam MOU, which were held in Taiwan and Canada in 2008 and 2009. In fact, Canada was the first country with which Taiwan signed an MOU on ASPS. Subsequently, Taiwan reached similar MOUs with Australia and Brazil.[62] As with the achievements in the realms of aboriginal affairs and education, from Taiwan's perspective, the Canada-Taiwan MOU on ASPS provided a prime model for Taipei's pursuit of bilateral cooperation with other countries.

To sum up, Canada and Taiwan have reached MOUs in various functional domains such as aboriginal affairs, education, science and technology, anti-spam policies, and CIT. In fact, the list of MOUs is not limited to the above five categories. It also includes agreements on agriculture, air services, maritime technology, investment, and financial supervision. From the Canadian perspective, the traditional priority sectors include agri-food and seafood, life sciences, building products, transportation, and CIT, as well as science and technology partnerships and two-way investment. New opportunities for mutual cooperation are suggested for such areas as the environment and alternative energies.[63]

Canada and Taiwan: Exchanges across the Pacific

There is abundant evidence not only that Taiwan tried to sway Canada's policy toward China/Taiwan in its own favour, but also that Canadian policy in turn shaped Taiwan's policy elsewhere. Taiwan in many ways tried to influence Canada's China policy by promoting the island state as a worthy, peace-loving, and economically advanced partner. For the Lee Teng-hui government, democratization and economic prosperity were major assets in promoting Taiwan's brand abroad. For the Chen Shui-bian government, the practices of democracy, multiculturalism, and human rights were intended to highlight Taiwan's place within the progressive liberal West. For the Ma Ying-jeou government, these issues and their political implications have now become assumed and unspoken values, while regular scientific, economic, and cultural exchanges continue to expand in a much more prominent way.

Over decades of interaction, Canadians at first learned that there are aboriginal peoples in Taiwan. More importantly, Taiwan's own policy measures were very much shaped by interaction with Canadians and were inspired by bilateral institutionalized practices. These include the recruitment of Canadian English teachers, regular consultation meetings on higher education, the reciprocal arrangement of the Canadian Studies Scholarship and the Taiwan Scholarship, the MOU on ASPS, the establishment of an aboriginal TV network in Taiwan, and the MOU on aboriginal affairs. How engagement with

60 Taipei Economic and Cultural Office, Canada, and Industry Canada, "Anti-Spam Policies and Strategies."

61 Taipei Economic and Cultural Office, Canada, and Industry Canada, "Communications and Information Technologies."

62 Huang, "Status of Anti-Spam Measures."

63 "Economic Profile—Taiwan."

Canadian aboriginal people shaped Taiwanese domestic and international aspects of aboriginal policy deserves some attention.

The set-up of Taiwan Indigenous TV (TITV) in December 2004, a pioneering venture in Asia, was evidently modeled after the Winnipeg-based Aboriginal Peoples Television Network (APTN), which was launched as the first national aboriginal television network in the world in September 1999. A senior Taiwanese CIP official acknowledged that the start-up of APTN pushed Taiwan to act and that TITV learned from watching the development of the Canadian venture.[64] Insofar as the international aspect of aboriginal policy is concerned, Taiwan's signing of an MOU with Canada on cooperation in aboriginal affairs was really groundbreaking. The successful experience was later reproduced by Taiwan's CIP when it reached similar agreements with New Zealand in May 2004, Belize in August 2006, and the Philippines in February 2007, although there was some time lag between the arrangements with Canada and with New Zealand because of the latter's sensitivity about Beijing's response.[65]

But it appears that Taipei's policy toward Canada in such broader domains as cooperation on democracy promotion,[66] education,[67] and science and technology has not really diverged from its policies in relation to exchanges with other industrialized countries. Canada was not deliberately chosen as the first partner to be engaged with. By contrast, the role of aboriginal affairs in Taiwan's policy toward Canada and the extent of its institutionalization, as it spread from the initial state level to spontaneous societal initiatives, are noticeably distinctive. In fact, Canadian aboriginal peoples became the first partners in Taiwan's international bilateral engagement, although the process of searching for the partnership included some unexpected events.[68] As it turned out, the successful exchange experience with the Canadians became an exemplar for Taiwan's aboriginal peoples as they reached out to other partners bilaterally. Even in multilateral organizations, notably the UN Permanent Forum on Indigenous Issues, Taiwan's Canadian connection, be it through CTOT officials or Canadian aboriginal delegations to the forum, has been effectively relied upon to help broaden or translate into more durable engagement with other international counterparts.[69]

The institutionalization of bilateral exchanges presumes the existence and development of organizations that can initiate and mobilize for that purpose. This can be demonstrated in the creation of various MOUs between Canada and Taiwan. Almost all of them were reached and implemented with organizational bases set in place to provide required logistics support and to monitor their implementation afterward. In education, for example, only after the cultural division within TECO was established in 1992 was an MOU signed and put into practice that included a Canada-specific scholarship and various programs for visiting teachers and for exporting teachers of Mandarin.[70] Similarly, in science and technology, only after the scientific division of TECO Canada was set up in 1995 did MOUs on science and technology and their related exchanges follow to a significant degree. In aboriginal affairs, the MOU was signed only after the CAA was formed in late 1996. The NCC was another example: the MOUs on ASPS and CIT were reached or revised after its formation in 2006.

In a broader sense, these various approaches can be seen as the major ways Taipei sought to influence Canada's Taiwan policy. They nevertheless boil down to efforts to insert or promote some common values and interests that Taiwan believes should bring it Canadian concern and support as an equal partner or distinct entity, no matter whether the bilateral relations are parallel to or convergent with Ottawa's ties with Beijing. This raises an intriguing question, related to the sort of "conspiracy theory"

64 My interview with an anonymous CIP official, August 14, 1999. The APTN actually developed originally from Television Northern Canada (TVNC) in the early 1990s. For the evolution of the APTN, see http://www.aptn.ca/corporate/milestones.php. For the development of the TITV, see "The Origin of Taiwan Indigenous Television," http://www.titv.org.tw.

65 The delay in negotiations was much related to Auckland's concern about Beijing's pressure. It finally broke the ice through a MOFA official who was in charge of Asia and Pacific affairs and later brought talks to a successful conclusion in his tenure as the representative to New Zealand. My interview with an anonymous CIP official, August 14, 2009.

66 My interviews with Maysing Yang, vice-president, and Bo Tedards, director of the International Cooperation Department, Taiwan Foundation for Democracy, Taipei, August 27, 2009.

67 My interview with an anonymous MOE official, Taipei, July 14, 2009.

68 As an interview with an anonymous CIP official revealed, the United States was intended to be the prime target for Taiwan's aboriginal engagement. However, factors such as the nature of American Indian policy, the relatively lukewarm response the CIP received, and the degree of influence by the responsible agency in American decision-making tended to discourage the CIP from pursuing further such linkage. My interview, August 14, 2009.

69 Liu, "Report on the Participation," 20–21.

70 Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac, 1993*, 321, 326; Taiwan, Ministry of Foreign Affairs, *Diplomatic Almanac, 1995*, 369, 371.

embraced by some Canadian officials in the old days: Does Taipei's effort to strengthen bilateral ties aim to deliberately affect Canadian China policy in a way that in turn shapes Beijing's perception of its own interest, so that it would tacitly accept Taipei's de facto independence or international participation? This policy motive appeared evident during the years when bilateral relations were handled in the context of the ongoing Beijing-Taipei diplomatic logjam. The controversy over the 2004 "defensive referendum," the WHO/WHA and UN campaigns by the Chen Shui-bian government, and Beijing's hard-line posture toward these initiatives rendered it necessary for the Canadians to urge a peaceful resolution of differences, to support Taiwan's request for observer status at the WHA, and to make no public statements denying Taiwan's sovereignty in the UN forums. To some extent these developments therefore met Taipei's goals.

Since the Ma Ying-jeou administration took office on May 20, 2008, a cross-Strait détente together with a diplomatic truce may have reduced the need for Ottawa to take positions, which further obscures whether Taipei still has a hidden policy agenda to induce Canadian policy behaviour that serves Taipei's own interests. On the other hand, as long as Taipei engages in direct rapprochement with Beijing on its own initiative without consulting or even communicating with its long-standing Western allies in advance—as it demonstrated in successfully negotiating observer status for the 2009 WHA—the new approach might lead to a situation that unwittingly compromises Taiwan's chances in its prolonged effort to maintain a sort of equilibrium among Chinese and other international forces. This deserves some elaboration in light of Taiwan's policy priorities.

Insofar as Taiwan's mainland-vs.-international policy is concerned, in general, because of the "three nos" policy ("no contact, no negotiation, no compromise with Beijing") of former president Chiang Ching-kuo, Taiwan had a self-imposed "boomerang pattern" of foreign policy behaviour.[71] Taiwan influenced Beijing's preference and interest toward respecting the cross-Strait status quo by asserting its international space and activities and by seeking to weave a network of tacit support from primarily Western democracies. In other words, the status quo, which gives Taiwan a status of de facto independence, was maintained by an equilibrium between mainland and foreign policies that nevertheless tilted, as a default position, toward seeking support from international moral communities or democracies rather than from mainland China. The Chen Shui-bian government was overtly aggressive in making international policy dominant, but its approach unwittingly backfired in the end, alienating some of its traditional allies and agitating Beijing. Generally it continued to follow the fundamental principle underlying the boomerang pattern: choosing to side with the West or the rest of the world vis-à-vis the PRC, and seeking to change the latter's preference, interests, and behaviour through networking with the former.

By contrast, the Ma government's approach reversed the orthodox boomerang pattern of balancing strategies by pursuing a direct rapprochement with the PRC on its own initiative without working through other nations, and hoping to affect Beijing's interests in a desirable direction. While this new approach has effectively made ad hoc peace with Beijing, it might create unintended consequences by diminishing the need for Taipei to look to the Canadians or other Western powers to help influence China's foreign policy interests and behaviour toward seeing the merit of not blocking Taipei's international participation or of living with the status quo across the Strait. While the former orthodox approach tried to procrastinate on direct talks regarding the sovereignty issue with Beijing as long as possible—if not indefinitely—it sought to shift part of the burden of the status quo gridlock (or the de facto independence of Taiwan) to Beijing, as well as to Taipei's moral supporters abroad. In other words, in the case of "no talk" across the Strait, Taipei could easily blame Beijing for setting an unreasonable, non-constructive precondition of recognizing its "one China" principle. Whenever this took place, as in the Lee and Chen administrations, the burden of cross-Strait gridlock was mostly shifted to the mainland, and statements from the West urging Beijing not to set preconditions for

71 The "boomerang pattern" analogy is drawn from Margaret E. Keck and Kathryn Sikkink's oft-cited work on transnational advocacy networks (*Activists beyond Borders*). Keck and Sikkink explore how given societal actors of a country who have no recourse within domestic political or judicial arenas may seek or activate international connections where these actors' allied NGOs abroad pressure their respective states or intergovernmental organizations, which in turn pressure the actors' own home government (12–13). Nevertheless, there is a clear distinction between Keck and Sikkink's focus on voluntary NGOs and my case on Taiwan's foreign policy behaviour.

cross-Strait talks tacitly legitimated and boosted the moral cause of Taipei. In the Ma government, the new approach primarily takes the responsibility of cross-Strait talks only on itself and Beijing. Many Western countries, including Canada, would be relieved of the previous burden of according Taiwan their moral appeal or tacit support.

Overall, the differing policy priorities among the three administrations are evident. During the Lee Teng-hui administration, there were debates in Taipei's policy circles over whether mainland policy should be treated as of primary importance in foreign policy or as secondary. The Chen Shui-bian government separated mainland and international policy, arguably promoting the ranking of international policy, with mainland policy in some ways becoming its subordinate. For the Ma Ying-jeou government, the priority was reversed to the extent that a diplomatic truce is connected to and believed to facilitate a cross-Strait rapprochement, which is perceived to open policy windows of deepening substantive ties with foreign countries. The vision of the Ma government's new approach was exemplified by Dr. David Tawei Lee in summer 2009. Taiwan's representative in Canada wrote: "The warming temperature across the Taiwan Strait offers a golden opportunity for countries to deepen ties with Taiwan on non-political issues—trade and investment, tourism, economic and cultural exchanges." From this perspective, aboriginal and human rights issues that are parts of legitimate concerns in foreign policy of course receded in importance.

Nevertheless, the Ma government also pushed forcefully for issues with clear political implications. The visa waiver program is projected as one of the core areas where Canada-Taiwan relations can be improved with a "win-win" outcome. Lee cited the British decision to grant visa exemption to Taiwan in March 2009 to demonstrate that Ma's rapprochement with Beijing has borne fruit for Taipei's international space and created a "win-win" situation for Taiwan-UK-PRC relations. He claimed that after the British decision, relations between Beijing and London continued to flourish and "the overall occupancy rate of direct flights between London and Taipei increased from less than 50 percent to more than 90 percent, and boosted total receipts and job opportunities from increased tourism." He also explicitly expressed his hope that "in the near future Canada will join the growing list of countries that have given visitors from Taiwan visa-exempt status so these travel-loving people can flock to the 2010 Vancouver Winter Olympics and take in the magnificent beauty of the Rocky Mountains."[72]

Although the Ma government's new approach might decrease the need for the Canadians to help influence Beijing's policy preference in Taipei's favour, this does not mean that it never sought to influence Canadian policy toward China. David Lee made Taipei's direction in affecting Canada's China policy even more evident in his testimony to the Standing Senate Committee on Foreign Affairs and International Trade on May 27, 2009. He first mentioned Foreign Minister Lawrence Cannon's favourable comments on cross-Strait rapprochement and Taiwan's participation in the WHA on April 30, and Canadian Health Minister Leona Aglukkaq's meeting with Taiwanese Health Minister Yeh Chin-chuan in Geneva in mid-May. He attributed the two events to three key factors: "Ma's courageous decision to pursue détente with China," "China's goodwill response," and Canada's encouraging action afterward. Highlighting that Ma's mainland policy was consistent with Canadian interests and policy in the Asia-Pacific region and that both Taiwan and Canada possess robust service sectors, have compatible free-market economies, and are ranked top in overall competitiveness and innovation in the world, Lee urged Canada to seize the opportunity to make Taiwan a "gateway" and form a partnership to pursue business ventures in the Greater China and Southeast Asia markets. To make his policy argumentation more convincing, he cited three examples: Taiwan's Quanta Computer, TSMC, and Ulead Systems have complemented Canada-based Intrinsyc, Emerging Memory Technologies, and Corel respectively in existing or prospective mainland China marketing. In his conclusion, he again urged his Canadian audience to realize that "the shortest way to China is via Taiwan … With the détente across the Strait, this is the golden opportunity for Canada, Taiwan and China to work

72 Lee, "The Chill Is Off."

together to create a 'win-win-win' model for mutual prosperity in the Greater China and Southeast Asia markets."[73]

It should be stressed that Lee's nuanced statements in May 2009 explicitly aimed to influence Canada's China policy by highlighting the compatibility of Ottawa and Taipei and the feasibility of a trilateral partnership with China during China's rise and globalization, primarily from economic and technological perspectives. In the presentation, the themes of democracy, human rights, and multiculturalism that once dominated Taipei's foreign policy discourse in previous years faded away. The priority and mandate of promoting democracy in the world, one of the major objectives of the TFD, appeared to be subject to review and readjustment. This change of tone is evident in President Ma's remarks at the fifth-anniversary celebration of the TFD on June 17, 2008: "We [or Taiwan] … must be modest. We must not assume that, because everyone says we are the beacon of democracy to Asia and the world, we should direct and guide other nations [on how to practice democracy] … I believe that it is not necessary for us to export democracy in the same way some Communist countries exported revolution. Instead, we can certainly share with developing countries how we have overcome the obstacles to democracy."[74]

Conclusion

This paper has examined whether Taiwan continues to seek to affect Canada's China policy, and if so, in what ways it has pursued this goal. Its argument is that Taiwan has indeed tried to affect the course of Sino-Canadian relations, but it has been mainly in the legitimate context of an effort to gain some kind of recognition as an autonomous entity apart from and not subject to the PRC's sovereignty. At the same time, Taiwan's efforts to gain attention from both the Canadian government and the Canadian public have led Taiwan to stress common values and commitments in ways that have in turn affected Taiwan's evolution as a democratic polity domestically, while its promotion of substantive relations with Canada on several issue domains has also varyingly shaped the course of its engagement with other countries. The latter part of this mutual influence and its achievements were demonstrated in some aspects of higher education and science and technology policies, as well as in much of the two countries' aboriginal affairs cooperation. Nevertheless, so far there has not been much evidence to support the proposition that Taiwan targeted Canada specifically as a foreign affairs touchstone right from the beginning, except in aboriginal affairs.

It may be fair to conclude that so long as Taiwan remains a de facto self-governing territory, with extensive international links on functional issue areas as well as intimate ties with Canada on those terrains, Taiwan will endeavour to deal with Canada as an independent entity and to solicit legitimate Canadian support for its status. This factor is in some ways independent of ongoing domestic and cross-Strait controversies concerning the nature of Taiwan's identity and its relationship to China. This could explain the continuity of Taiwan's policy toward Canada across the three recent administrations. Nevertheless, the degree to which Taiwan's diplomatic activities are viewed as provocative largely depends on the perception of Beijing and the vagaries of Taiwan's domestic political alignments. Therefore, Taiwan's conduct of foreign policy toward Canada cannot be separated completely from domestic politics or from cross-Strait relations. In the course of policy development, priorities in the mainland-international nexus and the emphasis on the guiding themes of economic prosperity, democracy, and human rights evidently varied from administration to administration.

The Chen Shui-bian government took a more aggressive approach in seeking to enhance Taiwan's relations with Canada, but its achievements were mixed. It made the Taiwan issue much more visible in Canada and considerably enhanced bilateral ties at least in terms of aboriginal affairs, human rights, and democracy. Nevertheless, the wall of constraints remained daunting. Despite considerable sympathy within the Conservative caucus for Taiwan, the Harper government eventually felt compelled to denounce Chen's "defensive referendum" initiative, and has not sought to revive the Taiwan Affairs

73 Lee, "Presentation."

74 Text and translation from the Taiwan Foundation for Democracy.

Act while in office. David Lee's "win-win" language about the Beijing-Ottawa-Taipei triangle and his focus on economic and technological collaboration appear to be consistent with Ottawa's comfort level, and may yield greater practical effects in terms of institutionalized functional diplomacy. Nevertheless, given the decreasing popularity and increasing governance problems of the Ma government on the domestic front at this time, the possibility that a more aggressive stance traced to the legacy of the Chen Shui-bian government will re-emerge cannot be completely ruled out. As a consequence, whether the Ma government's new approach in search of rebalancing mainland-international policy will eventually prevail over his predecessors' "boomerang pattern" of balancing remains to be seen.

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STRUCTURE AND PROCESS IN CHINESE FOREIGN POLICY: IMPLICATIONS FOR CANADA

Abstract
Policy is shaped by the intentions of authoritative decision makers and the structure and capacity of the institutions from which they derive their authority. Policy initiatives serve the interests of the person pushing it, who calculates how an initiative might serve to enhance their own authority. Where someone stands most often depends on where they sit, so any analysis of policy must take account of the institutional setting. This paper looks at how the structure of authority and the way that the functions relating to the making of foreign policy are distributed in China's state system affect the outlook of Chinese policy makers and the ways Canadians must approach China to gain action or attention to their interests.

Introduction

Policy is shaped by the intentions of authoritative decision makers and the structure and capacity of the institutions from which they derive their authority. Policy initiatives serve the interests of the person pushing it, who calculates how an initiative might serve to enhance their own authority. Where someone stands most often depends on where they sit, so any analysis of policy must take account of the institutional setting. This paper looks at how the structure of authority and the way that the functions relating to the making of foreign policy are distributed in China's state system affect the outlook of Chinese policy makers and the ways Canadians must approach China to gain action or attention to their interests.

The Structural Determinants of China's Foreign Policy

Despite 30 years of market reform, the People's Republic of China (PRC) is still a tightly organized Leninist state, characterised by narrow vertical policy silos with weak interconnections below the apex of the Communist Party of China (CPC). De facto decentralization, which some have termed as "market conforming federalism,"[1] is characterized by poor delineation of legal jurisdiction with a court and legal system that is too weak and insufficiently legitimized to define jurisdictional boundaries in any coherent and consistent fashion. China has been rightly described as a system of "fragmented authoritarianism."[2] This is a system in which responsibility is typically pushed upwards while accountability is pushed downwards.

Chinese society and the economy are no longer directed or controlled from the centre, but social actors lack clear and effective legal autonomy that would allow them to engage internationally free from license and supervision by government organs. It is a system where government departments and bureaus fight fierce turf battles, local administrations compete with one another both for economic advantage and for the favour of the centre and private and public entrepreneurs seek to manipulate regulatory ambiguity to personal advantage. Dealing with China means that it is always imprudent to ignore the views of the central Party authorities but foolish to assume that policies agreed to by the central state will be implemented fully or consistently at the local grass-roots level. Dealing with

1 Barry Weingast, "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development," *Journal of Law, Economics, & Organization* 11, No. 1 (April 1995): 1–31; Gabriela Montinola, Qian Yingyi and Barry Weingast, "Federalism, Chinese Style: The Political Basis for Economic Success in China," *World Politics* 48, No. 1 (1996): 50–81.

2 K. Lieberthal and Michel Oksenberg, "The Fragmented Authoritarianism Model and its Limitations," in *Bureaucracy Politics and Decisionmaking in Post-Mao China*, eds. K. Lieberthal and David M. Lampton (Berkeley: University of California Press, 1992), 1–30.

China requires gaining the approval of the proper central authority while identifying and engaging the grassroot organizations with the capacity to act and implement policies in the desired area of interest.

The structure of power is such that normal diplomatic relations do not engage across government departments and have very limited impact over security unless the senior leadership is involved. Narrow silos and entrenched hierarchies mean that comprehensive engagement requires leadership from the apex of the Party and government. This is reinforced by information flows and policy-making procedures. Typically, in China, reports flow up and are commented on by top leaders. The comments made by top leaders on reports submitted by lower levels and officially distributed through formal Party communication channels have a status similar to that of a Cabinet minute. Only those reports authorized by top leaders get circulated outside the departments that originated them.

This is the main structural reason that deep and broad engagement must be cemented by high-level meetings at the top level. Engagement at the most senior level is the only way to ensure cross-departmental commitment to a set of policies. Symbolic labels such as "strategic partnership" have a resonance within the Chinese hierarchy and bureaucracy. They signal to lower-level officials that the higher-level authorities are interested in forming partnerships and that such partnerships will be looked upon with favour by their immediate superiors. By contrast, where the word is that a certain foreign government or individual is 'unfriendly' there can be negative implications to forming foreign partnerships. At the very least there would be caution and delay in highlighting any international cooperation.

The Party

The CPC is the core decision-making organization in China. However, most routine decisions are made by professionals working in specialized sectoral government organizations. They are directed in their decisions by directives from the summit of the Party organization and are bound by the discipline that grants the Party organization sole authority to appoint, promote and remove government officials at every rung of administration. The top decision-making body of the Party is the Standing Committee of the Politburo of the Central Committee, which includes nine members, the majority of whom are *ex officio* representatives of functional governmental organs such as the Premier and the executive Vice-Premier of the State Council, the Chair of the National People's Congress and the Chair of the Chinese People's Political Consultative Conference (a 'United Front' organization that coordinates policy with non-Communist political elites). The General Secretary of the CPC is simultaneously State President (Head of State) and the Chair of the Central Military Commission (CMC)—China's Commander in Chief. The General Secretary is the only official who is simultaneously in charge of both China's civil and military administration. In that position he is the head of the Foreign Affairs Leading Small Group (FALG) that coordinates and leads foreign policy within the CPC and includes the Minister of Foreign Affairs and is coordinated by a former Vice-Minister of Foreign Affairs, State Councillor Dai Bingguo.

The Party does not constitute a parallel and autonomous deliberative and decision-making bureaucracy so much as the core decision-making group *within* the state. Except for the precise formulation of ideological slogans, it is unusual for policy options to be developed outside the official state bureaucracy. Most of the business of the central government is carried out by the State Council under the Premier. The General Secretary has the power to set the agenda, but for the most part, he proceeds incrementally in close consensus with his colleagues in a risk-averse manner that tends to preempt conflict and shy away from controversy that could split the Party leadership.

The Party Central Committee has its own specialized International Liaison Department *Zhongyang Guoji Lianluobu* (Zhonglianbu) that historically took care of relations within the Comintern and fraternal Communist Parties.[3] It also houses an intelligence bureau that provides analysis to top Party

3 See David Shambaugh, "China's 'Quiet Diplomacy': The International Department of the Chinese Communist Party," *China: An International Journal* 5, No. 1 (March 2007): 26–54.

leaders. Since the 1980s, this office has taken the role of establishing and coordinating relations with foreign political parties of whatever stripe, ruling and non-ruling. Nevertheless, the location of this office close to the centre of political power ensures its seniority within the foreign policy system. It is not unusual to see senior members of the Ministry of Foreign Affairs (MFA) come through this office before assuming ministerial level posts. Rather than a separate power centre, it is a node and alternative vantage point for the General Secretary to oversee the foreign policy system other than through his additional post as President of the PRC. Formally speaking, this office also handles the arrangements that involve the international relations of the Communist Party School system that also serves as a high-level staff training system and think-tank for the Central Committee. In this way the General Secretary and the Politburo can maintain its own staff system for foreign affairs that is not dependent on the line ministries.

Alongside the proliferation of interests and actors in the policy-making arena, we have long-standing disjunctures in China's policy implementation. This occurs most importantly between centre and locality (province or municipality) and across the central bureaucracies, the so-called *tiao-tiao*, *kuai-kuai*; the vertical "strips" (line departments) and the horizontal "squares" (territorial jurisdictions) of policy implementation. Among the most notable of these is the weak integration of the foreign policy institutions of the MFA with the security and military policy organs of the People's Liberation Army (PLA) centered on the CMC. For this reason high-level visits and understandings ratified by heads of government can galvanize cross-bureaucratic and central-local cooperation in areas of interest to Canada.

The Central Military Commission

The CMC is nominally responsible to China's legislature, the National People's Congress but does not report to it. It is cognate to the Central Military Commission of the CPC which is appointed by the Party Central Committee.[4] Defence and security policies are lodged completely outside China's State Council (equivalent to our Cabinet) system. This is the purview of the CMC which is equivalent in rank to the State Council and where the Premier is not a member. China's current Defence Minister, General Liang Guanglie, is a member of the CMC but is not even its Vice-Chair. He is ranked only 4th in the military hierarchy. In addition to its Chair who, since the retirement of Deng Xiaoping in 1989, has always been the civilian Party General Secretary, it is made up exclusively of uniformed military officers. These include the Vice-Chairs Guo Boxiong and Xu Caihou, the Minister of National Defence Liang Guanglie, the head of the General Staff Department Chen Bingde, the head of the General Political Department Li Jinai, the head of the General Logistics Department Liao Xilong and the head of the General Armaments Department Chang Wanquan. The remaining members are the Commander of the Navy, the Airforce and the Second Artillery (Strategic Rocket Forces). This institution does not have any explicit policy function outside the military field, and is mainly an executive arm of military policy. However, members of the CMC do serve on the FALG. The Second Bureau of the General Staff Department is responsible for military intelligence and also dispatches China's military attachés. However, the CMC plays no deliberative role in foreign policy as such.

In recent years, the PLA has become much more active internationally. China is now the largest contributor of peacekeeping personnel to United Nations peacekeeping missions among the Permanent 5 of the United Nations Security Council. According to *China's National Defense in 2008* white paper, more than 2,000 troops and police are currently serving in various missions around the world, with the cumulative total of almost 10,000 over the past two decades.[5] In the past two years, Chinese military delegations have visited more than 40 countries, and Chinese forces have held 20 joint exercises or training operations with a score of nations.[6] Canada's military diplomacy with China has been sparse and sporadic, but this year, Rear-Admiral and Commander of Maritime Forces Pacific, Tyrone Pile, paid a visit to Qingdao, Headquarters of China's Northern Fleet on the occasion of the

4 See the author's "Civil-Military Relations in China: An Obstacle to Constitutionalism?" *The Journal of Chinese Law* 9, No. 1 (Spring 1995): 35–65 and "PLA Allegiance on Parade: Civil-Military Relations in Transition," *The China Quarterly* 143 (September 1995): 784–800.

5 *China's National Defense in 2008* (Beijing: Information Office of the State Council of the People's Republic of China, 2009), 100–101.

6 Ibid., 72–73.

60th anniversary of the founding of the PLA Navy.[7] The growing international presence of the PLA has resulted in the PLA acquiring its own military spokesperson, and a bureau that now prepares China's defence white papers.[8]

The PLA is displaying more interest in and becoming more active in non-traditional security areas, such as anti-terrorism, anti-piracy and disaster relief, including international humanitarian relief. China's dispatch of an anti-piracy naval escort task force to the Gulf of Aden in December 2008 constitutes China's first long-range naval expeditionary force since the voyages of Zheng He 500 years ago. It should be noted, however, that this task force has very limited rules of engagement, involving escort of Chinese ships (including those of Hong Kong and also Taiwan) only, ruling out interdiction, let alone offensive operations or coordination with naval escorts of other states.[9]

Because there is little contiguity, let alone serious conflict of interest regarding the core security interests of China and Canada, the CMC is not a highly salient actor in the making of policy towards Canada unlike the case of the U.S., with its ongoing commitments to Taiwan and regional security interests on the Korean Peninsula and Japan as well as its interests in global security and non-proliferation. In these areas, the CMC plays a salient and even decisive role.

China's active and growing involvement in non-proliferation issues has prodded greater interaction and promoted greater coordination between the CMC and the foreign affairs system anchored in the State Council. Nevertheless, gaps in communication and coordination can still occur, as witnessed with respect to China's anti-satellite test of January 2007, where it took more than a week for China's Foreign Ministry to respond to U.S. expressions of concern.[10]

The State Council

The State Council is the Central executive body of the Chinese State. It is headed by the Premier, assisted by the Vice-Premiers and the State Councillors and has some 28 ministries and commissions under it. The State Council (Premier, Vice-Premiers and State Councillors) meets weekly, but the coordination and deliberation of foreign policy is the purview of:

i The Central (Committee) Foreign Affairs Leading Small Group—State Council Foreign Affairs Office

The FALG is a coordinating body. It is simultaneously the Central Leading Group for National Security. Headed by General Secretary Hu Jintao, State Councillor Dai Bingguo acts as its Secretary General. Its membership includes Vice-President Xi Jinping (Party Secretary and heir-apparent), Party Propaganda (Publicity) Department Head Liu Yunshan, Minister of National Defence and CMC member General Liang Guanglie, Minister of Public Security and State Councillor Meng Jianzhu, Head of the Hong Kong and Macau Office Liao Hui, Foreign Minister Yang Jiechi, Vice-Minister and head of the Party Fraction of the Ministry of Foreign Affairs Qiao Zonghuai, Head of the International Liaison Department of the Central Committee Wang Jiarui, Head of the Central Committee Office for External Propaganda and Head of the State Council Information Office Wang Chen, Minister of State Security Geng Huichang, Minister of Commerce Chen Deming and Deputy Head of the PLA General Staff Department and Head of its Foreign Affairs Office General Ma Xiaotian. Note that the Premier Wen Jiabao is not a member of this group, which means in practice that foreign policy is the powerful preserve of the

7 See "President Hu Meets Foreign Navy Delegations, Says China No Threat to Other Nations," *Xinhua*, April 23, 2009, http://news.xinhuanet.com/english/2009-04/23/content_11240705.htm (Accessed February 16, 2010); Mark Mackinnon, "China Makes its Debut as World Sea Power," *The Globe and Mail*, April 21, 2009.

8 See "Guofangbu jianli xinwen fayanren zhidu, xian choujian xinwen shiwuju," ("Ministry of National Defence Establishes the System of a News Spokesperson, Is Preparing for the Establishment of a News Bureau,") *Jiefangjun Bao*, December 28, 2007.

9 For China's interests in non-traditional security, see *China's National Defense* in 2008. For the Gulf of Aden escort operation, see "China's Navy Escorting Missions in Gulf of Aden, Somali Waters," *People's Daily Online*, http://english.peopledaily.com.cn/90002/96181/index.html (Accessed February 16, 2010). For debates concerning China's rules of engagement, see "Zhongguo gaibugai yuanzheng Suomali?" ("Should China Send an Expeditionary Force to Somalia?") *Renminwang*, December 11, 2008, http://military.people.com.cn/GB/42967/8501481.html (Accessed February 16, 2010). See also "China Navy's Main Goal is to Escort Ships during Somalia Mission," People's Daily Online, January 2, 2009, http://english.people.com.cn/90001/90776/90883/6565758.pdf (Accessed February 16, 2010).

10 There is consensus, confirmed to the author from a reliable source, that the MFA even at the highest level had no specific knowledge of the test beforehand and no talking points prepared for this eventuality and that it learned of the test only after the US revealed its concern publicly. For the evolution of China's non-proliferation policies and their impact on the structure of China's foreign policy apparatus, see Jingdong Yuan "Reluctant Restraint: The Evolution of China's Non-Proliferation Policies and Practices, 1980–2004," *The Nonproliferation Review* 15, No. 3 (2008): 543–548.

President and General Secretary. Note also that the Minister of Foreign Affairs is outranked in this group not only by State Councillor Dai Bingguo, who is more and more occupying the informal role of National Security Advisor,[11] but also the Minister of Public Security Meng Jianzhu.

ii The Ministry of Foreign Affairs

Foreign policy is the domain of the MFA. However, the MFA is a weak actor in China's State Council. The MFA can count on few domestic resources and does not manage a powerful "system" or *xitong* that generates strong economic resources. The MFA has no jurisdiction over security policy. Within the MFA, normal bilateral relations are assigned to the geographic departments, and Canada is in the Department of North American and Oceanian Affairs, that includes both Australia and New Zealand in addition to the U.S. and the Pacific Islands. The MFA is subordinated to the State Council; however, its effective subordination is to the FALG. This group is headed by State Councillor Dai Bingguo who is a former Vice-Minister of Foreign Affairs. The MFA has always had great prestige within the Chinese political system dating back to its close association with Premier Zhou Enlai. Its great prestige, however, is not matched by bureaucratic clout. Within China's domestic system it serves mainly to communicate with foreign governments and to uphold and maintain China's international image. The MFA is alone in handling routine bilateral relations and is responsible to ensure that China's 'core interests' are protected. Thus, while the MFA has little discretion to push diplomacy in particular ways, it has every incentive to raise China's prestige and to act preemptively to forestall incidents that might offend or embarrass top Party and State leaders.

iii The Ministry of Commerce

This "superministry" has acquired extensive powers as the result of several rounds of reorganization stimulated by China's entry into the World Trade Organization (WTO) and partly conditioned by emulation of the U.S. Department of Commerce. This ministry now oversees both domestic and international commerce, much of outbound and inbound foreign investment policies as well as inbound and outbound foreign development assistance. It also oversees China's intellectual property legislation, including patents, trademarks and copyright protection. The Ministry of Commerce (MOFCOM) dispatches the officials that man China's trade offices and trade officials in missions overseas. While it does not handle banking, finance or foreign exchange, it was MOFCOM that issued new regulations encouraging overseas investment as part of the "Go Out" strategy in March of 2009.[12] Bilateral Relations with MOFCOM are handled within its Department of American and Oceanian Affairs. As with the MFA, communication across ministries is fraught with potential for turf battles and may have little impact on other ministries or even other specialized line bureaus within MOFCOM. On the other hand, the strategic importance of this ministry means that good relationships within this ministry can exert powerful effects on compliance with a broad range of issues of vital economic interest.[13]

iv The National Development and Reform Commission

The National Development and Reform Commission (NDRC) is the successor to the old State Planning Commission and State Economic Commission. This commission, which is under a Vice-Minister, has overall responsibility for the direction of the economy and is particularly powerful in relation to energy and resource policies. Its policies trump the line ministries. Thus, for example, the Ministry of Land and Resources has the authority to authorize mine exploration and development, but approval by the NDRC is required to move a project forward. There tends to be both overlap and friction between the NDRC and the line economic ministries. Despite repeated efforts to reduce the powers of the Commission (in the areas of energy and telecommunications for example), it appears impossible to

11 When President Hu rushed home from the L'Aquila G8 Summit in July 2009 to take charge of the fallout surrounding the July 5 Urumqi riot, it was Dai Bingguo who stayed behind as his stand-in. Later that month, it was Dai who led the Chinese delegation to Washington for the first Sino-US Strategic and Economic Dialogue. See "First Round of China-US Strategic and Economic Dialogue Ends with Success," *Xinhua*, http://www.chinaview.cn/jjzldh/ (Accessed February 17, 2010).

12 "Shangwubu jiang fabu shishi <<jingwai touzi banfa>> jichi qiye 'zouchuqu'," ("MOFCOM Issues Regulations for Overseas Investment, Supports Enterprises 'Going Out'," *Renminwang*, March 16, 2009, http://politics.people.com.cn/GB/1027/8970087.html (Accessed February 16, 2010).

13 Contrary to popular stereotypes of nativist protectionism and lax enforcement of laws by Chinese bureaucrats, one Canadian interviewee averred that good relationships with MOFCOM allowed him to enforce his intellectual property rights and shut down a copycat factory that was illegally producing items with proprietary technology. A number of informants tell me that established foreign firms that have localized themselves and built solid local connections are often able to gain protection for their operations from local and nationals officials.

end the commission's discretion over operational decisions and reduce its powers to a staff function of strategic guidance.

v The State Assets Administration Commission

The State Assets Administration Commission (SASAC) exercises "ownership rights" over the 150 large state corporations directly subordinated to the State Council. It appoints the boards of directors and is involved in any overseas investment decisions which have implications for ownership. It is now headed by the immediate past CEO of Chinalco who has Vice-Premier rank, and therefore, outranks such line ministries as MOFCOM and the MFA (but not the NDRC).

vi The Ministry of Education

This ministry has traditionally been involved in the administration of academic and educational exchanges. It has also been involved in the recruitment of foreign language teachers, as well as oversight recruitment and repatriation of Chinese students and graduates abroad.[14] For these purposes it staffs the education sections of China's overseas missions. Since Hu Jintao's rise to power, it has taken on an additional role in the promotion of China's "soft power" through the establishment and management of China's "Confucius Institutes" established throughout the world. A powerful office within the Ministry, the Chinese Language International Council or "Han Ban" administers this program and concurrently reports to the Overseas Propaganda Group (*Zhongyang duiwai xuanquan xiaozu*) that is under the Central Committee Propaganda (Publicity) Department and the State Council Information Office.[15]

vii Other Line Ministries and Commissions

Each line ministry has a Foreign Affairs Office or bureau that handles external relations. These offices tie into the foreign affairs system linked with the MFA and the FALG and typically handle incoming and outgoing visitors and administer domestic regulations concerning overseas travel and entertaining foreign guests as well as housing in-house interpreter staff.

The Provinces and Localities

While provinces and localities have no jurisdiction to initiate or carry out foreign policy, they do have a role in twinning relationships and in investment promotion activities. Moreover, given the structure of China's court and regulatory system, they often promote local policies at variance with central goals reinforced by the decentralization of personnel policy that means that local courts and administrators are beholden to local Party committees. Localities sometimes initiate policies that are later adopted by the central authority or are sometimes (as in special economic zones) designated as experimental "test points" where new policies are tried out for troubleshooting purposes.

There can be considerable variance in the implementation of policy between one locality and the next depending on local priorities and local business-government alliances. Local government has no jurisdiction to defy central authority but can exercise wide discretion on how regulations are implemented.[16]

Local officials at the provincial and particularly the municipal level are especially keen on attracting investment, especially export manufacturing. Local officials often behave in an entrepreneurial manner. That is because the promotion of local Party officials is closely tied to their success in raising local GDP.[17] Central officials are less keen to encourage local investment by foreign firms that is likely to compete with local state-owned firms, but foreign invested enterprises, both joint ventures and wholly owned foreign enterprises, become "localized" once they are established and become a factor in the local economy. Once entrenched in local production, foreign enterprises are in a position to enhance their local market share at the expense of Chinese competitors, sometimes with the connivance and

14 See David Zweig, *Internationalizing China: Domestic Interests and Global Linkages* (Ithaca NY: Cornell University Press, 2002) and "Learning to Compete: China's Efforts to Encourage a Reverse Brain Drain," *International Labour Review* 145, No. 1–2 (2006): 65–90.

15 See www.hanban.edu.cn.

16 The best study we have of sub-national politics and the international political economy is Zweig, *Internationalizing China*.

17 See Pierre F. Landry, *Decentralized Authoritarianism in China* (New York: Cambridge University Press, 2007).

support of local officials. Local officials are even known to have supported foreign-owned firms in opposing Chinese anti-dumping actions.[18]

Policy Processes

China's policy process is nominally *both* top-down and bottom-up. The Charter of the CPC makes central policies (adopted by the Central Committee or its stand-in the Standing Committee of the Politburo) binding on all Party members, who constitute more than 95% of China's 39 million state officials or *cadres* (Chinese *ganbu*). Party members are obligated to carry out the line, policies and orientations of the Party centre. Those who do not can be subjected to Party disciplinary measures, ranging from warnings on their personnel files (blocking promotion) to expulsion from the Party and criminal prosecution. Party bodies and Party officials are strictly attuned to precedence and rank, with officials often listed on rank order of seniority. Party members have the nominal right to reserve their opinions and challenge policies internally, but do not have the right to defy superior directions. There has been a movement to improve 'inner-Party democracy.' This includes ensuring that policies receive a full airing at the appropriate level Party committee and that committee members are fully briefed and policies are voted upon. While this may curb arbitrary exercise of authority by individual Party secretaries, state-enforced Party rules concerning the secrecy of inner-Party communications ensure that policy-making processes are neither transparent nor easily open to outside influence.

Under Hu Jintao the formalization of Party procedures has included the Standing Committee of the Politburo. This now makes policy in regularly scheduled weekly meetings and takes formal votes. This is how Hu Angang, an economist and influential public policy advocate, described the relationship of the Politburo Standing Committee to the ministries in relation to policy making:

> I've never attempted to influence the ministries. It is enough to influence the nine members of the Politburo. The ministries have never been major policy-makers, they only provide information. I need to break that monopoly on information, to compete with them. They provide their information, I provide mine—and not just to one person, to all nine. Central policy-making is handled by the Politburo, not by one individual: it's not like it was in the era of Mao, Deng or Jiang. Now there are policy-making mechanisms with democracy, political consultation and votes. Your influence over those nine people is your influence over the policy-makers.[19]

In addition, it holds monthly study sessions on a variety of topics that are announced in the media with the participation of academic and policy experts.

Party policy is issued through Party Congresses, held every five years, where the report delivered by the Party's General Secretary establishes the Party's line and elects the Party's top bodies, including the Central Committee and the Central Discipline Inspection Commission. The Central Committee meets immediately after the Party Congress to elect the Politburo and before the first session of each new National People's Congress to elect the slate of top state leaders, including the President and Premier. The Central Committee includes the top 200 or so executive managers of the Central civil and military administration alongside the top provincial level leaders plus 100 or so alternates that represent a reserve corps eligible for promotion to the Central Committee between congresses and meets at least once a year. It is less like a parliament or deliberative assembly than a forum for ensuring face-to-face familiarity of China's senior central and local executives. Central Committee resolutions as well as Politburo circulars and documents are circulated internally to lower levels, often with extensive commentary in the Party media. Complementing this top-down process is a bottom-up process where reports are addressed to higher-level Party authorities. These reports can capture

18 See Scott Kennedy, "China's Porous Protectionism: The Changing Political Economy of Trade Policy," *Political Science Quarterly* 120, No. 3 (Fall 2005): 407–43 and *The Business of Lobbying in China* (Cambridge: Harvard University Press, 2005).

19 Hu Angang, who used to edit a reference publication for senior officials entitled *The Chinese Study Report*, in the context of promoting a report to the Standing Committee of the Politburo that called for China to adopt a policy favouring real cuts in greenhouse gas emissions at the Copenhagen Conference in December. Yi Shui and Liu Jianqiang, "I Openly Call for Emissions Cuts," China Dialogue, August 6, 2009, http://www.chinadialogue.net/article/show/single/en/3209--I-openly-call-for-emissions-cuts-1-. (February 16, 2010).

the attention of top leaders, and then be recirculated to lower ranks with comments by the leaders who adopt and sponsor the point of view within. Members of the Central Committee are privileged participants in an exclusive communication system managed by the Central Committee's General Office under the direct control of the Party General Secretary.[20] When endorsed by the Politburo documents of the Central Committee have an authority that resembles our Cabinet minutes within the Chinese bureaucracy. Until the formal adoption of a Party resolution, the policy process in China can be quite pluralistic, with central-local and cross-bureaucratic turf battles raging. General Secretary Hu Jintao's insistence on formal resolutions and formal votes is, in part, an effort to maintain Party unity by limiting the circulation of documents with rival endorsements.

The Legislature: The National People's Congress

The National People's Congress (NPC) is constitutionally China's supreme authority and the highest organ of state power. This body of some 2,900 part-time legislators elected indirectly by subordinate people's congresses from nomination lists vetted by the Organization Department of the CPC. It meets normally only once a year for a week to hear the reports of the State Council and other bodies and to pass legislation. Discussions are only held within tightly controlled provincial delegations and there is no formal interpellation. When the NPC is not in session, its powers are exercised by its Standing Committee of some 200–300 full-time legislators. The NPC Standing Committee has an important role in reviewing draft legislation especially in its Legislative Affairs Committee, and also hears the reports of state visits by China's leaders. However, there is no evidence on record of it directly influencing foreign policy, although it has in recent years occasionally delayed and re-drafted legislation. The NPC itself is keenly interested in international exchanges. The Parliament of Canada maintains an active exchange program with the NPC, and the Canadian International Development Agency has also funded projects that train People's Congress officials in sub-national legislatures. To the extent that there is any trend towards increasing autonomy of the Chinese legislature, it is largely in the form of acquiring greater expertise in legislative drafting by its full-time Standing Committee. China's part-time legislators lack staff or even constituency offices to support them in their representative functions.

Public Opinion: Outside—Inside

The CPC recognizes the importance of public opinion and devotes considerable resources to shape and direct it. There are no formal channels through which public opinion exerts pressure on top leaders. China's leaders do not face a daily parliamentary question period nor are they subjected to interpellation in legislative hearings. However, the Party's vanguard or leading role requires, at the very least, that it not find itself in stark opposition to the popular mood and that it be able to co-opt public opinion to direct the national interest. The Party endeavours to keep abreast of public opinion by tailoring its message to what is popular and by allowing some range of opinion to be expressed, at least among experts, to be seen to adopt a moderate and pragmatic course. Spontaneous nationalism has grown as China has become a wealthier and more powerful state. The Chinese public, netizens and students abroad have been quick to rally to the defence of China's international image over issues such as Tibet and Xinjiang. While behind the scenes manipulation cannot be discounted, there is also considerable freelance activity that can be corroborated, for example, by viewing on-campus bulletin board system commentary and other popular sites. This pressure is strong enough that the Party may be as fearful of failing to defend China's perceived national interest forcefully as it is anxious to assuage and placate foreign governments.

The Media

In the current economic and political setup there is a lot of information and opinion that circulates freely, through the media, blogs and the internet. Not every policy debate is related to factional struggles among authoritative individuals in the higher ranks of the Party. Party leaders mostly avoid taking positions on controversial issues and try to seek consensus in the name of stability. On foreign policy issues where Chinese interests are not directly engaged, there can be a considerable range of

20 The General Office of the Central Committee is now directed by Ling Jihua, who is a member of the Secretariat of the Central Committee and was previously Hu Jintao's personal secretary (mishu) in charge of his private office.

opinion expressed in the public media and on the internet. Interest in foreign policy is growing, and there is considerable media attention to foreign affairs. Academics are often brought in by Chinese TV and other media outlets to discuss foreign policy issues, and there is a daily newspaper published by the Party Central Committee's *People's Daily* group called *Global Times* that is exclusively devoted to international affairs. This paper now has a sister publication in English. Today, the Party has to contend with rapid communications among China's more than 300 million internet users and an active culture of cellphone use. This now enables civil society actors to mobilize nationalist anger, organize demonstrations and even boycotts against foreign multinationals alleged to have slighted China.

Some Chinese media outlets are well-known for their boldness in attacking controversial subjects. This is especially true of two publications in the *Nanfang* (Southern) group, such as the *Nanfang Zhoumo* (Southern Weekend) and *Nanfang Dushibao* (Southern Metropolitan Daily). The former, for example, published a long article in February 2009 which explained Canada's lengthy refugee determination process involved in the Lai Changxing case, and made clear to the Chinese readership the distinction between the position taken by successive governments and the role of the courts.[21]

Think Tanks

The development of quasi-autonomous think tanks since the 1980s is an important feature of the Chinese policy process.[22] There are few fully independent think tanks. Most are attached to academic or research institutions (such as the Chinese Academy of Social Science) or to public institutions and line ministries. Many engage in research along the planning process, with specific tasks allocated to them. However, there is a growing trend of independent research supported by research funds, foundations and foreign funding sources. Some non-governmental organizations (NGOs) also fill a similar role, providing a platform for independent public intellectuals. Few such bodies, however, have developed or maintained a continuous, sustained interest in issues of concern in bilateral Sino-Canadian relations.

Like all other areas of high policy, China's foreign policy is set by the CPC. The foreign policy process is headed by the Foreign Affairs Leading Group, which is a subset of the CPC Politburo. However, in the past two decades the process has opened up considerably. There are leading think tanks (The Chinese Academy of Social Sciences and its numerous institutes, especially the World Economy and Politics Institute, the European Institute, the American Institute and the Asia-Pacific Institute; the Central Party School, particularly its International Strategy Institute; the China Institute of Contemporary International Relations; the China Institute of International Relations; the China Association for International Strategy; the Centre for Peace and Development; as well as academic institutions such as the Foreign Affairs College, the Faculty of International Relations at Beijing University, the International Relations Institute at Tsinghua University, the International Relations Department at Renmin University as well as Fudan University's Department of International Relations and the Shanghai Institute of International Relations in Shanghai, to name just a sample). All of these institutions (as well as many others) produce studies and research that are widely circulated within a growing foreign policy community.

Non-Governmental Organizations

The proliferation of NGOs in China is a significant phenomenon of the past two decades. Yet most NGOs survive in precarious autonomy. Each NGO requires a sponsoring organization, and registration with the Ministry of Civil Affairs is extremely difficult. For this reason many NGOs have preferred to register as businesses. In either case, the precarious situation of NGO autonomy discourages activity outside areas clearly defined as consistent with designated Chinese public policy. This does not mean that such NGOs do not bravely push the envelope. Rather, that they do so knowing that this will endanger their position as legal entities under Chinese law. Many NGOs are careful to cultivate relations with foreign foundations and NGOs both as a means to bolster their financial independence but also as a way of heightening international visibility in a search for survival. In doing so, they must

21 See Yang Cheng, Nanfang Zhoumo, February 12, 2009, cited in Zhu Yuchao, "Unbridgeable Gap or 'Lost in Communication?' Political-Legal Disputes between Canada and China—The Cases of Lai Changxing and Huseyincan Celil," *Canadian Foreign Policy* (forthcoming).

22 See David Shambaugh, "China's International Relations Think-Tanks: Evolving Structure and Process," *The China Quarterly* 171 (September 2002): 575–596.

carefully tread a pathway of acceptability to the Chinese state and to foreign sponsors. In this they can play a useful role to bridge international understanding and expand the reach of favourable views towards the Chinese state in their area of activity.

Formal and Informal

The formal policy process of reports commissioned by top leaders, circulated for comment and endorsed by formal resolution or promulgated into laws by the National People's Congress, is paralleled by a continuous process of policy consultation. This includes open discussions in the open media and in public, as well as closed discussions circulated through the Party's closed communications system. This includes special publications and bulletins circulated to officials above a certain rank, reports commissioned from individuals and institutions that are addressed and circulated to top decision-making bodies, as well as academic debates that often mirror or parallel debates within the bureaucracy. The role that personal authority plays within the Chinese system often means that the policy process is both informal and ad-hoc. Since authoritative individuals have the power to sponsor reports and to circulate information under their own signature or chop, then these authoritative persons can steer the policy process towards desired ends. Once subordinate officials know that a certain policy has a powerful sponsor, they may steer supporting documents and information towards that individual and policy goal exercising a degree of policy and political entrepreneurship in the competition to gain notice and favour within China's hierarchy.

Informal Politics

The paramount role of the CPC with its quasi-monopoly over formal political participation, means that formal opposition to stated policy is discouraged and dangerous. Nevertheless, the CPC itself recognizes that a market society entails diverse interests. So, while the CPC itself dominates formal channels of interest articulation, interested groups and individuals constantly attempt to shape and alter policies that have a bearing on their own activities.[23] The Party does engage in formal consultations and solicit opinions on formal documents, such as reports to the Party Congress, the Five Year Plan and major legislation. Often, however, interested parties prefer to intervene over the implementation of policy in their own regard rather than challenge the premise of stated national policy. Informal politics usually takes the form of trying to block unfavourable initiatives before they are adopted as policy or to shape the implementation of policy by lower-level and local officials once an undesireable policy is adopted. There is a common expression—*shang you zhengce, xia you duice*—"Above there is (a) policy; below there is (a) countermeasure." These "countermeasures" are usually arrived at through tacit understandings through personal intervention by interested parties. It is in these personal interventions that the famous role of *guanxi*, or informal connections, comes into play. These connections can be formed in a variety of ways through family, hometown, school, business or professional ties, networks maintained and serviced through the exchange of favours that shade from dinner invitations to symbolic gifts and potentially illicit bribes.

Chinese businesspersons are frank in their admission that the range of official discretion in China is so large and unpredictable that some recourse to informal ties is indispensible.[24] While the transparency provisions of China's WTO accession have had a significant role in reducing the proliferation and scope of informal regulation, official discretion remains an entrenched reality of Chinese administrative life.

The absence of judicial independence and the unitary hierarchy of the CPC make it difficult, if not impossible, to delineate clear lines of jurisdiction in China. China's Law on Legislation gives priority jurisdiction to higher levels of authority—national legislation supersedes provincial legislation, provincial

23 See the discussion in Jonathan Unger, ed., *The Nature of Chinese Politics* (Armonk, NY: ME Sharpe, 2002).

24 As reported in an economist's blog: "If one day all officials don't dare to be corrupt at all, our company would have to close down. It wouldn't be just us, business would be very bad for most other companies as well […] This is because officials have too much power to make decisions. Break one regulation and you can be fined from thousands to tens of thousands of RMB—that is a scale of over ten to one. If officials become determined to stand on principle and not to bend the rules, they just assess the maximum fine each time. How could a company survive that? […] This is the crux of the problem […] Companies in some fields can't but break the rules, even companies with very high moral principles. This is because the government has too much power. It wants to control everything and there has to be a standard for everything. If officials dare to be corrupt, their flexibility gives companies a space in which they can survive. If an official refuses to be corrupt, then a company will not be able to survive." Xu Changsheng, "Wo weishenme bu ken peihe jijianwei," ("Why I Didn't Cooperate with the Discipline and Inspection Committee,") July 19, 2009, http://byxucs668.blog.163.com/blog/static/111026337200961934624959/ (Accessed February 16, 2010).

legislation supersedes municipal, etc. In practice, however, since local judicial and enforcement authorities are subordinated to evaluated and promoted by local Party Committees, local Party authorities have considerable say in law enforcement and judicial proceedings. This gives rise to many instances of local protectionism and localism in general. Of course, if central authorities are aware of and have their interests challenged by localism, the centre has both the legal authority and the power to enforce its policy. The constraint is one of information and attention. On the other hand, the fact that local authorities compete for investment and business opportunities is one of the major factors behind China's remarkable advance as a market economy. Local officials know that rent-seeking activity is itself hostage to the volume of investment and business in the local community, therefore, they are anxious to expand the scope of business activity in their local jurisdiction. This is behind the logic of what Barry Weingast called "market conforming federalism" in China.[25]

The Party hierarchy is the central mechanism that is used to overcome jurisdictional silos and local balkanization in China. Because the Party centre controls the personnel system that appoints, promotes and removes officials down to the lowest level, the central authorities can enforce their writ whenever they are aware of resistance and are willing to apply their power. Since fierce turf battles and contradictory interests often afflict actors at the same administrative level, only a superior Party official has the authority and the means to overcome red tape and impose a uniform and coherent solution. Courts are powerless in this regard. In the case of mining, for example, formally speaking the lead agency is the Ministry of Lands and Resources. However, approval is still required from the NDRC whose officials look with extreme disfavour at foreign-owned mining corporations.[26] For a company like Blackberry to gain approval to operate in China would require coordination with the Ministry of Communications, the Ministry of Information Industry, the NDRC, etc.[27]

The same problem of silo policy-making afflicted Canada's human rights dialogue with China, which was managed by the MFA, as the MFA has little or no influence on Chinese police and judicial authorities in the area of human rights.[28] Even the visit of special rapporteur on unlawful detention for the United Nations High Commissioner for Human Rights sponsored and approved by the MFA, was unable to prevail over a prison warden in Drapchi Prison in Tibet, who vetoed prisoner interviews previously agreed to by Chinese authorities.[29]

The Party expects that territorial and line administrators will carry out their tasks in their own jurisdiction and that those who fail to carry out their duties will be subject to administrative discipline. Officials from the lowliest county administrator to the level of ambassador or even minister are careful to try to minimize the risk that a controversy in the performance of their duties will require higher-level intervention. The harsh warnings sometimes voiced by embassy officials over, for example, a proposed visit by the Dalai Lama, are necessary because the ambassador might in some degree be held responsible.

Overcoming bureaucratic inertia and jurisdictional bottlenecks is therefore highly dependent on gaining the ear of higher-level central officials. In this rank-conscious bureaucratic system, where officials are highly tuned to status and precedence, relationships of reciprocity between officials of equivalent rank can break the Gordian Knots that bind lower-level officials. Relations between heads of state and heads of government involve elaborate exchanges of "face" that work to diminish controversy and maximize the harmonization of views. Only a Canadian head of state or head of government can intervene with China's head of state and expect to get a hearing, and this also requires carefully cultivated relationships.

25 Weingast, "The Economic Role".

26 Interview with an executive of a Canadian mining firm, June 23, 2009; interview with China-based geologist, July 12, 2009. He confirmed that gold mining is something of an exception. This appears to be confirmed in Richard Blackwell, "Eldorado Goes for Gold in China," *The Globe and Mail*, August 27, 2009.

27 Interview with RIM executive, October 2008.

28 See Charles Burton, "Assessment of the Canada-China Bilateral Human Rights Dialogue," April 19, 2006, http://spartan.ac.brocku.ca/~cburton/Assessment%20of%20the%20Canada-China%20Bilateral%20Human%20Rights%20Dialogue%2019APR06.pdf (Accessed February 17, 2010).

29 Interview with staff member at the Human Rights Commission in Geneva, Switzerland, June 2005.

Modes of Engagement

There is an elective affinity between the consensus-based decision-making process exercised inside the CPC and the kind of diplomacy practised by the PRC. The concept of harmony and the doctrine of the mean rooted in Confucian thought are complemented by the United Front tactics perfected by Mao Zedong during the Civil War that ultimately led to Communist victory in 1949. This concept calls for a broad-based unity of forces in the friendly camp and the isolation of 'the enemy.' China's policy makers like to paint themselves as standing inside a broad front of like-minded nations while concentrating their opprobrium on a 'small group' of wilful opponents. To maintain this stance requires a considerable forbearance with respect to actors who do not constitute the main focus of disapproval, and active bridge-building to maintain a plurality of actors engaged on the friendly side. After the setback of international opinion and the sanctioning of China at the UN Sub-Commission on the Promotion and Protection of Human Rights following the Tiananmen crackdown in 1989, China worked assiduously to change the composition of the UN Human Rights Commission and shape the ultimate contours of the UN Human Rights Council, by working to bring in additional representatives of the Third World and helping to formulate procedures and concepts to blunt the human rights criticisms emerging from the liberal democracies.[30] China began to wave the banner of diversity and pluralism in human rights discourse as a means to parry sharp barbs directed by those who claim the PRC stands outside the universal norms of human rights enshrined in the Universal Declaration of Human Rights and the UN Human Rights Convention. In this way China works to actively build a consensus that it can stand behind, but at the same time this shows China's extreme sensitivity to isolation within the international community. China often prefers to reveal its role as part of a broadly emergent consensus rather than project itself as the leader, in line with Deng Xiaoping's injunction to "bide time in obscurity and never take the lead." A transparent leadership position carries the potential cost of offending long-standing friends and attracting opposition that might potentially endanger China's status as a member of the consensus should it prove unable to attract sufficient followers to its point of view. Nevertheless, despite China's reluctance to lead from the front it is committed to playing the role of a 'responsible great power' that is willing to shoulder burdens on behalf of global objectives. For example, while China remained opposed to hard caps on CO2 emissions during the Copenhagen Summit in December 2009, China nevertheless is pledged to a cooperative role in restraining global warming.

Consensus, Confrontation, Coordination

Canadian policy should be sensitive both to China's fear of isolation and its reluctance to take the part of the strong against the weak. Canada can play a role to build a consensus that includes China on issues of interest to Canada. Canada is a middle power that does not compete directly with China for international prestige and leadership and has considerable experience in building bridges across the developed and developing world. China would not see itself in humiliating thrall to the Great Powers or the U.S. superpower if it joined a consensus actively promoted by Canada. Canada proved this with pioneering the G20 concept that has enabled China to showcase its importance in the current financial crisis. Unfortunately, the pioneering of the structure pre-dated the crisis which eventually gave it a *raison d'être* leaving Canada with little role and little credit for the organization's ultimate significance. The key is to align current interests in ways that can potentially interest China in a specific commitment. China does not need Canada to build consensus with its Third World friends, nor does it need Canada to communicate directly with the other Great Powers. China's consensus-seeking behaviour complements Canada's consensus-building tradition as a basis for potential diplomatic exchange and pragmatic alignment in issues that transcend the developed/developing country divide where Great Power diplomacy has not proved adequate to form a consensus. The essence of our leverage is that we are neither a Great Power nor irretrievably tied to a regional bloc like the European Union (EU).

30 See the detailed discussion of this process in Ann Kent, *China, the United Nations and Human Rights: The Limits of Compliance.* (Philadelphia: University of Pennsylvania Press, 1999).

The dichotomous mode of engagement between friends and 'enemies' involves differential approaches to interaction. Among friends and partners, the watchword in negotiation is *baotong cunyi*—'preserve points of or underline an agreement, set aside differences.' With enemies, on the other hand, the watchword is *huaqing jiexian*—'draw a clear line of distinction' or 'underline differences through clearly dissociating yourself from the other.' Under those circumstances, agreements may only be temporary, contingent, instrumental and unstable. In general, as China has embraced globalization and global engagement, the circle of identifiable enemies has shrunk considerably. Likewise, a regime that celebrates social harmony under Party leadership is reluctant to highlight the presence of hostile elements. Nevertheless, a regime that insists on governance that dissents from liberal universalism must maintain a floating discourse of endangerment from vaguely defined hostile powers loosely identified with the West. Internal opponents that are clearly identified as opposed to the interests of the Party and State are then linked to these outside forces. Identifiable enemies against whom clear lines of distinction must be drawn most prominently include the Dalai Lama. For this reason, merely favouring dialogue with the Dalai Lama or celebrating his spiritual role is regarded as 'unfriendly.'

The 'harmonious world' that China favours today carefully avoids identifying any state or group of states as implacably hostile. Instead, Chinese ideologists may occasionally refer to 'Cold War thinking' or certain circles addicted to Cold War thinking as responsible for the image that paints China in an unfavourable and hostile light. Those who challenge the legitimacy of Chinese policy or actions on liberal grounds are urged to engage in 'dialogue' and respect national and cultural differences. This leaves some room for handling individual human rights cases in the manner that does not rise to a public and principled condemnation of China on the one hand, while allowing for engagement at a higher-level of abstraction on alternative policies or modes of governance in the course of modernization and reform.

The notion of China as a work in progress that is undergoing very real development and reform does leave room for further engagement over future change so long as there is no demand for specific performance along a specific timetable. The CPC, for example, rejects convergence with 'Western' democracy while reaffirming its own commitment to democracy and the rule of law. At the same time, it confesses that democracy and the rule of law 'remain to be perfected' in China. China is therefore willing to acknowledge in general terms that its governance systems suffer both from institutional defects as well as problems in policy and its implementation. This admission leaves room for cooperation in the solution of mutually defined problems, but does not grant any license for external criticism of China's governance mechanisms as these are protected by the doctrine of sovereignty and non-interference.

Team Canada and the Chinese Policy Process

Though the Team Canada approach has been criticised in retrospect because Canada's market share of Chinese imports declined, the approach was shrewdly calculated to take advantage both of the importance of status, rank and prestige in Chinese society and the importance of senior political support in opening up new business activities. Moreover, the coordinated effort by federal and provincial government leaders was helpful in addressing the growing Chinese problem of localism and provincial decentralization that had grown acute during the reform period. However, a dramatic swarm of government leaders and business executives is not a substitute for the patient husbanding of local business opportunities on the ground, a strategy pursued with notable success by Canadian corporations such as Manulife Financial and Bombardier Transportation. Chinese officials, both at the centre and at local levels, are especially keen to promote business activities that will expand markets overseas and enhance development in China. Local officials are evaluated in large measure by their capacity to increase local economic development, while central authorities are especially keen to promote foreign investment and participation in areas that can promote new business activities in China and the transfer of technology.

Manulife has benefited from the strategy that the Chinese government has promoted as part of its accession to the WTO to use the entry of foreign firms and foreign competition to help build a market for life insurance where Chinese (state-owned) firms can respond competitively and achieve global

scale. Bombardier has not only benefited from China's enormous investment in infrastructure as a key to building manufacturing competitiveness, it has also benefited from the central government's desire to use joint ventures to bring new technology, management and capital to renew older, obsolete heavy industrial enterprises that were the legacy of Stalinist industrial planning. The commitment to localize economic benefits is a key consideration for Chinese officials at all levels. Thus, one-time events like Team Canada are useful targets to wrap up complex negotiations in a way that maximizes the prestige value for political patrons (in both countries), but is not enough to propel or sustain a project in itself. Manulife and Bombardier are examples of exceptional Canadian corporations of extraordinary scale and breadth of experience that can sustain the kind of localization called for. Moreover, China's risky business culture tends to wager on the strong and prey on the weak. Size promotes security while weakness provokes the appetite for short-term opportunism.

Why Australia, Why not Canada?

Australia has been a target of intense Chinese investment interest for the past decade, while by contrast Chinese investment in Canadian resources has been more tentative and smaller scale. Part of the reason for this has been the presence or absence of alternatives. The growth of the Chinese market for Canada coincided with the development and maturation of NAFTA and the consolidation of North American markets. Since Chinese investment, at least until recently, has been stimulated largely by filling Chinese needs and has been risk-averse in the sense of going head-to-head in bidding against established global players, the Chinese have been reluctant to enter the fray against more established and experienced players and have been more enthusiastic about entering markets where their political leverage weighs heavily, such as Africa. Australia has also offered a number of green field projects like liquefied natural gas where China had no direct competitors for the resource. Chinese steel demand rose exponentially at a fortuitous moment for the development and expansion of Australian iron-ore resources.

Strategic Partnership

Since the 1990s, China has established a growing number of bilateral 'strategic partnerships.' While this label is first and foremost a mark of prestige and priority bestowed on favoured bilateral partnerships, it is not devoid of substantive meaning. In Canada's case, it grew out of the trans-century partnership established between Jean Chretien and Jiang Zemin in November 1997, and transformed into a 'strategic partnership' with President Hu Jintao's visit in September 2005. What this partnership afforded Canada was an annual consultation on a range of issues at the Vice-Minister level.

Comparable consultations with the U.S. have been established with the Economic and Strategic Consultation that took place in July of this year. In the American case, the consultation took place at the more senior Vice-Premier level. Strategic partnerships in the Chinese lexicon should be looked upon as a framework for enhanced engagement by a state that eschews formal alliances. Such consultations afford a comprehensive look at the bilateral agenda at senior levels in the bureaucracy that can provide a focus to break bureaucratic logjams and a timetable to resolve outstanding issues. The timetable of the meeting puts pressure on lower-level officials to coordinate their responses to enable senior leaders to clear the bilateral agenda. It may even allow lower-level officials to get senior officials across departments in one place at one time so that they may simultaneously sign-off on a particular issue and end cross-departmental football play. Like high-level visits, such strategic consultations are measured by the volume and depth of agreements achieved, for which senior officials are anxious to gain political credit. With the spotlight on agreement, subordinate officials become particularly anxious to avoid standing in the way of senior officials.

Unlike high-level visits where the stakes of failure to reach agreement stand much higher and lower-level officials work assiduously to avoid giving offence by keeping controversial issues off the table, strategic consultations permit incremental progress on thorny subjects at a working level that can prepare the way for agreements established at high-level summits. They also provide an opportunity to place controversial issues on the agenda that allows the principals of each side to review respective positions prior to undertaking substantive negotiations. These consultations provide for continuity of engagement that goes beyond routine communication that may not penetrate beyond the foreign

affairs system. The fact that a strategic partnership establishes a framework in search of a purpose should be seen as an opportunity rather than an empty label.[31] Canada has every reason to revive and revitalize our strategic partnership mechanism with the aim of institutionalizing bilateral engagement on a permanent and regular basis.

China's increasing multilateral engagement also produces greater pressure for closer policy coordination across China's policy sector silos. It is ironic, and perhaps somewhat tragic, that the G20 notion that has played such an important and prominent role during the present financial crisis, should have been pioneered by former Prime Minister Paul Martin with the most enthusiastic support of China.[32] Yet, when the current crisis arrived, after a change in regime in Ottawa, Canada's pioneering contribution was little noted and remarked on by the participants, let alone Canada's own officials. This story serves to illustrate quite clearly the shortcomings of Canadian engagement strategies. The G20 idea was a strategic initiative without a clear strategic purpose. It was a structure in search of a function until the current financial crisis hit and exposed the weakness of the G7 economies and their obsolescent capacity to steer the global economy. Yet, the experience of the G20 thus far also exposes the structural weakness of China as a global power.

Despite China's craving for global status, China still operates according to Deng Xiaoping's injunction *taoguang yanghui, shanyu shouzhou, jue budang tou*—"flee the limelight, bide time in the shadows, don't stick out." Or as it is more often translated, "hide your strength, steer clear of the limelight, don't seek leadership." China's leaders dread the responsibilities of leadership and the entanglements and resentments that accompany those that take charge. Both culturally and organizationally their political style favours consensus over bold initiative. This factor creates opportunities for a secondary power to broker the consensus that China's leadership can stand behind. This is a traditional role for Canadian foreign policy and an opportunity in the current circumstances where Canada and Canadian institutions are by and large not tainted by the policies that led to the current crisis. China does not need Canada, and has actively coordinated its policies with the other BRIC countries (Brazil, Russia, India and China).

In the aftermath of the Great Recession of 2008, Russia, China and the other BRIC countries found common cause, both in the preparation for the G20 and in the wake of the G20 meetings. Whereas the emergence of the G20 was an acknowledgement that the G8 was incapable of resolving the financial crisis (indeed it was its epicentre), the BRIC countries found themselves organizing to avoid being dictated to by a G8 consensus. Once it became clear that China had no intention of forming a G2 with the U.S., Russia found itself with an opportunity.[33] As the weakest and most marginal member of the G8, it could strengthen its hand by using its priority relationship with China and its long-standing relations with India. Given Brazil's ambivalent relationship with the U.S. and the former colonial powers of Europe, and its new emergence as a global economic player, Brazil was only too happy to cooperate. China was and is highly concerned about preserving its identity as a developing state, albeit "the largest developing country," and India, especially under the Indian National Congress political party, was anxious to preserve the legacy of non-alignment. While the BRIC countries are very far from institutionalizing their relationship along the lines of the G7, they can credibly establish themselves as its counterpart in relation to the G20. They have symbolized the power shift that signals the decline of the hegemony of the Euro-Atlantic with the U.S. at its core.

Canada is well-placed to engage with the BRIC and developing countries to forge a broader consensus. China would just as soon leave the heavy lifting of global financial reform to others to preserve its political capital and avoid the all-important danger of a breach with the U.S. Moreover, China already revealed its ambivalent relationship with the EU when it abruptly postponed the China-EU summit in

31 For example, one interviewee described how an American colleague related that during the US-China Strategic and Economic Dialogue, Chinese officials used the opportunity to chase down senior officials in one location to get signatures on MOUs.

32 Andrew F. Cooper, "The Logic of the B(R)ICSAM Model for G8 Reform," *Policy Brief in International Governance* 1 (May 2007), http://www.cigionline.org/sites/default/files/Policy_Brief_no1.pdf (Accessed February 17, 2010).

33 See "Chinese President Makes Proposal for Tackling Global Financial Crisis at BRIC Summit," June 17, 2009, http://news.xinhuanet.com/english/2009-06/17/content_11553352.htm (Accessed February 16, 2010).

late 2008. For Canada to play as important a role in the new global order as it did in the post-Second World War era, it must remain as engaged with China as it once was with its Atlantic partners.

Critics on either side of the Pacific might object that the cultural and ideological obstacles to closer engagement run too high and too deep. We should not allow our very real differences to excuse our failure to build an institutional infrastructure that would bind our countries closer. We have not found the means to consolidate the considerable human interactions and relationships bequeathed through migration, education and training, business contracts, trade and investment, development assistance and nascent civil society linkages in a permanent bilateral framework. We have a dense network of *guanxi* that should be the envy of our international competitors. Our challenge is to build a framework around these relationships that can allow us to develop state-to-state ties in a more strategic fashion.

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6

RONALD DEIBERT

CHINA'S CYBERSPACE CONTROL STRATEGY: AN OVERVIEW AND CONSIDERATION OF ISSUES FOR CANADIAN POLICY

Abstract
China is among the world's most dynamic countries when it comes to information and community technology research, development and consumer use. It now has the world's largest national Internet population. China is also the world's most pervasive filterer of Internet content, engages in widespread electronic surveillance and has been suspected of global cyber-espionage against adversaries abroad. This paper draws upon the experiences of several Canadian-based research and development projects that focus directly upon (and confront) China's cyberspace control strategy to map out its main features and discuss the challenges they present for Canada. The main part of this paper provides an overview of China's content filtering, surveillance and information warfare policies and practices. This overview is followed by a consideration of issues for Canada. Like many other countries, Canada depends on economic exchange with China and is home to a large and growing Chinese diaspora community that can be vocal critics of China's human rights policies. Canada is also the home of some of the leading research and development projects on Internet censorship, surveillance and information warfare that, at times, are antagonistically linked to China. The conclusion considers some of the challenges and opportunities for Canadian interests and presents three recommendations for Canadian policy.

Introduction
When it comes to Internet censorship, few discussions take place without at least a passing mention of China. Home to the world's largest Internet population, and one of the world's most dynamic centres of information and communication technology production and innovation, China has also mounted the world's most ambitious cyberspace control strategy. Its methods range from regulations and policies to technological filters to co-optation of Internet service providers (ISPs) to state-sponsored psychological and propaganda campaigns to targeted offensive operations in cyberspace.

Not surprisingly, its cybersecurity strategy has met with widespread resistance, both from within and beyond China's borders. Chinese citizens use various programs and methods to evade government filtering and surveillance; many of them are supported by American and European government-directed funds. China is perennially singled out for just about every suspected case of cyber-espionage or denial of service attack against sensitive computer systems in the United States, even when actual evidence is lacking. China's cyberspace ecosystem is thus characterized by a constant dynamic of control and subversion.

This paper draws upon the experiences of several Canadian-based research and development projects [see Box] that focus directly upon (and confront) China's cyberspace control strategy to map its main features and discuss the challenges they present for Canada. The main part of the paper provides an overview of China's content filtering, surveillance and information warfare policies and practices. This overview is followed by a consideration of issues for Canada. Like many other countries, Canada depends on economic exchange with China, and is home to a large and growing Chinese diaspora community that can be vocal critics of China's human rights policies. It is also the home of some of the leading research and development projects on Internet censorship, surveillance and information warfare

that, at times, are antagonistically linked to China.[1] The conclusion considers some of the challenges and opportunities for Canadian interests and presents three recommendations for Canadian policy.

These Canadian-based research and development projects include the OpenNet Initiative (ONI), the Information Warfare Monitor (IWM), and Psiphon. The ONI is a collaborative project led by the Citizen Lab at the Munk Centre for International Studies at the University of Toronto and the Berkman Center for Internet and Society at Harvard University, in partnership with numerous non-governmental organizations worldwide. Using a combination of technical interrogation, data analysis and field research, the aim of the ONI is to document patterns of Internet censorship worldwide. The ONI's methodology blends "technical intelligence" that yields quantitative data with field-based contextual research that helps target technical tests and interpret results. The technical data is derived from a suite of software tools that are deployed by researchers in countries under investigation which connect back to databases maintained by the ONI and check accessibility to thousands of websites, keywords and services in English and local languages. Forensic investigations of the results, combined with tracing and mapping of network connections, determine what is blocked, where the block is implemented and often the technology that is being used to do the blocking. Country experts then analyze the results and place them in their wider social and political context to give a comprehensive picture of a country's filtering policies and practices. The ONI has produced three major reports on the state of China's Internet censorship regime.

The IWM is a joint project between the Citizen Lab and the SecDev Group, an operational think-tank based in Ottawa. The aim of the IWM is to monitor and analyze the exercise of power in cyberspace. The IWM has released two major reports on China's surveillance practices, the most notable of which is *Tracking GhostNet*, which uncovered an apparent Chinese-based cyber-espionage network affecting 1,295 computers in 103 countries, many of which had high impact diplomatic and political targets. Lastly, Psiphon is a freedom of choice information service company, recently spun out of the Citizen Lab, which provides Internet censorship circumvention products and services to thousands of Chinese seeking to evade China's rigid information controls.

For more information, please visit:
OpenNet Initiative: http://opennet.net
Information Warfare Monitor: http://www.infowar-monitor.net
Psiphon: http://psiphon.ca

China's Internet Content Filtering Regime

Like most countries that engage in Internet content filtering, China's censorship practices lack transparency and public accountability. Official acknowledgement of these practices has been inconsistent at best, deceitful at worst. Most times officials deny or do not discuss details of content filtering practices. On rare occasions when public officials raise the subject, policies are justified in terms of protecting public safety, core social values and stability, and compared to similar filtering practices in the West. However, the full scope of China's censorship regime is never detailed in official circles or public government documents.

Rather, what is known of China's Internet filtering regime comes from the activities of bloggers, academics and non-governmental organizations (NGOs) like Human Rights Watch, Amnesty International, Reporters Without Borders, Human Rights in China and academic research outputs, like those of the ONI. While the ONI is very much embedded among these civil society groups, it is distinguished by the robust and careful methodology it employs to document patterns of Internet

1 See, for example, the CNN interview with the author that presents the release of the Citizen Lab's Psiphon software as a direct challenge to China, which the author tries to dispel. "Psiphon with Ron Deibert on CNN International," Youtube, December 1, 2006, http://www.youtube.com/watch?v=4_ADE_uB7SQ (accessed September 16, 2009).

censorship [see Box]. To date, the ONI has released three major reports on China's filtering regime.[2] ONI's 2005 report described China as operating "the most extensive, technologically sophisticated, and broad-reaching system of Internet filtering in the world." This conclusion remains accurate today. China's filtering regime employs a combination of technical, legal and social measures that are applied at various access points and overseen by thousands of private and public personnel. These measures filter content sent through a range of communication methods, such as websites, blogs, forums and email. Together these measures create a matrix of soft and hard controls and induce a widespread climate of self-censorship.

Technical Filtering Mechanisms

Technical filtering mechanisms can be found at all levels of the Internet in China, from the backbone to Personal Computers (PCs) located in hotels and Internet cafés. Although ISPs, Internet cafés, search engines and other network services operate their own filtering systems, all network traffic is subject to a uniform system of filtering at all international gateways. This takes three forms: domain name server (DNS) tampering, keyword filtering and Internet protocol (IP) blocking. DNS tampering works by interfering with the system that cross-references domain names with the numerical address associated with them. Users are directed to an invalid IP as if the site they requested did not exist. By contrast, IP blocking targets the numerical address. This type of blocking can cause major collateral filtering of unrelated content because different domain names can share the same IP address host. Keyword filtering targets the Uniform Resource Locator (URL) path (and, it can be suspected, increasingly the body of the web page as well) searching for banned terms. Upon finding one, the routers send what are known as "RST packets" that terminate the connection between sending and receiving computers, effectively penalizing that computer from making requests to the same server for an indefinite period of time.[3] Users making requests for banned information receive an error message on their web browser, which appears to the user as if the information is not available or that there is something wrong with their Internet connection. In other words, users in China trying to access banned content do not receive a block page informing them that the content is officially filtered, as is the case in some other countries that censor the Internet. Filtering is centralized and largely consistent across each of the international gateways; no matter the ISP or café from which one connects to the Internet in China, this gateway level of filtering is an unavoidable last line of defense.

Targeted Content

The type of content that the government of China targets for blocking is wide-ranging and covers social, cultural, security and political topics considered a threat to Communist Party control, and social and political stability. Websites containing content related to Taiwanese and Tibetan independence, Falun Gong, the Dalai Lama, the Tiananmen Square incident, opposition political parties or a variety of anti-Communist movements are almost always filtered. Websites and services that help people evade government censorship are also regularly targeted for blocking. Tests show that China's filtering tends to focus disproportionately on content in local Chinese languages. Users searching for the equivalent English language terms, for example, will often get a higher proportion of results than the same terms searched for in Chinese.

Although the filtering system appears consistent and relatively stable across time, the Chinese government has also demonstrated a propensity to use "just-in-time" blocking in response to unanticipated special situations. For example, during demonstrations in Tibet, China implemented new blocks against Youtube.com and other video streaming services that were circulating images of protests, and then lifted them subsequently. These just-in-time blocks will likely become a more prominent feature of China's cyberspace control strategy as they are harder to detect by organizations

2 For more information, see OpenNet Initiative, "Homepage," http://opennet.net/ (accessed December 10, 2009).

3 Since the system works both ways (for electronic requests exiting and entering China) it can be tested by searching for banned keywords, like "falun" on search engines hosted in China (such as Baidu.com).

like the ONI using technical means, and they concentrate efforts around information at the time when its tactical value is the highest.[4]

The Tibetan protests also point to another, newly sophisticated form of blocking emanating from China: the use of distributed denial of service (DDoS) attacks. There have been persistent and increasing charges that DDoS attacks against servers in the United States, United Kingdom, Canada and elsewhere have their origins in mainland China. Such attacks have been especially prominent during and following the demonstrations in Tibet, with the servers of many Tibetan and Chinese human rights organizations systematically targeted. These more "offensive" methods of denying access to information by effectively targeting and disabling the sources of information themselves (rather than passively blocking requests for information, as the filtering systems do) are especially concerning because it is difficult to pinpoint the source of the attacks.

Distinguishing the involvement of government officials from vigilantes is very difficult as the methods involved are dispersed, opaque and allow for a degree of plausible deniability. For example, some non-state Chinese groups have occasionally shown a propensity to engage in DDoS attacks against targets that are considered hostile to China's interest or prestige.[5] Such methods of blocking present challenges for monitoring organizations like the ONI whose methods are calibrated to document passive filtering techniques and not information attacks of the type described above.

Non-Technical Means of Control

Technical means of filtering are complemented by an extensive set of social and legal or regulatory measures. Chinese legal or regulatory measures tend to be written vaguely and broadly, thus offering wide scope for application and enforcement, and uncertainty among users. Most regulatory measures have the effect of devolving responsibilities to end users and services, like café operators, ISPs, blog hosting services and media, to be responsible for policing the content they post and that which they host. Since enforcement can be arbitrary, users and operators of services tend to err on the side of caution preferring to prevent or remove offending material rather than risk censure. Social measures are even more general, and thus harder to define, but include operating norms, principles and rules which are propagated through media and official channels, and are combined with extensive techniques of surveillance, which together affect behaviour in both formal and informal ways. These social measures include self-discipline pacts signed by Chinese Internet service companies pledging to uphold public values, and the cartoon police officer characters "Jingjing" and "Chacha" that pop up and warn users not to visit banned sites or post harmful information.

Green Dam Youth Escort Software

Currently, one of the most controversial Chinese Internet censorship regulations is the requirement that all manufacturers of PCs sold in China are pre-installed with filtering software authorized by the state. On May 19, 2009, China announced this requirement but has since made the requirement an option for manufacturers. Known as the "Green Dam Youth Escort" (hereafter called Green Dam) software, the package is justified as a way to prevent minors from accessing pornography and other objectionable material. ONI analysis of the software determined that not only could Green Dam be modified to block any content at any time, it also contains dangerous security vulnerabilities. Moreover, some of the code used to create the software appears to have been copied illegally from several sources, including a private filtering company based in the United States called Solid Oaks.[6] Although some companies, like Microsoft, have publicly objected to the regulation, many have shipped their new PCs with the software installed. This case demonstrates the extent to which China's control methods now extend to the very edges of

4 Such control strategies are spreading internationally. For an extended analysis, see: Ronald Deibert and Rafal Rohozinski, "Control and Subversion in Russian Cyberspace," in *Access Controlled: The Shaping of Power, Rights, and Rule in Cyberspace*, ed. Ronald Deibert, John Palfrey, Rafal Rohozinski, and Jonathan Zitrain, (Cambridge: MIT Press 2010).

5 See "CNN Web Site Targeted," *CNN.com*, April 18, 2008, http://edition.cnn.com/2008/TECH/04/18/cnn.websites/ (accessed December 10, 2009).

6 See ONI Bulletin, *China's Green Dam: The Implications of Government Control Encroaching on the Home PC* (June 2009); and Scott Wolchok, Randy Yao, and J. Alex Halderman, "Analysis of the Green Dam Censorware System," http://www.cse.umich.edu/~jhalderm/pub/gd/ (accessed September 16, 2009).

the Internet, with home users. The Chinese government's stance also shows a willingness to take audacious measures in spite of widespread public objections.

Corporate Complicity

With the world's largest number of Internet users, there is an enormous market opportunity for Internet services and equipment in China and corporations from around the world have sought to capitalize. Capitalizing from the Chinese market requires that businesses make many difficult compromises, as authorities seek to control their services to ensure the business' consistency with government filtering policy, or even seek to enlist their help to maintain and extend it. These pressures put corporations in a difficult quandary, as the Green Dam case aptly demonstrates. Compliance with Chinese government policies can generate intense public criticism in corporations' home countries, including shareholder activism, lawsuits and fines. Choosing not to comply can mean the withholding of market opportunities, contracts and licenses, frivolous lawsuits, harassment, filtering and network tampering and even public safety concerns for employees.

A number of Western-based high-tech firms have chosen to comply with and thus aid Chinese censorship practices while finding various ways to contain and mitigate criticism back home. The U.S.-based service companies Yahoo!, Microsoft and Google, for example, have all engaged in various forms of self-censorship of their services, including the removal of contentious search terms from search engine results and deletion of offending posts, terms and other entries from services. In one egregious case, Yahoo!'s disclosure to the Chinese State Security Bureau of confidential user information led to the arrest and sentencing to ten years in prison of journalist Shi Tao.[7]

Typically and not surprisingly, many corporations have been less than forthcoming about the specific compromises they make in order to do business in China. Some corporations appear to have acted deceitfully. For example, a recently leaked Cisco presentation from 2002 showed that company members viewed China's then emerging censorship system (the so-called "Golden Shield") as a market opportunity, thus contradicting repeated claims made by the company that it is not morally responsible for sales of its equipment to regimes that censor and engage in surveillance.[8] An exhaustive comparative analysis of the censorship practices of the search engines provided by Google, Microsoft and Yahoo! for the Chinese market, along with the domestic Chinese search engine Baidu, show that each of these search engines removes an extensive set of politically sensitive information, including the websites of Chinese dissidents and the Falun Gong movement, the websites of major news organizations, such as the BBC, as well as international advocacy organizations, such as Human Rights Watch.[9] This analysis also strongly suggests that companies themselves select the specific websites to be censored, as opposed to being given a list by the Chinese government. Such self-selection raises the prospect of anticipatory over-blocking, in which content not officially blocked by China is filtered because of the eagerness of search engine operators. Lastly, all of the search engines exhibited poor levels of user notification and transparency, with the level of overall transparency of Microsoft and Yahoo! actually declining over the last two years. Google's level of transparency has remained the same, but it is noteworthy that it has not improved at all during this time either.

In the United States, Congressional pressure to regulate the behaviour of these companies has intensified around the proposed Global Online Freedom Act. The latter would punish companies that aid Internet censorship in a list of targeted countries that would almost certainly include China. Meanwhile, some of the companies (along with interested NGOs) have formed a self-governance pact, called the "Global Network Initiative" (GNI), which lays out a series of principles to follow for operations in countries where Internet censorship takes place. Although it is too early to tell what effect, if any, the GNI will have on corporate complicity in China's censorship regime, it is instructive

7 Rebecca MacKinnon, *Shi Tao, Yahoo!, and the Lessons for Corporate Social Responsibility*, Version 1.0, December 20, 2007, http://rconversation.blogs.com/YahooShiTaoLessons.pdf (accessed September 16, 2009).

8 Sarah Lai Stirland, "Cisco Leak: 'Great Firewall' of China Was a Chance to Sell More Routers," *Threat Level*, May 20, 2008, http://www.wired.com/threatlevel/2008/05/leaked-cisco-do (accessed September 16, 2009).

9 Nart Villeneuve, "Search Monitor Project: Toward a Measure of Transparency," *Citizen Lab Occasional Paper 1* (2008), http://www.citizenlab.org/papers/searchmonitor.pdf (accessed September 16, 2009).

to note that Yahoo! reconsidered some of its investment decisions with respect to Vietnam, ostensibly because of a desire to conform to the principles of the GNI.

Surveillance and Cyberwar

Like most countries around the world, China operates a signals intelligence and surveillance system, though with little oversight or restraint. The country has implemented a widespread "Golden Shield" surveillance system that has been developed with input from western corporations, including some that are based in Canada.[10] Although details are sketchy, the system integrates information from a variety sources, including CCTVs, cell phones and other digital fingerprints, to track behaviour and communications of Chinese citizens. Unlike content filtering, surveillance is difficult to detect using technical means. Two recent IWM reports have shed some light on China's surveillance system. The first study, by Nart Villeneuve, uncovered a surveillance system that was undertaken on the Chinese partner version (Tom-Skype) of the popular Voice-Over-Internet-Phone (VOIP) platform, Skype, revealing a politically motivated surveillance tracking system that captured millions of personally identifiable messages and associated identifiable information.[11] Villeneuve's report revealed the potential scale and mechanisms employed in China's surveillance regime, including the cooperation and complicity of private companies. Presumably other Chinese service providers comply with China's surveillance requirements in a similar manner.

The second report, *Tracking GhostNet*, revealed a much more disturbing, albeit opaque, picture of China's surveillance methods. This report uncovered an apparent cyber espionage system, called GhostNet, which infected 1,295 computers in 103 countries.[12] Many of the target computers were based inside high value political and economic targets of strategic significance to China's defense and foreign policy, such as diplomatic ministries and organizations related to Taiwan, Hong Kong, Tibet, Pakistan and others. The Indian Embassy in Washington, DC was thoroughly infected by GhostNet. The system enabled the attackers to take complete control of infected computers, including access to all files, remote desktop viewing, keystroke logging and audio and video controls. Some of the IPs used in the attack were traced back to Hainan Island, home of the People's Liberation Army's Signals Intelligence Facility. This IWM report goes to great lengths to outline alternatives in which China itself is not officially responsible for GhostNet, including the possibilities of a lone individual, random infections, involvement of a state other than China and organized criminal groups. However, the circumstantial evidence tilts strongly in China's direction.

Whatever careful caveats are made concerning attribution, the *Tracking GhostNet* report contributes to the already ominous picture of China's seemingly aggressive intentions in the cyber realm. These include published reports on China's ambitions to develop offensive cyber war capabilities; persistent digital attacks on adversarial human rights, pro democracy and religious groups that link back to mainland China; regular intrusions of corporate and government networks around the world that emanate from IP addresses in China and attacks by so-called "patriotic hacking" groups which are formally unconnected to Beijing, but from which the latter benefits.[13] China is certainly not alone among major powers in advancing or being connected to such capabilities, and one has to be cautious to separate threat inflation that serves particular interests from the reality of China's intentions and actions.[14] But the sheer number of incidences relating to or involving China, combined with publicly available documents on strategy, is certainly contributing to an environment of mutual distrust and hostility.

Censorship Circumvention

Despite the matrix of controls, and the climate of self-censorship it engenders, it is difficult to determine how effective China's system of censorship is in preventing people from accessing and posting

10 Greg Walton, *China's Golden Shield* (International Centre for Human Rights and Democratic Development: 2001).

11 Nart Villeneuve, *BreachingTrust: An Analysis of Surveillance and Security Practices on China's TOM-Skype Platform* (Information Warfare Monitor-ONI Asia: JR01-2008).

12 Information Warfare Monitor, *Tracking GhostNet: Investigating a Cyber-Espionage Network*, (2009).

13 For an extended analysis, see: Timothy L. Thomas, "China's Electronic Long Range Reconnaissance," *Military Review* 88, No. 6 (November–December 2008): 47–54.

14 Evegeny Morozov, "Cyber Scare: The Exaggerated Fears over Digital Warfare," *Boston Review* (July/August 2009), http://www.bostonreview.net/BR34.4/morozov.php (accessed September 16, 2009).

information. Generally speaking, citizens are very reluctant to openly challenge China's system of Internet controls or discuss circumvention methods. Indeed, although polling in an authoritarian regime is unreliable, some surveys indicate that a large proportion of Chinese people have little interest in evading government censorship, and may even support the Great Firewall.[15] But such claims are difficult to believe in light of the lack of transparency and the general climate of fear and suspicion within China. While citizen Internet usage expands dramatically, with a vibrant culture around social networking platforms, political discussions are noticeably absent from public Internet forums, which are clouded with suspicions and reminders of state surveillance. One of the most perverse aspects of censorship wherever it may occur is that citizens have no idea what they are missing; certainly this is the case in China.

There are nonetheless a wide variety of tools and methods that citizens can and do use to evade content filters in China ranging from the very simple to the complex.[16] Numerous proxy and anonymizer websites and services are employed, but these can be technically challenging, insecure, slow and unreliable, as well as being susceptible to official discovery, monitoring and shut down.

The Citizen Lab's circumvention software, psiphon, is employed within private social networks of trust. Citizens outside of censored jurisdictions set up psiphon nodes on their home or office computers and then give the connection information privately to a few trusted friends, colleagues or family members. Since the connections between psiphon nodes and users are private and encrypted, and each psiphon node is separate from another, it is very difficult for authorities to track down and block. Moreover, unlike some other circumvention tools, psiphon requires no download on the client side, making it easy to use in multiple locations and safe in case authorities seize a computer. Now a private Canadian company, Psiphon Incorporated provides content delivery assurance services for broadcasters like the BBC, Voice of America and Radio Free Asia using an encrypted, browser-based solution and a "cloud" of dedicated servers.[17] Technological developments such as these assurance services ramp up the challenges to and make it more difficult for censors to apply broad-based content filters.

Issues for Canada

With the world's third largest economy and the largest number of national Internet users in the world, the impact of China's cyberspace control policies on all countries is great, and Canada is no exception. Canada's leverage, however, over China's domestic policies is small, with Canada, like other countries, looking to strike a delicate balancing of its broader political and economic interests in China against open criticism of China's human rights policies, transparency on the Internet and apparent support of computer espionage abroad. There are, however, at least three ways in which Canadian policy could make a positive impact and counter growing tendencies towards the censorship, surveillance and militarization of cyberspace that China presently leads.

First, Canada could take a leadership position in promoting a global, multilateral agenda around arms control in cyberspace. The present state-based cyber security agenda is almost entirely absent of voices or forums dedicated to creating norms of mutual restraint, confidence building and information sharing. Most governments, including the great powers, are actively developing capabilities to fight and win wars in cyberspace. This legitimization of offensive cyberspace capabilities lends credence to China's own cyberspace control strategies and provides a ready justification for any of its own measures when they are revealed or criticized.

Canada's strategy could build upon its previous successes, such as the campaign to ban landmines, which used careful diplomacy and outreach, a multi-stakeholder process that includes governments

15 See Deborah Fallows, "Few in China Complain About Internet Controls," *Pew Internet & American Life Project.* (PewResearchCenter Publications: March 27, 2008) http://pewresearch.org/pubs/776/china-internet (accessed September 16, 2009).

16 For example, the DNS tampering and keyword methods described above can be easily circumvented by entering in the numerical IP address of the website instead. When the website of the Canadian Broadcasting Corporation (CBC) was filtered in China, researchers determined that www.cbc.ca was treated as a banned keyword: entering in the IP address for the site instead provided full access. For an overview, see: The Citizen Lab, *Everyone's Guide to By-Passing Internet Censorship for Citizens Worldwide,* October 2007, http://www.civisec.org/guides/everyones-guides (accessed September 16, 2009).

17 "Homepage," Psiphon, http://psiphon.ca (accessed December 11, 2009). Disclosure: the author is one of the founders and currently Vice-President of Psiphon Inc.

and civil society movements. One "top down" aim of such a multi-pronged process could be to promote, through the United Nations, a Treaty of Cyberspace that would aim to build some rules of the road around predictability and preservation of the Internet as an open and largely unfettered public domain and global commons. China would likely initially bristle at the suggestion given its concerns over access to sensitive information online and its past hostility towards proposals for Internet governance that include explicit reference to human rights. But the mere proposal of such a treaty would at least create a normative counterbalance to the growing trends today around closure and militarization and begin a dialogue on the preferred constitutive principles of this vital global domain. It might also inject some renewed vigour into the now languishing Internet Governance Forum process, from which China appears to be considering withdrawing its long-term support.[18]

A "bottom-up" component of that process—perhaps more palatable to China—would bolster the nascent international institutions around cyber security to ensure that there are viable international mechanisms of information sharing on cyber crime and cyber attacks, including the type discovered in the *Tracking GhostNet* report. This component could enhance the International Telecommunication Union's (ITU) new cyber security organization, International Medical Products Anti-Counterfeiting Taskforce (IMPACT), and ensure that IMPACT's mandate includes acknowledgment of principles of openness. Part of this set of initiatives could be an investment in domestic critical infrastructure protection policies and practices that could provide a model for other countries. Canada might also borrow a page from its successful landmine ban campaign by facilitating cooperation among civil society organizations in the cyber security area. National computer emergency response teams (CERT), have recently developed promising mechanisms of international information exchange, called FIRST, which could be enhanced.[19] Notably, these mechanisms presently include three Chinese CERTs.

Much like the successes around previous arms control agreements, success in international cyber security regulation might best be reached by encouraging scientists and engineers to develop a mutual stake, and an epistemic community, around protecting the Internet as an open public space while shoring up critical infrastructures against digital attacks. With their fingers on the pulse of the Internet, and dispersed internationally, CERTs may be viable candidates for the type of organization that needs to be institutionalized as an early-warning, monitoring and verification system for arms control in cyberspace. Just as it played a role in encouraging verification systems in other domains, like landmines, chemical weapons and the yet-to-be-realized nuclear test ban, Canada could be an international leader on cyberspace arms control verification and institutionalization. Moreover, this recommendation would exemplify a constructive, non-confrontational area of dialogue between China and Canada on areas of mutual interest in cyber security.

Second, Canadian legislators should take a more active interest in the possible role played by Canadian companies to help support China's vast censorship and surveillance regime. Canadian corporate complicity in China's human rights abuse has been consistently highlighted by the Canadian non-governmental organization, Rights & Democracy, and other rights groups.[20] But the Canadian government itself has largely sidestepped the issue. At worst, the Canadian government has been complicit in the promotion and sale of such technologies through various "Team Canada" trade missions abroad. For example, the Canadian government could pass legislation that requires regular due diligence around the sale of Canadian security technologies to ensure that they meet minimum requirements to prevent their use in what Canada considers human rights violations, in China and elsewhere. Short of, or as an alternative to, new legislation, the Canadian government could also use incentives directed at Canadian corporations to encourage their participation in standard-setting institutions such as the Global Network Initiative. At the very least the government could provide forums for such discussions to take place and incentives for companies who wish to join, and then

18 Milton Mueller, "China Ready to Pull the Plug on IGF," *Internet Governance Project,* May 14, 2009, http://blog.internetgovernance.org/blog/_archives/2009/5/14/4185706.html (accessed September 16, 2009).

19 "What is FIRST?" Forum of Incident Response and Security Teams, http://www.first.org/about/ (accessed December 11, 2009).

20 *Human Rights & the International Trade in Security and Surveillance Technology—Case Study: China* (Montreal: International Centre for Human Rights and Democratic Development, October 31, 2005), http://www.dd-rd.ca/site/_PDF/publications/globalization/wto/ICT%20meeting%20report.pdf (accessed September 16, 2009).

raise the findings of its due diligence in bilateral talks with China, such as during the Canada-China Bilateral Human Rights Dialogue.

Lastly, Canada could lead by example. There are numerous domestic policy areas, including loose laws on wiretaps, ambiguous oversight of intelligence agencies, shoddy content filtering mechanisms around access to pornography and hate speech, questionable deep packet inspection and data retention practices by ISPs, where Canadian practices provide ample justification (albeit in reduced scale) for China's own domestic censorship and surveillance regime. These policy areas need to be rectified.[21] Canada could also actively lead the research and development of technologies and organizations that support basic human rights online, including access to information, privacy and freedom of speech. It is noteworthy that the one Canadian success story in this area, Psiphon, has been entirely funded by U.S. and UK government and foundation sources. Investing in such technologies and personnel is one of the surest ways to protect against the type of encroachments that have been seen in China and elsewhere, and their support does not imply a direct challenge to China itself from the Canadian government. Over time, such measures may help ameliorate the worst excesses of what is now clearly a mounting trend.

21 The Canadian Internet Policy and Public Interest Clinic (CIPPIC) at the University of Ottawa has published detailed briefs and reports on each of these topics on its website at: http://www.cippic.ca/en/. The forthcoming volume by the ONI reviews how policies among the advanced industrialized countries contribute to a global norm around cyberspace controls that help legitimate the control strategies of countries like China. See Deibert et al., *Access Controlled: The Shaping of Power, Rights, and Rule in Cyberspace.*

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7

JEREMY PALTIEL

CANADA IN CHINA'S GRAND STRATEGY

Abstract
The twisted course of Sino-Canadian relations since the Harper Conservative government acceded to power in January 2006 has rightly focused attention on the foundations of our bilateral relationship. This paper ventures a look at the basis of the bilateral relationship from the Chinese perspective. It looks at the overall objectives of China's political and diplomatic strategy, how Chinese policy is made and the explicit and implicit place allotted to Canada within China's overall foreign policy. Canada's place in China's grand strategy will be approached from two directions: the role assigned to bilateral relations with Canada as found in various Chinese foreign policy announcements and the potential role for Canada within the overall objectives of China's grand strategy. The paper also looks at the scale of cooperation under present conditions versus the scope for cooperation that could be articulated as compatible with China's overall foreign policy objectives consistent with Canadian foreign policy goals and objectives. The Canadian experience is offset by brief comparisons with France and Australia, and some suggestions are offered on how to anchor the bilateral relationship on a sounder and more stable framework that takes into account Canada's unique opportunities given China's changing place in the global balance.

Introduction
This paper looks at Canada through the lens of Chinese policy making. It looks at the overall objectives of China's political and diplomatic strategy, how Chinese policy is made and the explicit and implicit place allotted to Canada within China's overall foreign policy. Canada is rarely named directly as one of China's key diplomatic partners or as a strategic target of China's overall policy. Canada's place in China's grand strategy, therefore, will be approached from two directions: the role assigned to bilateral relations with Canada as found in various Chinese foreign policy announcements and the potential role for Canada within the overall objectives of China's grand strategy. The paper also looks at the scale of cooperation under present conditions versus the scope for cooperation that could be articulated as compatible with China's overall foreign policy objectives consistent with Canadian foreign policy goals and objectives.

China's primary foreign policy objective is to assume a position as a global power consistent with China's traditional self-perception as a leading world civilization.[1] Within this overall objective, China's first purpose is to facilitate its domestic development as an economic powerhouse on par with the advanced industrial states. Self-perception as a great power is twinned with China's perception of its modern history as a *victim* of the Western great powers, and along with this, an identification with the ex-colonial nations as a developing country. China projects itself as worthy of great power status at the same time as it identifies with developing countries. This is now formulated as China being the 'world's largest developing country.' To reach its objective of development, China's leaders have concluded that China must maintain a posture that is open to global trade and investment as the only way to ensure that its industry and technology are globally competitive.

As a state that has benefitted from an open global economy perhaps better than any other, China is therefore committed to an open global trading order and to a global environment conducive to economic development. Beyond that, Chinese leaders see China as a model of successful economic

1 See the author's *The Empire's New Clothes: Cultural Particularism and Universal Value in China's Quest for Global Status* (New York: Palgrave, 2007), especially 1–27.

development and are determined to demonstrate that China can have a role in accelerating and facilitating economic development in the former colonies of the developing world. China regards its character as a developing country that was victimized by colonialism and imperialism as a fundamental aspect of Chinese identity and a primary aspect of its relationship with the advanced industrial economies and the developing world. While Canada was never a colonial power, China identifies Canada as part of the Western culture that prospered in the face of and, more pointedly, at the expense of China's humiliation in the 19th and the first half of the 20th centuries. Along with other Western states, Chinese tend to regard criticism of China's political record as tinged with historical attitudes of cultural arrogance and racism, however sincerely they may be intended.

Hierarchy and Equality in Chinese Foreign Relations: Friends and Enemies

There is an 'elective affinity' between the consensus-based decision-making process exercised inside the Chinese Communist Party (CCP) and the kind of diplomacy practised by the People's Republic of China (PRC). The concept of harmony and the doctrine of the mean rooted in Confucian thought are complemented by the United Front tactics perfected by Mao Zedong during the Civil War that ultimately led to Communist victory in 1949. This concept calls for a broad-based unity of forces in the friendly camp and the isolation of 'the enemy.' China's policy makers like to paint themselves as standing inside a broad front of like-minded nations while concentrating their opprobrium on a 'small group' of wilful opponents. To maintain this stance requires a considerable forbearance with respect to actors who do not constitute the main focus of disapproval and active bridge building to maintain a plurality of actors engaged on the friendly side.

References to "friendship" in Chinese foreign policy discourse are so pervasive as to prompt analysis as part of Chinese operational codes. The first sentence in the first article in Mao Zedong's *Selected Works* reads "Who are our enemies? Who are our friends? This is a question of first importance for the revolution."[2] This dividing line is a basic factor in a strategic calculus of the United Front: "to ensure that we will definitely achieve success […] we must pay attention to uniting with our real friends in order to attack our real enemies."[3] Fundamentally, this means that the categorization of "friend" or "enemy" decides whether the relationship is one which is to be cultivated, even at some cost, or whether the target is to be isolated and attacked. These categories are not permanent and shift in accordance with immediate strategic needs.

Friendship, therefore, is not a permanent condition, nor does it signal a permanent alignment. It is not contractual, although it signals the potential for useful reciprocity, together with expectations about sensitivity and restraint with respect to interests and issues that China considers and communicates as important. Lack of consideration for this can tilt the relationship towards the "hostile" category and invite retaliation. Friendship is a general and dichotomous category that coexists with a hierarchy of interests and relationships that are identified as important.

The dichotomous mode of engagement between friends and enemies involves contrasting approaches to interaction. Among friends and partners, the watchword in negotiation is *baotong cunyi*—to preserve points of agreement, set aside differences or underline agreement. With enemies, on the other hand the watchword is *huaqing jiexian*—to draw a clear line of demarcation or underline differences by clearly dissociating yourself from the other. Within a framework of hostile relations, agreements may only be temporary, contingent, instrumental and unstable. In general, as China has embraced globalization and global engagement, the circle of identifiable enemies has shrunk considerably. Likewise, a regime that celebrates social harmony under Party leadership is reluctant to highlight the presence of hostile elements. Nevertheless, a regime that insists on governance that dissents from liberal universalism must maintain a floating discourse of endangerment from vaguely defined hostile powers loosely identified with the West. Internal opponents that are clearly identified as opposed to the interests of the Party and State are then linked to these outside forces. Identifiable enemies against whom clear

2 Mao Zedong, *Selected Works of Mao Tse-tung Volume 1* (Beijing: Foreign Languages Press, 1965).

3 Ibid.

lines of distinction must be drawn most prominently include the Dalai Lama. For this reason, merely favouring dialogue with the Dalai Lama or celebrating his spiritual role is regarded as 'unfriendly.' When former Chinese President Jiang Zemin referred to former Canadian Prime Minister Chrétien as *lao pengyou* or 'old friend,' this carried operational significance in the signal it sent to officials of lower rank.[4] It meant that cultivating relations with Canadians would be viewed with favour.

Chinese foreign policy since the 1980s has focused on stabilizing China's immediate environment to ensure the appropriate environment for 'peace and development.' The late Deng Xiaoping termed this "an independent foreign policy of peace." The Chinese government sees rapid economic growth as the best guarantee of domestic stability. For this to occur, China needs to maintain an open economy and guarantee an open global economy to maintain trade and investment.

Current and Long-Term Chinese Foreign Policy Goals

For the past three decades, China's primary foreign policy goal has been to ensure a stable foreign policy environment in which to pursue long-term development. This basic orientation has not changed; however, as China progressively meets its developmental goals and as its global weight increases, China's impact on the global political economy and security environment have shifted so that its foreign policy tactics and medium-term goals have to adjust alongside this. If one were to divide up the past three decades of reform, the first decade could be seen as the decade of opening up and ad-hoc policy adjustment; the second decade, roughly from Deng Xiaoping's Southern Tour of 1992 until the retirement of Jiang Zemin in 2002, could be considered the decade of institutionalizing markets and globalization (including China's entry into the World Trade Organization (WTO)); and, the current decade is the decade of China's emergence as a global power. Thus, if the slogan of the 1990s was "linking rails to the international" or adjusting to international norms and institutions,[5] the slogan of the new millennium is Hu Jintao's 'harmonious' world and the notion of a 'responsible great power'. What this means in practice is that China has to adjust its policy in line with its impact on the global environment. This requires a double adjustment: adjusting China's policies to ensure domestic stability as a result of its greater exposure to the global political economy and working cooperatively to ensure that the global political economy remains favourable to China's continued economic growth. China's participation in the WTO is vital to maintaining the open trading environment most responsible for China's spectacular economic growth.

General Secretary Hu Jintao articulated China's overall foreign policy line at the 17th National Congress of the Chinese Communist Party in October 2007:

> We maintain that the people of all countries should join hands and strive to build a harmonious world of lasting peace and common prosperity. To this end, all countries should uphold the purposes and principles of the United Nations (UN) Charter, observe international law and universally recognized norms of international relations, and promote democracy, harmony, collaboration and win-win solutions in international relations. Politically, all countries should respect each other and conduct consultations on an equal footing in a common endeavour to promote democracy in international relations. Economically, they should cooperate with each other, draw on each other's strengths and work together to advance economic globalization in the direction of balanced development, shared benefits and win-win progress. Culturally, they should learn from each other in the spirit of seeking common ground while shelving differences, respect the diversity of the world, and make joint efforts to advance human civilization. In the area of security, they should trust each other, strengthen cooperation,

4 "Jiang Zemin Hui Jian Jianada Zongli Sefu Rang Keleidi'an," ("Jiang Zemin to Meet with Canadian Prime Minister Jean Chretien") Cnlist.com, October 24, 2003, http://news.cnlist.com/Detail/dtlmb.%7B29687B4E-05F1-11D8-8527-0080AD0F0E46%7D.html.2003-10-24 (accessed December 10, 2009).

5 See Wang Hongying, "'Linking Up with the International Track': What's in a Slogan?" *The China Quarterly* 189 (March 2007): 1–23.

> settle international disputes by peaceful means rather than by war, and work together to safeguard peace and stability in the world. On environmental issues, they should assist and cooperate with each other in conservation efforts to take good care of the Earth, the only home of human beings.[6]

Those who have analyzed China's 'grand strategy' note two distinctive factors that motivate China's increasing outward engagement. The first is the need for China to gain access to capital and advanced technology and know-how to enable China to take its place in the first rank of countries of the world.[7] Second, as China's influence and power has grown since the 1990s, it has increasingly had to reassure its regional neighbours (and more and more its global partners) of its peaceful intentions. Avery Goldstein calls this a 'Bismarckian' grand strategy of 'reassurance.'[8] China's effort at reassurance was articulated through the policy of 'peaceful rise' first associated with Hu Jintao's assumption of his position of General Secretary in 2004.[9]

Priority has been given to two sets of relations. First, cultivating positive relations with all of China's contiguous regional neighbours, and second, stabilizing relations with the U.S. as the world's sole remaining superpower. These priorities have placed Canada outside the inner circle of those states of immediate and permanent concern. In a wide-ranging review of China's foreign relations over the 30 years of reform made by China's Minister of Foreign Affairs Yang Jiechi in September 2008, Canada did not merit a specific mention.[10] Instead, Yang listed as China's first current priority "the stable development of relations with the major powers" under which he listed in order Russia, the U.S., the European Union (EU) and Japan. The second priority was relations with neighbouring Asian states and the third priority was China's relationship with the developing world. The fourth priority was multilateral relations with the UN and with the G8+5, which is the closest he came to mentioning Canada without referring to it by name.

In general, China seeks foreign relations that maintain a stable and positive relationship with the U.S. and all other major powers. It may occasionally seek to leverage better relations with the U.S. through privileging relations with Europe and Russia, but does not seek to confront or isolate itself in relations with the U.S. Wary both of being seen as seeking a 'hegemonic' global role and also of becoming too deeply enmeshed in global responsibilities in economics and security, China has sought to dampen talk of an emerging G2 alongside the U.S. in steering global affairs.[11]

China sees itself as a great power and prioritizes great power diplomacy alongside a 'Good Neighbour' policy within Asia. Its primary sphere is Asia, where China seeks to lead without being seen as overbearing, such as competing peacefully with Japan for the affections of the Association of Southeast Asian Nations. In recent years, China has dramatically upgraded relations with Africa through the China-Africa Summits. It sees Africa as a major forum in which to improve its global prestige and demonstrate its successful developmental model through "South-South Cooperation," but also to access Africa's resource wealth. China has also cultivated relations with Latin America, but it is aware of Washington's perspective that this is its backyard and steers clear of antagonizing the U.S. by joining forces with Venezuela's Hugo Chavez. It much prefers Brazil's Lula da Silva, and has traditionally had good relations with Chile. Relations with Canada's North American Free Trade Agreement (NAFTA) partner, Mexico, are complicated by Mexican anxieties about China's role as a competitor in the export of labour-intensive goods to the U.S..

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6 "Full Text of Hu Jintao's Report at 17th Party Congress (11)," *People's Daily Online*, http://english.people.com.cn/90001/90776/90785/6290148.html (accessed December 10, 2009).

7 Swaine and Tellis call this China's 'calculative' grand strategy. See Michael D. Swaine and Ashley B. Tellis, *Interpreting China's Grand Strategy: Past, Present, Future* (Santa Monica: RAND Corporation, 2000), especially Chapter 4.

8 Avery Goldstein, "An Emerging China's Emerging Grand Strategy: A Neo-Bismarckian Turn," in *International Relations Theory and the Asia-Pacific*, ed. G. John Ikenberry and Michael Mastanduno (New York: Columbia University Press, 2003), 57–106.

9 See Robert L. Suettinger, "The Rise and Descent of Peaceful Rise," *China Leadership Monitor* 12 (2004), http://media.hoover.org/documents/clm12_rs.pdf (accessed December 10, 2009).

10 Yang Jiechi, "Gaige Yilaide Zhongguo Waijiao," ("China's Foreign Relations since the Onset of Reform") *Renminwang*, September 17, 2008, http://world.people.com.cn/GB/8212/14450/46162/8053694.html (accessed December 10, 2009).

11 See Wu Jianmin, "G2: An Inappropriate Term," *China.Org.Cn.* May 26, 2009, http://www.china.org.cn/international/2009-05/26/content_17838605.htm (accessed December 10, 2009).

Strategic Partnership

To counter the so-called 'China Threat' theory that emerged with China's rise in the 1990s, PRC leaders began to craft a diplomatic strategy that would cement friendships in a manner consistent with China's principled opposition to contracting formal alliances. China began to promote various forms of 'strategic partnerships' as a way of bestowing privileged status on favoured bilateral ties.[12] These partnerships have now grown to several dozen and involve diverse categories of states, including the EU, Brazil, Russia and Nepal. The 'strategic' purpose and the nature of the 'partnership' varies widely. At the very least the label implies a commitment to high-level bilateral consultations on a regular basis. In Canada's case, President Jiang Zemin and Prime Minister Chrétien initially committed to a 'Trans-century comprehensive partnership' during Jiang Zemin's visit to Canada in November 1997. This later evolved into two distinctive "strategic working groups" during the last summit between Prime Minister Jean Chrétien and Premier Wen Jiabao in December 2003—one on energy and natural resources, and the other on multilateral relations.[13] Finally, during the visit of Chinese President Hu Jintao in September 2005, this relationship was upgraded to a "strategic partnership."

China's 'Core Interests'

In recent years, China has begun to refer to its 'red lines' and 'core interests'[14] with respect to sovereignty and territorial integrity. China sees little interest in confronting Canada and generally seeks to avoid direct confrontation with the U.S., the true target of China's competitive strategy of national rejuvenation. At the same time, Chinese policy uses confrontation as a policy of last resort, to be deployed as a deterrent in an exemplary fashion. While the PRC was successful from the 1970s onward in establishing its legitimacy as the sole legitimate government of all of China in preference to the erstwhile rump Guomindang regime of the Republic of China (Taiwan), Beijing remains extremely vigilant about its sovereignty and international status and extremely suspicious of any explicit or implicit efforts to derogate from its territorial claims. Towards this end, the PRC has legislated a law on anti-secession, codified its claim in the South China Sea through legislation and established and maintained a series of diplomatic 'red lines' which if crossed would invite swift and severe diplomatic retaliation.

The official Chinese position, in the words of China's late paramount leader, Deng Xiaoping, is that sovereignty is non-negotiable. It is not even open to discussion.[15] These red lines apply first and foremost to Taiwan's efforts to establish a claim of international sovereignty under any name, and any effort to lend support to Taiwanese diplomatic claims by dignifying its representatives with the status of officials of a sovereign state. While Taiwan has never been governed as part of the PRC since its founding in 1949, Beijing regards Taiwan as a part of China. Tensions grew from the mid-1990s onward, as successive governments on Taiwan sought to expand and market their newfound democratic popularity by marginalizing Taiwan's historic ties to China and emphasizing its de-facto independence. This was accompanied by renewed efforts to re-enter the UN and its associated institutions, such as the World Health Organization. Chinese officials repeatedly issued stern warnings to any country contemplating upgrading its ties with Taiwan or co-operating with Taiwan's efforts to gain recognition internationally. This effort was largely successful, and under Taiwan's former President Chen Shui-bian, eventually provoked the United States, Taiwan's foremost sponsor and security patron, to constrain more strictly the limits of its conditional guarantee of Taiwan's autonomy.

Taiwan's growing economic dependence on mainland China, along with its diplomatic setbacks, helped to elect the government of current President Ma Ying-jeou, who has worked to improve relations across the Taiwan Strait by reiterating Taiwan's place as a part of China even as he insists on the continued

12 See the discussion in Bates Gill, *Rising Star: China's New Security Diplomacy* (Washington, DC: The Brookings Institution, 2007): 58–63. See also Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford: Stanford University Press, 2005).

13 See "Zhong Jia Shuangbian Guanxi," ("Sino-Canadian Bilateral Relations") *Renminwang*, August 31, 2005. http://politics.people.com.cn/GB/8198/52409/52411/3658176.html (accessed December 10, 2009).

14 See, for example, "Decision to Meet Dalai Lama 'Hurts China's Core Interests'," *China Daily*, November 29, 2008. http://www.chinadaily.com.cn/china/2008-11/29/content_7253330.htm (accessed December 10, 2009); also "Chinese President: Mutual Respect, Consideration of Core Interests Key to Sino-U.S. Ties," *Xinhua*. April 2, 2009, http://news.xinhuanet.com/english/2009-04/02/content_11116684.htm (accessed December 10, 2009).

15 See Deng, Xiaoping, "Our Basic Position on the Question of Hong Kong," *People's Daily Online*, September 24, 1982, http://english.peopledaily.com.cn/dengxp/vol3/text/c1040.html (accessed December 10, 2009).

sovereignty of the Republic of China with its capital in Taipei. Beijing is content with a regime of "One China-different interpretations" under the terms of the so-called '1992 Consensus.' Nevertheless, Beijing insists on holding veto power over Taiwan's membership in international organizations, and it was only with Beijing's tacit approval that Taiwan gained observer status at the World Health Assembly earlier this year.

Even as détente continues across the Taiwan Strait, Beijing maintains its vigilance concerning other threats to its territorial integrity. The PRC regards official contact with his holiness the 14th Dalai Lama as interference in China's domestic affairs and rejects his status as a purely spiritual figure. Despite the denials of the Dalai Lama of separatist claims and his persistent promotion of a "middle way" of reconciliation with Beijing, CCP authorities view his association with the Tibetan government in exile with extreme suspicion and charge him with being behind exile efforts to promote Tibet's independence from China.[16] Thus, Chinese officials view official meetings with the Dalai Lama and any international effort to promote the Tibetan cause as support for Tibetan separatism and unwarranted and illegitimate interference in China's internal affairs. The Lhasa riots in March 2008 provoked unprecedented international reaction by Chinese nationals abroad in support of China's position and in opposition to the international movement to condemn China ahead of the Beijing Olympics. Many Chinese viewed the Lhasa riots as a deliberate conspiracy to embarrass China and derail the Beijing Olympics.[17] This outcome has only strengthened Beijing's resolve to punish foreign displays of support for the Dalai Lama and the Tibetan cause.

The most dramatic instance of this occurred as recently as December 2008 when Beijing abruptly postponed a long-planned China-EU summit when French President Nicolas Sarkozy, who was then acting in France's rotating role in the Presidency of the EU, insisted on holding an audience with the Dalai Lama shortly ahead of the China-EU summit despite repeated warnings by Beijing to refrain from this step. China not only postponed the summit, but cancelled a number of planned contracts with French firms; a few months later, China's Premier Wen Jiabao made official visits to every country bordering France but France itself.[18]

The 'red lines' of sovereignty also apply to China's Autonomous Region of Xinjiang, home to the Turkic-speaking Muslim Uyghurs. Beijing's sensitivity about this region has grown with the rise of Islamism as well as China's growing dependence on this region (along with Tibet) as a resource hinterland and as a corridor to the energy resources of Central Asia and the Middle East. China is determined not to allow ethnic tensions both in Tibet and in Xinjiang to be internationalized. Furthermore, Chinese officials and academics speak of separatism in the same breath as terrorism, seeing little meaningful distinction between these two. In the official Chinese lexicon as well as in common usage the expression *dongtu* 'East Tu(rkistan)' is a synonym for 'terrorist.' Any reference to Xinjiang as 'East Turkistan' is regarded as an expression of separatism with terrorist sympathies. (*Xinjiang* means 'New Frontier' in Chinese, the name given to the region when it was incorporated as a province of China after the expeditionary force of Zuo Zongtang subdued the forces of Yakub Beg in the 1870s and prevented the region from falling under the colonial designs of Tsarist Russia and British India). In support of the cause of stabilizing and maintaining the existing frontiers of Central Asia and preventing the development of ethnic and Islamist insurgencies, China has sponsored and maintained the Shanghai Cooperation Organization (SCO) in common with the post-Soviet governments of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Russia to combat the 'three evils' of separatism, terrorism and (religious) extremism. The governments of these countries cooperate in law enforcement and counter-terrorism, and it was under the rubric of this organization that the Canadian national Huseyincan Celil was extradited from

16 See, for example, "Xizang Guanyuan: Youguan Guojia Buyao Jie 'Da Xizang Pai' Ganshe Zhongguo Neizheng," ("Tibet Official: Relevant Countries Should Not 'Play the Tibet Card' to Interfere in China's Internal Affairs") *Xinhua*, February 11, 2009, http://politics.people.com.cn/GB/14562/8784240.html (accessed December 10, 2009).

17 See the author's "Olympic Dreams and Nightmares," *China Elections and Governance*, May 5, 2008. en.chinaelections.org/newsinfo.asp?newsid=17314 (accessed December 10, 2009).

18 See "China Postpones EU Summit over Tibet," *United Press International*, November 26, 2008, http://www.upi.com/Top_News/2008/11/26/China-postpones-EU-summit-over-Tibet/UPI-25961227724656/ (accessed December 10, 2009); For Wen's European trip snubbing France see "Creating a Brighter Future for Sino-EU Relations," *Xinhua*, January 31, 2009, http://news.xinhuanet.com/english/2009-01/31/content_10740532.htm (accessed December 10, 2009; for France's response see, "France Seeks to Repair China Ties," *China Daily*, February 7, 2009, http://www.chinadaily.com.cn/china/2009-02/07/content_7453731.htm (accessed December 10, 2009).

Uzbekistan to China. China views separatism and terrorism as an existential threat and rejects any argument on behalf of minorities couched in the language of human rights.

China's dissent from liberal norms domestically extends to the way in which it views the activities of its nationals and former nationals abroad. Having persuaded itself that dissident forces are guilty of subversion, the Chinese state and its security organs view the protection given to Chinese dissidents abroad with extreme suspicion. Chinese diplomats are actively deployed to denounce and disrupt the activities of dissenters from exiled minority ethnic activists to dissident human rights activists and spiritual dissenters like the Falun Gong. While Chinese diplomats are fully aware of their responsibility to behave within the laws of their host countries, they are also, as diplomats, and many as Communist Party members, enjoined to pre-empt the disruption of activities by their state and Party leaders and especially to use their position abroad to prevent dissident forces from using foreign bases as a platform from which to mount embarrassing events within China.

China's New Nationalism

In line with China's rise, the Party has promoted and been buffeted by a rising tide of nationalism.[19] On the one hand, since the Tiananmen repression of 1989, China's leaders have promoted 'patriotic education.' At the same time, popular nationalism has grown beyond the reach of the Party which has often struggled to restrain it. This was seen, for example, in the protests against the bombing of the Chinese embassy in Belgrade in 1999, the anti-Japanese demonstrations and boycotts that broke out in 2005 and the popular outrage against France surrounding the Olympic Torch relay in 2008.

Canada in Chinese Foreign Policy

Against the perception of Canada as a charter member of the developed liberal West, Canada benefits from the legacy bequeathed by Dr. Norman Bethune, who was eulogized by the founding leader of the PRC as a paragon of selfless internationalism. Canada's relatively early and enthusiastic recognition of the PRC in 1970 is also widely noted.[20] There is a record and a potential for friendship that transcends national differences. As recently as 1998 then Chinese Premier Zhu Rongji referred to Canada as China's "best friend in the world".[21]

At the same time, Canada does not count as one of the leading world powers against which China's emergence as a great power must be measured. Canada is not a specific target of envy or emulation as has been the case with the U.S., the Soviet Union or Japan. Our institutions and technology may be referenced in the general course of benchmarking for the sake of Chinese progress, but we are not an essential object of study whose success must be internalized or emulated at all cost to satisfy China's thirst for greatness. This thirst may sometimes discourage the choice of Canadian models as alternative paths to overall success. Nevertheless, Canada's importance as a point of reference for a modern, developed country should not be understated, especially when coupled with Canadian willingness to share our technology and expertise. It is this quality that makes Canada's development assistance program over the past quarter century so welcome, alongside other training programs, many now increasingly financed from the Chinese side.[22] Our willingness to provide training, share experience from the inside and work closely with Chinese institutions does not just upgrade human resources and transfer models of modern management and administration; working in close proximity with frank cooperation gives Chinese officials the confidence that they are mastering the tools needed to manage a modern, cutting edge economy.

19 The best study of this new nationalism is found in Peter Hays Gries, *China's New Nationalism: Pride, Politics and Diplomacy* (Berkeley and Los Angeles: University of California Press, 2004).

20 Chen Qineng, *Zhongguo-Teluduo-Jianada*, ("China-Trudeau-Canada") (Beijing: Minzu Chubanshe, 2004).

21 Cited in Fred Edwards, "Canadian Cold Front," *Beijing Review* 10 (March 12, 2009), http://www.bjreview.com/quotes/txt/2009-03/12/content_184500_2.htm (accessed December 10, 2009).

22 A major way Canada has been able to break into the markets of the newly industrialized countries remains through international development assistance as seen particularly in the associational patterns with respect to China and Indonesia. The development cooperation between the two governments began in 1982. The General Agreement of Development Cooperation between China and Canada was signed in 1983. The current development cooperation between the two sides covers 84 projects in the fields of farming, forestation, energy, transportation, education, telecommunication, environmental protection, human resource development, economic system reform and poverty alleviation. The negotiated investment amount on the Canadian side was $560 million. *Tomorrow the Pacific,* C.D. Howe Institute, 1991, 65.

The participatory interaction in China's internationalization that Canada's Canadian International Development Agency programs have promoted and the framework of official training programs that has been provided by Canada's universities and colleges on a contractual basis, as well as private joint ventures by companies like Nortel, Bombardier and others, alongside the outflow of Chinese graduates of Canadian educational institutions gives sinew to China's modernization and bolsters the self-confidence that is the hallmark of China's emergence as a global player. Overall, the significance of the Canadian 'brand' in China's modernization is as understated as our national character, and the importance of our contribution goes largely un-noted and under-recognized. Yet the Canadian 'brand' retains a significant cachet as a symbol of quality of life and social openness in a modern setting that is reflected in the high demand for immigration and overseas education. Chinese officials value the easy access and open-minded reception that interaction with Canada brings. What this means in practice is that as Chinese benchmark the United States as the pinnacle of power and modernity, they check-in with Canada to work out how to make progress towards that goal. In China's headlong rush to catch-up and overtake the world leader, Canada has played a role in bridging the gap from 'know-what' to 'know-how' more often than acknowledged. Taken together, this has meant that even though political and diplomatic relations have suffered reversals over the past few years, overall, the value of the Canadian 'brand' remains high and positive. We remain a potential partner, not a rival. Canada retains a place as a low-profile reference model in areas like social security, urban planning and management, land use planning and the management of urban water and sewage. These are not the benchmarks of national power and prestige, but are essential to the fabric of everyday life. In private moments, without invidious reference to China, Canada is also admired for its rule of law and human rights.

Canada stands in the group of developed countries that are both reference points for China's development and have relatively high prestige internationally. To be associated with Canada confers a degree of legitimacy and respectability that places China in the mainstream of developed states. Canada's political capital is not unique in this regard, though its precise configuration as a non-U.S., Asia-Pacific, G8 and NATO country is, of course. In this respect, association with Canada can help to persuade Canada's like-minded allies, and since Canada is a member of prestigious elite multilateral groupings, Canada's voice carries weight. Canada is not powerful enough to thwart or isolate China on its own, nor does Canada have interests and commitments that run directly counter to China's, but its 'soft power' is persuasive enough to grant us a measure of deference and respect. Our relative prestige internationally together with China's own craving for status and prestige constitute our political capital in China's eyes. However, China has its own rising prestige capital, and as we have seen in recent years, lack of deference towards Chinese interests discourages enthusiasm or favour towards Canadian initiatives. In Chinese culture, 'face' is a fungible commodity that can be traded for instrumental purposes.

Interests and Friendship

The tradition of friendly relations with the PRC, barely interrupted by the fallout from the Tiananmen repression, has largely not yielded any privileged status with respect to commercial interests. Indeed, Canada's share of China's imports tended to level off despite the series of Team Canada visits that began in 1994. This was not due to Chinese hypocrisy but rather reflects the structural constraints underlying bilateral trade. This includes both the high cost of doing business in China and also the opportunity cost of the Chinese market as compared with the U.S. market under NAFTA. As the Chinese business environment becomes increasingly diversified, decentralized and fragmented, advantages conferred by positive bilateral ties at the central government level were increasingly diluted and, moreover, had to be weighed against the efforts of major competitors who also placed equal political importance on pursuing the Chinese market. The advantages of bilateral relations at the state level had to be complemented by strong firm-level relationships to derive any advantage from friendly relations. By and large, the smaller scale of Canadian enterprises discouraged the kind of investment required to make firm-to-firm relationships pay off. *Guanxi* or connections, while important in the Chinese social environment extend only as far as an individual's *guanxi wang* or network, and the advantage of being part of such a network is only as strong as the web of mutual obligations that one participates in. A positive diplomatic relationship creates a framework for developing commercial

relationships but does not offset commercial calculations behind an individual transaction. When it came to the supply of commodities, price and reliability of delivery were the primary criteria. In a seller's market, Canadian commodity producers felt no pressure to expend special effort in the Chinese market. Canada's largest export category in 2007 was mineral fuels, oil and petroleum products, which constituted 20 percent of our exports but only 0.2 percent of exports to China.[23]

"Complementarity": Chinese Interests and Bilateral Relations

Since the late 1990s, Chinese authorities have been emphasizing the complementarity of our trade interests. In addition to pointing out Canada's obvious wealth in natural resources,[24] China singled out Canadian expertise in transportation, telecommunications and electric power generation including nuclear power, sectors in which China was involved in massive infrastructure development and modernization. Canadian willingness to transfer technology was a key selling point. However, this also meant that Canadian companies like Nortel eventually helped to build the capacity of Chinese competitors like Huawei. When it comes to building relationships, Chinese tend to wager on the strong.

Canada in the PRC's Policy of Preemption

China's leaders are extremely concerned about the legitimacy of their own regime and threats to national unity. This impact on foreign policy, including relations to Canada in questions about the Dalai Lama and the status of Tibet, Xinjiang and the Uygur muslims, Falun Gong and activities of human rights NGOs which the CCP fears may promote a Chinese 'colour revolution' such as occurred in Ukraine, Georgia and Kyrgyzstan. The first and most important demonstration of this is its sensitivity over the status of China's claim to Taiwan and any moves from any quarter to question its claim and to acknowledge Taiwan as a sovereign entity. This is an area where policies cannot be easily reconciled but where we may agree to disagree about activities that take place on our respective soils. There is some overlap in our concerns about terrorism, especially Islamic terrorism involving Afghanistan. Out of concern for separatist activities in Xinjiang, China is quietly appreciative of NATO's mission in Afghanistan, but wary of a long-term Western presence in west and central Asia. Afghanistan is an observer in the Chinese-sponsored SCO that joins the PRC, the Russian Federation and four former Soviet republics of Central Asia—Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. This is an area both of cooperation and potential friction.

NATO and Canada's role in Afghanistan is a matter of deep ambivalence for China. On the one hand, China is deeply concerned about the spread of Islamism and the threat to its own frontier. It tacitly approves of a policy of stabilizing Afghanistan, so long as this is done within the framework of the UN. On the other hand, China is deeply concerned about potential 'containment' efforts directed against it, and views long-term NATO deployment in southwest Asia with deep suspicion. That is why China has supported and urged SCO treaty members to close down NATO and U.S. bases on their territory and has rejected any formal role in efforts to stabilize Afghanistan militarily in cooperation with NATO.[25] Chinese understand Canada's Afghanistan commitment as temporary and have refrained from criticizing our effort. China would probably welcome cooperation and consultation in counter-terrorism efforts as it has cooperated with regional powers that are not closely aligned, like India, with whom it mounted joint military exercises two years ago.

During the minority government of Paul Martin, a private member's bill to establish a Taiwan Relations Act that would confer on Taiwan much of the effective status of a sovereign state managed to gain second reading through support of the Bloc Québecois and New Democratic Party members to the bill sponsored by Member of Parliament Jim Abbott. China's diplomatic representatives anxiously

23 See Raaj Tiagi and Lu Zhou, "Canada's Economic Relations with China," Fraser Institute, 2009. www.fraserinstitute.org/commerce.web/product_files/EconomicRelationswithChina.pdf (accessed December 10, 2009): 48.

24 For the emergence of China's resource diplomacy see Evan Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs* 82, No. 6 (November–December 2003): 22–35.

25 "Foreign Ministry Spokesman Qin Gang's Regular Press Conference on November 18, 2008," Permanent Mission of the People's Republic of China to the UN, November 19, 2008, http://www.mfa.gov.cn/ce/ceun/eng/fyrth/t522806.htm (accessed December 10, 2009).

watched the progress of this bill and actively encouraged the Martin government to work towards its eventual death on the order paper.[26]

When Prime Minister Harper decided to invite the Dalai Lama to his office during his visit in October 2007, Chinese Ambassador Lu Shumin conveyed a number of stern warnings about dire consequences should the Canadian Prime Minister go forward with an official welcome to the Dalai Lama.[27] When the visit went forward, Canada's relations with China entered a trough from which they have yet to fully recover. In the wake of Prime Minister Harper's brusque interventions on behalf of the imprisoned Canadian citizen Huseyincan Celil, China's Vice Minister of Foreign Affairs, He Yafei, was quoted in the *Globe and Mail* as hinting that Canada would pay an economic price for speaking out on China's human rights practice: "The economic relationship goes hand in hand with the political relationship. I cannot say Canada is squandering [the relationship] now, but in practical terms, Canada is lagging behind."[28]

Sino-Canadian relations resumed their current trend of improvement once the Harper government reassured its Chinese counterparts that Canada had no intention of crossing China's 'red lines' on sovereignty issues by reiterating Canada's 'one China' stand.[29]

When Prime Minister Harper approached President Hu Jintao at the G8 summit in Sapporo, Japan in July 2008 with deference and respect in contrast to his brusque manner soon after coming to power at the Asia-Pacific Economic Cooperation summit in Hanoi, President Hu in turn referred to the overall friendly relations since diplomatic ties were established in 1970 and noted that differences were inevitable due to striking asymmetries: economic development level, social system, culture between countries proposing that sensitive isues should be handled according with principle for respect for national sovereignty and territorial integrity, non-interference in each other's internal affairs, equality and mutual benefits.[30] This deferential turn promoted the atmosphere in which Canada resumed multiple ministerial visits in 2009, culminating in Prime Minister Harper's first state visit to China in December 2009.

Human Rights and Sovereignty

China has a well-articulated position that decries Western attempts to place human rights before sovereignty. Again, as Deng Xiaoping expounded in relation to foreign intervention over human rights, in addition to human rights there are state rights and China regards its state rights as paramount.[31] China has developed a range of policies to favour economic development in minority regions especially in the west, as well as affirmative action for the education and promotion of minority children and youth. There is room for international dialogue on the general issue of managing religious and ethnic distinctions or dealing with minority populations and economic development, and Canada has participated in development projects and the training of personnel in minority regions. It is significant also that some of the training programs Canada has participated in have involved the network of Communist Party Schools, thus ensuring that the trainee cadres are vetted and selected by the Communist Party itself. China is likely to continue to reject out of hand any foreign advice or intervention on the political treatment of minority ethnic or religious populations. The fact that Beijing blames the recent July 5, 2009 Urumqi riots on the exiled Uygur businesswoman and political dissident Rebiya Kadeer[32] may

26 Bill C-357, a private member's bill entitled the *Taiwan Affairs Act* sponsored by the Hon. Jim Abbott the member for Kootenay-Columbia, was introduced in the 38th Parliament and received First Reading on April 4, 2005. It got as far as Second Reading. The Chinese Ambassador Lu Shumin stated that this bill would seriously harm relations. "Private MP Bill Could Harm Relations with China," *CTV.ca*, June 16, 2005, http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/1118867654973_114276854/ (accessed December 10, 2009).

27 "China Objects to Harper Meeting with Dalai Lama," *CTV.ca*, September 18, 2007, http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20070918/harper_lama_070918/20070918?hub=Canada (accessed December 10, 2009).

28 Brian Laghi and Jeff Sallot, "Canada Losing out on Trade, China Saysm," *The Globe and Mail*, February 9, 2007.

29 See "China Applauds Canadian PM's Speech on Canada-China Relations," *People's Daily Online*, March 17, 2008, http://english.peopledaily.com.cn/90001/90776/90883/6374485.html (accessed December 10, 2009).

30 President Hu Jintao also expressed gratitude to the Canadian government and people for their condolences and generous assistance for the victims of the devastating earthquake that struck China's Sichuan province earlier that May.

31 See Deng, Xiaoping. "The United States Should Take the Initiative in Putting an End to Strains in Sino-American Relations," *China.Org.Cn*, October 31, 1989, http://www.china.org.cn/english/features/dengxiaoping/103336.htm (accessed December 10, 2009).

32 "Unveiled Rebiya Kadeer: a Uighur Dalai Lama," *People's Daily Online*, July 7, 2009, http://english.peopledaily.com.cn/90002/96417/6695082.html (accessed December 10, 2009).

suggest that China will continue to take a very hard line on the Celil case also. China may henceforth think twice about sending dissidents into exile if it feels that there is any chance that they may continue to exert political influence inside China's borders.

Dialogue with the Chinese Ministry of Foreign Affairs (MFA) over the treatment of minorities is at best fraught since the mandate of the MFA is to defend and promote the sovereignty and territorial integrity of the PRC. The ministry has no jurisdiction or mandate to deal with minority populations and its interest in defending China's frontiers precludes serious engagement over China's political shape. While academics have occasionally engaged in discussions around modifying concepts of sovereignty and in line with conceptions of federalism, for example, officials in the MFA have been adamant and insistent that the sovereignty of China is single and indivisible along any dimension.

Lessons from Australia

The appalling deterioration in Sino-Australian relations under the twin blows of the Rio Tinto arrests in China and China's anger at Australia for granting a visa to Rebiya Kadeer to attend the Melbourne Film festival demonstrates the full capacity of human rights issues to derail bilateral relations even with a government wholeheartedly committed to the strategic importance of strong ties with China. Chinese authorities pursued suspicions of leaked confidential information (on steelmaking capacity and iron ore demand) in a manner consistent with domestic practice, unleashing the security police in what Western opinion would regard as a commercial case heedless of the international impact;[33] Chinese diplomats pressured Australia in a visa matter because of the tension induced by July riots in Xinjiang consistent with the official verdict asserting that Kedeer was behind the rioters. Whether their assertions met the standard of evidence that would convince Australian public opinion, let alone a court of law, does not seem to have been given serious consideration.[34]

While Chinese officials have subsequently backed away from accusations of espionage in the Rio Tinto case, Chinese actions have confounded state interest and commercial activity at a sensitive moment in China's outward investment strategy. In this case, entirely distinct issues of commercial interest and commercial advantage were confounded with issues of national unity and human rights in a manner that reduced the capacity of governments on both sides to produce viable compromises. If the initial intention of the Politburo was to establish discipline over the iron ore purchases of Chinese steelmakers, the arrest of Rio Tinto officials appears instead to have cast scepticism over the commercial intentions of China's state-owned firms. If playing up Rebiya Kedeer's presence at the Melbourne Film Festival was consistent with the campaign to deflect criticism of China's nationality policies by raising the spectre of Islamic extremism and terrorism, the effect of linking Rebiya Kadeer with the Dalai Lama undermines the credibility of the Chinese cause abroad by associating a relatively unknown older woman with a well-known advocate of non-violence and peace, even as it reinforces Chinese suspicions that separatists are manipulated from abroad. This effort has undermined the impact of a much more open policy of giving journalists access to Urumqi in the immediate aftermath of the July 5 riot in marked contrast to the policy of closing off Lhasa to journalists after the March riots of 2008.

Extradition and Immigration

Among the most egregious irritants in our bilateral relationship are issues concerning repatriation of people whose refugee claims have been denied and the extradition or expulsion to China of persons accused of corruption alongside a few cases of accused criminals who have escaped Canadian jurisdiction to China. The case of accused smuggler Lai Changxing is particularly famous and has received considerable publicity in China because of his association with one of the largest corruption scandals ever exposed in China, the Yuanbao affair. Lai is accused in a case involving massive

33 See John Garnaut, "President Backed Rio Spy Probe," *The Sydney Morning Herald*, July 13, 2009. http://www.smh.com.au/business/president-backed-rio-spy-probe-20090712-dhdn.html (accessed December 10, 2009).

34 See John Garnaut and Katherine Murphy, "China Envoy Flies Home," *The Age*, August 20, 2009. http://www.theage.com.au/national/china-envoy-flies-home-20090819-eqm3.html (accessed December 10, 2009).

smuggling of oil in Fujian Province in the late 1990s.[35] He fled to Canada from Hong Kong using false documents and after his discovery made a failed effort to claim refugee status. Ever since, he has fought removal on the grounds that should he be returned to China he is likely to face torture and death.

The complication from the Chinese perspective is that former Chinese Premier Zhu Rongji, who had been behind the anti-smuggling and corruption investigation that exposed the Yuanbao affair, was informed by Prime Minister Chrétien that should the Chinese government promise that Lai would not face the death penalty if returned, he could be extradited. Zhu managed to persuade his Politburo colleagues, apparently at great personal cost at a time when his position was eroded over concessions he offered to gain Chinese accession to the WTO and the bombing of the Chinese Embassy in Belgrade by the U.S. during the Kosovo campaign, to make such a pledge on behalf of the Chinese government.[36] Still, Lai has not been returned and his case remains before the courts.

While Canada's refugee process is not exceptional in that it relies on the UN Convention on Refugees, unlike the U.S. and many other jurisdictions, Canadian courts afford the full protection of the Charter and due process even to those who have been deemed to enter the country illegally. This general principle, rather than any special favouritism lavished on refugees from Chinese justice, along with general concerns about the judicial process in China is what allows these accused persons to remain here. Whether the Chinese government, as opposed to the Chinese public, understands that the Canadian government cannot, even if it wished to, interfere in the judicial process, is not clear. Certainly it is not in the interest of the Chinese government or the CCP to highlight the distinctive features of Canada's Charter of Rights and Freedoms and the development of Canadian jurisprudence that springs from its adoption. Instead, it is certainly expedient to highlight alleged protection by Canada of accused criminals and corrupt former officials as a bilateral irritant. Instead of contrasting regimes of rights, this contrasts the determination of the Chinese government to pursue corruption with the alleged collusion of the Canadian government in judicial impunity. The latter interpretation promotes China's interpretation of a state-centred rule of law where state interests are closely identified with the public interest, as opposed to a liberal interpretation where individual rights come before state rights. So long as China departs and dissents from liberal norms of governance, this type of bilateral issue will continue to arise.[37] Chinese officials insist, however, that a better ambience in the relationship can allow political leaders on both sides to look beyond immediate obstacles.

Economy and Diplomacy

The most outstanding aspect of China's impact on the global political economy has been the impact of China on commodity and raw materials demand and pricing. The second has been on global finance and currency reserves. The dual outcome of these two factors has conditioned China's transformation from the largest recipient of foreign direct investment to China's growing role as a global creditor and investor. The pattern of China's investment shows primary attention to securing diversified access to key production inputs. China's participation in the Canadian economy has taken the form of kicking the tires around resource investments, but even more importantly participation in Canada's resource-heavy equity markets to secure access to resource assets in third countries.

In the lead up to China's accession to the WTO, China had to restructure its foreign trade apparatus to remove state monopoly trading corporations. In the process of reforming the state trading structure, many of the former sectoral trade monopolies were transformed into state-owned trading corporations. These corporations then acquired upstream and downstream operations that made them strategic players both nationally and internationally. The strategic thinking behind this transformation was both

35 See Rod Mickleburgh, "If I Had Not Been in Canada I Would Be Dead by Now," *The Globe and Mail*, August 12, 2009; also "Lai Changxing Jieshou Zhongguo Meiti Caifang," ("Lai Changxing Accepts Interview with Chinese Media") *Huanqiu Shibao*, August 11, 2009. For a broader discussion of this controversy in bilateral relations see Zhu Yuchao, "Unbridgeable Gap or 'Lost in Communication?' Political-Legal Disputes between Canada and China: The Cases of Lai Changxing and Huseyincan Celil," *Canadian Foreign Policy* (forthcoming).

36 See Zong Hairen, *Zhu Rongji Zai 1999*, (*"Zhu Rongji in 1999"*) (Hong Kong: Mirror Books, 2001).

37 For more on the dynamics of this, see the author's "Does a Half-Full Glass Justify a Leap of Faith? Incremental Change and Human Rights in China," *International Journal* 2, No. 61 (Spring 2006): 371–387.

to provide a platform for the creation of global national trade champions along the lines pioneered by Japan and South Korea, and to secure a dominant position for the state in the domestic political economy by allowing it to dominate key sectors especially in the production and distribution of primary factors of production.[38] This dual strategic purpose, in which assuring domestic dominance for the state is key, explains why these corporations are more concerned about access to securing resources than they are about the actual ownership of resource assets and why the PRC is reluctant to push politically risky deals overseas. Domestic dominance is far more important than is securing a large overseas political footprint. China's withdrawal from the bid for Noranda in Canada or Unocal in the U.S. is a case in point as witnessed by the China National Offshore Oil Corporation (CNOOC) buyout attempt in 2005.[39]

It is important to bear in mind that while China's hierarchic political structure allows it to adopt strategic policy decisions, actual framing of policy is distributed among rigorously divided sectoral policy silos that tend to monopolize regulatory and routine decision-making power as well as expertise and information. The decision to secure access to resources is political, but it is executed by decentralized actors without direct input from the highest political bodies except when it becomes a matter of bilateral or multilateral political concern. The Politburo does not target specific countries or specific assets. The mandate to secure access to resources is largely handled by the National Development and Reform Commission whose main concern is largely to ensure price stability for crucial resource inputs. The Chinese aim is to avoid being "played" rather than to exercise imperial ambitions.

China's growing footprint in Australia is a product of Australia's near monopoly in certain critical areas like bauxite and iron ore. China is seeking to counter monopoly with monopsony, thus evening the playing field in commodity price negotiations. In Canada we have cried wolf over potential Chinese investments when the real danger is elsewhere. We have pulled out the welcome mat only to face the possibility that, through loans and private equity deals, China may end up bypassing Canadian resource stockmarkets and reducing the resource assets listed on our exchanges. The TSX and VSX need China's resource companies as active players to remain the venues of choice for resource equity placements.

In the late 1990s, China (in collaboration with Canadian officials) identified energy and natural resources, transportation and telecommunications as priority areas of cooperation. Most of these were consistent with the priorities of China's Ninth Five Year Plan (1995–2000) which focused on improvements in China's infrastructure and its electronics and telecommunications industries. Investment in energy and transportation was seeded up to counter the deflationary pressure of the 1998 Asian Financial Crisis.[40] This development coincided with the visit of Chinese President Jiang Zemin to Canada in November 1997, which ushered in the 'Trans-century Comprehensive Partnership.'[41] The current (11th) Five Year Plan places a priority on sustainable development, particularly in the area of energy efficiency. Alongside this, there is an evident and sustained focus on diversifying China's access to resources in a bid to shore up China's resource and energy security and reduce its vulnerability to price shocks and price swings generated by its own rising demand.

China's 'Go Out' strategy of foreign investment is predicated on securing access to commodities and energy resources and is being spearheaded by large state-owned firms, most of whom are among the 100 plus firms directly subordinated to China's State Council.[42] An additional focus of 'going out' is in the area of advanced technology. Examples include assembly and parts of electronics, telecommunications and automotive systems. A third focus of 'going out' that may overlap with the other priorities is the effort to promote beachheads for the establishment of Chinese global brands

38 For China's strategy to use international competition to enhance the competitiveness of national firms as part of the WTO, see the author's "China and the WTO: Joining the Competition—Playing to Win," *Issues and Studies* 38, No. 2 (June 2002): 224–234.

39 Deng Jin and Cao Haidong, "CNOOC's Bid Withdrawal: A New Era in Sino-American Relations?" *Nanfang Zhoumo* April 5, 2008; also "Politics Derail Unocal buyout," *Gannett News Service*, August 3, 2005.

40 See "Ninth Five Year Plan in Retrospect," *China.Org.Cn*, *http://www.china.org.cn/95e/index.html* (accessed December 10, 2009).

41 Ministry of Foreign Affairs Policy Research Group, *Zhongguo Waijiao: 2004 Nian Ban* (*China's Diplomacy: 2004 Edition*) (Beijing: World Knowledge Press, 2004), 85.

42 See the special edition of *China Economic Review*, July 2009.

in areas where China is already globally competitive. Here Chinese firms may wish to acquire failing firms with established trademarks. This is part of the reasoning behind China's Legend Electronics buying IBM's PC business, or Haier's tentative bid to take over the Maytag brand.

All three areas have some relevance to Canada, though the resource sector is the one most closely and specifically associated with Canada. Since the onset of this policy, China's resource investments have faced considerable resistance and scepticism, especially when this has taken the form of substantial equity stakes in mature firms in developed markets by state-owned Chinese corporations. One need only recall the uproar over the proposed takeover of Unocal by CNOOC or the proposed takeover of Canada's Noranda Mining by China's Minmetals. To this may be added this year's saga of the proposed investment in Australia's Rio Tinto by China's Chinalco.

Chinese policy makers are aware of the integration of Canadian energy resources into a largely North American framework, and are sensitive to any potential confrontation with the U.S. Consequently, Chinese energy investments in Canada have been somewhat modest. CNOOC's $150 million acquisition of MEG Energy Corporation translated to an unassuming 17 percent stake of a minor player in the Alberta oilsands.[43] In June 2005, giant Sinopec announced the purchase of a 40 percent stake in Syneco Energy's bitumen mining operation for $105 million, with a commitment to a larger outlay of $2 billion when construction begins for a larger oilsands project that includes an option to transport its share of the crude produced for export across the Pacific. There has even been talk of building new pipelines from Alberta to the Pacific coast for oil shipment to Asia.[44] Concern over Chinese investment in Alberta's oilsands, coupled with shots across the bow over Chinese corporate espionage, hint towards Canada's constrained position, undermining its capability to respond effectively.[45] Canada's oilsands are still not an absolute necessity to Chinese strategists: 88 percent of Chinese oil imports come from Russia/Central Asia, the Middle East and Africa.[46]

The key question asked is the role of the Chinese state in directing these investments and the proposed lack of transparency in the Chinese state-owned firms. While Chinese spokesmen always insist on the commercial character of Chinese investments, the arrest of Rio Tinto's Chinese-based personnel in the summer 2009 has rocked the investor community and deeply disturbed Sino-Australian relations. After a painful and ultimately failed attempt by Chinalco to invest to take a controlling interest in Rio Tinto,[47] Chinese State security officials raided Rio Tinto's Shanghai offices and arrested six members of its staff on State Security charges, including a naturalized Australian citizen, Stern Hu. In any case, as the parent of one of Canada's largest firms, Alcan Rio Tinto is naturally of interest to Canadians.

This case should by no means be seen as typical, yet it does serve as an insight into Chinese state motives and the Chinese policy process. Soon after the arrests took place, Chinese media were quickly informed about the suspicions that lay behind the arrests and the Chinese government's objective in carrying them out. These reports made it clear that the Chinese government felt it was being 'played' in annual price negotiations between Australian iron ore mining operators and Chinese steel makers. Chinese media claimed that Rio Tinto employees had illegally obtained confidential information that was directly bearing on price. The other piece of information that was passed on to foreign journalists working in China was that these arrests were approved at the highest level. China has since backed away from the most serious charges, yet at the time of writing Rio Tinto employees have yet to be released.

43 Robert Booth and Donald Greenfield, "Canada's Energy Sector Grows," *2007 Lexpert Guide to U.S./Canada Cross-Border Corporate Lawyers in Canada* (May 2007), http://www.bennettjones.com/Images/Guides/update2537.pdf (accessed December 10, 2009): 131.

44 Paul Evans, "Canada and Global China: Engagement Recalibrated," in *Canada Among Nations 2005: Split Images*, ed. Andrew F. Cooper and Dane Rowlands, (Montreal and Kingston: McGill-Queen's University Press, 2005), 154; also see Paul Evans, "Canada, Meet Global China," *International Journal* 2, No. 6 (2006): 283.

45 "Government 'Concerned' about Chinese Espionage," *CTV.ca*, April 14, 2006. http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20060414/china_espionage_060414/20060414?hub=TopStories (accessed December 10, 2009); "Chinese Spies Cost Canada Billions: Harper," *CTV.ca*. June 16, 2005, http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/1118953947201_114363147/?hub=TopStories (accessed December 10, 2009).

46 International Crisis Group, "China's Thirst for Oil," *Asia Report* 153 (June 8, 2008), http://www.crisisgroup.org/home/index.cfm?id=5478 (accessed December 10, 2009).

47 See, for example, John Garnaut, "Don't Play Nationalist Card Against Chinalco," *The Age*, February 16, 2009, http://www.theage.com.au/business/dont-play-nationalist-card-against-rio-deal-20090215-884a.html?page=-1 (accessed December 10, 2009).

Incidentally, journalists report that, in the meantime, despite the fact that China had balked at paying the price Australian miners earlier agreed to by Japanese steelmakers, Chinese steelmakers were happily buying ore at the benchmark price earlier established with Japan. In other words, Chinese state behaviour had relatively little effect on the behaviour of Chinese steel-making firms. Several conclusions are in order here: CCP authorities are both sensitive to, but awkward at, gauging the foreign policy and foreign economic effect of their domestic decisions. This sensitivity is seen both in the remarkable way in which the state sought to feed information to the media and in the way that it backed away from the most serious charges. Second, Chinese firms continue to behave in a way that reflects local market conditions despite the ultimate desires emanating from the state.[48] Chinese state-owned firms do have boards appointed by the CCP, but these boards are largely appointed from among Party members within the firm or its industrial sector.[49] Far from being passive acceptors of State and Party directives, senior managers of these firms have high status inside the Party and are influential in policy making. The former CEO of Chinalco, Xiao Yaqing, is now the Vice Premier in charge of the State-owned Assets Supervision and Administration Commission, which nominally appoints Chinalco's board of directors. His replacement as CEO of Chinalco is Xiong Weiping, who directs Chinalco's subsidiary Chalco, but who is a long-time professional in the mining field and concurrently a Professor in Beijing University's Guanghua School of Management.[50]

In any case, the current global economic weight of China and its investment prowess mean that financial markets and regulators have little choice but to welcome Chinese investment and work to keep Chinese investment behaviour transparent, lawful and subject to regulatory power. China's resource investments are not aimed exclusively at supplying Chinese markets for Chinese firms. Chinese oil companies have been quite content to supply crude to third country customers depending on economic conditions. There are no grounds for supposing that Chinese resource investments represent an effort to withdraw supplies from global markets.

In the area of energy resources, the largest and most expensive Chinese acquisitions have been of Canadian firms with extensive overseas assets, particularly in emerging countries. This applies, for example, to the acquisition of PetroKazakh by the China National Petroleum Corporation in 2005,[51] and the most recent acquisition of Addax oil with assets in Nigeria and Iraq by Sinopec.[52] Chinese firms have been more cautious and tentative with respect to domestic Canadian resource assets. This applies to the controversial withdrawn bid for Noranda but also China's cautious participation in the Alberta oilsands and the Gateway pipeline project. Since the failed bid for Noranda in 2005, China has been more reticent and circumspect, notably in the recent investment by China's sovereign wealth fund China Investment Co. in Teck Cominco.[53]

This latter investment represents a rather new trend and impetus in China's outward investments, and particularly its investments in commodity firms. This type of investment is not intended to gain direct access to the resources produced by the target firm. Rather, it is intended as a hedge against the U.S. dollar risk inherent in China's huge foreign exchange reserves. In buying into resource commodity firms valued by reference to the underlying commodities they produce, China buys a hedge against dollar inflation by referencing the physical asset produced by the resource company. In this case, China Investment Co. is content to play the role of a passive investor, betting that a future fall in the value of the U.S. dollar will be offset by the rising price of the minerals that Teck produces. China Investment Co. is after the *value* of Teck's mining interests, not the resources themselves. This

48 See "China Warms to New Credo: Business First," *The New York Times*, August 13, 2009, http://www.nytimes.com/2009/08/14/world/asia/14china.html (accessed December 10, 2009).

49 See Christopher A. McNally, "Strange Bedfellows: Communist Party Institutions and New Governance Mechanisms in Chinese State Holding Corporations," *Business and Politics* 4, No. 1, (2002): 91–115.

50 Yan Jiangning, "Chinalco's President Steps Down to Take State Office," *Caijing.Com.Cn*, February 17, 2009, http://english.caijing.com.cn/2009-02-17/110069627.html (accessed December 10, 2009).

51 See "CNPC gets approval for PetroKazakh takeover," *China Economic Review*, October 27, 2005, http://www.chinaeconomicreview.com/industry-focus/latest-news/article/2005-10-27/CNPC_gets_approval_for_PetroKazakh_takeover.html (accessed December 10, 2009).

52 See Eric Reguly, "Sinopec Agrees to Buy Addax for $8-billion," *The Globe and Mail*, July 24, 2009, http://v1.theglobeandmail.com/servlet/story/RTGAM.20090624.waddaxsinopec0624/BNStory/Business/ERIC+REGULY (accessed December 10, 2009).

53 See, "China Plays by Teck's Rules" *The Globe and Mail* July 3, 2009.

represents a distinct motivation from the one occasioned by Chinalco's interest in Rio Tinto, clearly motivated by the threat of a near monopoly represented by BHP Billiton's bid to acquire Rio Tinto.

Conclusion

Canada's value to China is shifting in line with our relative weight in the global economy and in global politics. While it is not clear that Canada has ever enjoyed a privileged relationship with China, the conditions that made Canada's relationship with China 'special' have eroded over time and we have not yet formulated a set of strategic objectives that would cement bilateral ties in a manner that would institutionalize political relations beyond the vagaries of changes in government and which takes account of our growing dependence on the Chinese market as well as China's growing leverage over our trade and investment. The much vaunted 'complementarity' between our economies that China's leaders trumpeted at the end of the last century has not resulted in balanced interdependence, nor has the deep investment in personal ties between government leaders in the era of 'Team Canada' been sustained or even maintained. While official ties have sputtered, the very substantial flows of migration and education have not been transformed into permanent channels of two-way communication, nor have they resulted in internalizing each other's society as a familiar extension of our own in any way reminiscent of the cultural impact of trans-Atlantic ties. Canadians by and large do not see themselves as part of 'Global China' nor have Chinese ceased to see Canada as a franchise branch of 'the West'. Our engagement remains instrumental, contractual and distant, even if by and large benign and relatively unthreatening.

The steep hierarchy of Chinese institutions and the looming shadow of the Party-State remains an obstacle to closer political encounters much more at the conceptual than at the human level. While the Communist Party system remains exclusive and hierarchic, it struggles to preside over a dynamic and expansive market society that it can no longer control from above. While this is sometimes a source of friction between our governments, it can also become a resource that feeds interdependence should we choose to engage it. Like the Chinese themselves, we must accommodate and tolerate the umbrella of the Chinese state as we grow our networked connections—*guanxi wang*. We should strive on our side to build a flexible structure of interaction that is mutual and permanent and free from the contingency of short-term political interest. That is what we should strive for as part of a 'strategic partnership.' We need to drill permanent channels of interaction between our bureaucracies, our business corporations and our non-governmental organizations so that our political leaders cannot avoid meeting on a regular schedule.

Seventeen years ago, China's elder-statesman, Deng Xiaoping, leaped out of semi-retirement to tour the centres of foreign investment in southern China in order to break the political deadlock concerning the direction of China's economic development. He challenged a truculent Politburo to let go of the shibboleths of capitalism and socialism and recognize that a foreign-invested factory in Shenzhen builds assets in China, creates Chinese jobs and operates under Chinese law.[54] Canada should welcome investment by large Chinese state-owned corporations in Canada as a means to gain permanent access to the centres of Chinese power. A Chinese state that is worried about substantial investments in Canada will be concerned about the state of relations *with* Canada. Instead of predicating ongoing relations on periodic bilateral and multilateral summits, we should promote these alongside a denser structure of bilateral working groups in sectors of mutual interest, and rather than predicate economic relations on large multinational torch-bearers, we need to tailor a business strategy to facilitate the needs of small and medium enterprises from both countries.

The solution to a pattern of stop-go interaction and declining impact of our 'brand' is to engineer more regular encounters at all levels to promote shared interests and opportunities, rather than wait for opportunities to be revealed and bound into distinct, time-bound and risky projects.

54 For the politics surrounding Deng's "Southern Tour" of 1992, see Michael E. Marti, *China and the Legacy of Deng Xiaoping: From Communist Revolution to Capitalist Evolution* (Dulles, Virginia: Brasseys, 2002).

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8

BRIAN L. EVANS

CANADIAN STUDIES IN CHINA

Abstract

The support of Canadian Studies programs abroad by the Department of Foreign Affairs and International Trade began some three decades ago. Today, Canadian Studies programs exist in nearly 40 countries throughout the Americas, Europe, Asia, and in Israel, New Zealand and Australia. There are over 400 Canadian Studies Centres worldwide with more than 40 of them in China. The goal of Canadian Studies in China is to provide educational, cultural, business and governmental elites with a deeper awareness of Canada, how it functions as a multicultural society and to provide some background understanding of Canadian international policies. In China, the seeds of Canadian Studies have been widely scattered. This is understandable given the geographic size and population of China and the diversity of Canadian interests there. If Canadian Studies are to progress in China as Chinese scholars of Canada would like, some major changes need to be considered. We need to work harder to assure that Canada remains understood and important to China. Unfortunately, if nothing is done beyond the current approach to Canadian Studies, serious, organized interest in Canada will stagnate. A foundation has been laid; it awaits a significant structure.

Introduction

The support of Canadian Studies[1] programs abroad by the Department of Foreign Affairs and International Trade (DFAIT) began some three decades ago. In 1975, the Commission on Canadian Studies, chaired by T.B. Symons, issued its report *To Know Ourselves.* The report disclosed a widespread ignorance among Canadians of their own history and roots. It argued for the instituting of Canadian Studies programs across Canada at the university level. If we Canadians are unaware of our background, how could we expect other countries to be aware? The then Department of External Affairs was persuaded to provide support and encouragement for the growth of Canadian Studies abroad through its Academic Relations Division. At first, the encouragement was given to universities in the United States and the United Kingdom, such as Duke and Edinburgh, that already offered courses with Canadian content, and in France, to balance efforts made by the Quebec Parti Quebecois government. The Department soon moved from a policy of grafting onto existing programs to one of seeking out interested institutions in other countries. Today, Canadian Studies programs exist in nearly 40 countries throughout the Americas, Europe, Asia, and in Israel, New Zealand and Australia. There are over 400 Canadian Studies Centres worldwide with more than 40 of them in China compared to the United States, which has over 50. There are some 34 national and multi-national Canadian Studies Associations around the world, among them the Association for Canadian Studies in China (ACSC) formed in 1984. The Canadian Studies Associations are linked together through the International Council for Canadian Studies (ICCS) formed in 1981 as a non-profit organization, and established as a separate entity in 1987 with a Secretariat in Ottawa. The Council's Board of Directors has one representative from each of the participating country associations from which a four person Executive Committee is elected. In addition to the funding received from the Canadian government, ICCS raises funds from non-public sources. The ICCS manages, among other programs, the Canadian Studies program abroad on behalf of DFAIT. It sets the general goals for Canadian Studies under a mandate that calls for the worldwide promotion of "scholarly study, research, teaching and publication about Canada in all disciplines and all countries."[2] While the ICCS sets broad goals and principles,

1 For the purposes of this paper, the term "Canadian Studies" is limited to studies in the Humanities and Social Sciences, including Business. The term "Canadian Studies" refers to the Canadian government program of that name and does not include all aspects of the study of Canada throughout China.

2 International Council for Canadian Studies, *Knowing Canada Better.*

objectives within individual countries can be, and are, influenced by the Canadian Mission within a country. Thus, when looking at the nature of Canadian Studies in a given country, one must take into account both how well the program has responded to ICCS guidelines and to those suggestions or directives offered by DFAIT representatives within that country.

As a member of ICCS since 1984, ACSC has access to a number of programs, which include:

- Faculty enrichment
- Faculty research
- Doctoral student research awards
- Canada-Asia-Pacific Award in Canadian Studies

Outside of ICCS-administered programs, Canadian Studies Centres in China have access to the DFAIT Canadian Studies Development Program, (since 2008 reconceived as the Understanding Canada: Canadian Studies Program), under which support is given to projects such as roundtables, conferences and workshops on Canadian issues, including cooperative research, invitations to Canadian scholars to undertake lecture tours and the publication of books. In addition, scholars have access to the five-week summer Special Award for Canadian Studies (SACS), and to the Canada-China Scholars' Exchange Program, through the Canadian Embassy and Consulates in China. The latter program is, however, broader based than Canadian Studies.

It is safe to say that the average Canadian is unaware of the amount of time, effort and money that is expended in these attempts to gain better understanding of Canada abroad. Nor is the average Canadian aware of the broad international network of scholars, students and researchers brought together under the umbrella of ICCS. Like all far flung empires, not all of its components will be active all of the time, particularly under a program that offers a variety of carrots, but which has very few sticks, if any. The purpose of this paper is to look at the form, function and results of Canadian Studies in China

Canadian Studies in China

The first Canadian Studies programs in China began in 1984, following on China's agreements with the International Development Research Centre and the Canadian International Development Agency (CIDA). It had been common for Canadians involved with China, particularly since the wheat deals beginning in 1961, to succumb to the idea that Canada and China had a special relationship. The symbol of this special relationship was Dr. Norman Bethune, who was well-known in China and little known in Canada. Ignored in these early days was the fact that Chinese and Canadians looked on Bethune differently. To the Chinese, Bethune was a communist and an internationalist who happened to be a Canadian; to Canadians, Bethune was a Canadian medical missionary, who happened to be a communist. But Bethune, as a symbol of Chinese-Canadian understanding, had past his best before date, with the death of Mao Zedong in 1976 and the subsequent introduction by Deng Xiaoping of modernization reforms in the early 1980s. Yet Canadians cling to the belief of the importance of Bethune to continued good Canada-China relations. In interviews, Adrienne Clarkson, author of the most recent biography of Bethune, claims that he is known by 1.5 billion Chinese. Even allowing for book promotional hype, such a statement is wide off the mark. Bethune, as a household word in China, began to decline rapidly in the 1980s. Indeed, one of Canada's Ambassadors to China during this period is said to have regarded Bethune as a traitor and requested, forcefully, that Chinese officials not mention his name in his presence.

Currently, those Chinese under 35 years of age are unlikely to spend much time thinking about Bethune, as the amnesia concerning the Cultural Revolution continues to spread. Younger Chinese are more familiar with Dashan (Mark Roswell), the Canadian star of Chinese television, proclaimed as the most famous foreigner in China.

Consequently, it is becoming more and more popular for Canadians to point to him as the symbol of China-Canada relations. Again, it is frequently said by members of the Canadian media that Dashan is known to 1.5 billion Chinese. This boast is perhaps more accurate, but to equate it with some sort of widespread understanding of, or friendship for, Canada, is to believe that Rich Little deepened the appreciation of Canada among Americans. The Chinese regard Dashan as an entertainer who happens to be a Canadian, while Canadians look on Dashan as a Canadian who happens to be an entertainer. In the case of Dashan, Chinese and Canadians are alike in being impressed by a non-ethnic Chinese speaking Chinese with such facility. But to promote the myth that some sort of amalgam of Bethune and Dashan predisposes all Chinese to be favourable towards Canada does both countries a disservice. Canadians need to be aware that, at the popular level, Chinese views of Canada are coloured just as much by the Lai Changxing case (in which a known Chinese criminal who claimed refugee status in Canada has been able to use the Canadian legal system to avoid extradition and trial in China and now has a Canadian work permit) as they are by Dashan or Bethune. Also, knowledge of Canada among Chinese at the rice roots level is greatly influenced by stories relayed from Canada by Chinese immigrants.

All this is to say that it is foolish to attempt to assess the impact of Canada and of Canadian Studies on China based upon the popularity or unpopularity of individuals. The goal of Canadian Studies in China is to provide educational, cultural, business and governmental elites with a deeper awareness of Canada, how it functions as a multicultural society and to provide some background understanding of Canadian international policies. Or, as has more recently been stated by DFAIT: "The Program still aims to create and support a pool of foreign experts on Canada that in turn could transmit their knowledge or advise other colleagues, often in decision making positions, on issues of interest to Canada."[3]

Origins and Current Status of Canadian Studies in China

From a modest beginning in 1984, Canadian Studies in China currently boasts of some 43 separate centres and programs. Their 400, or more, members form the base for the ACSC, whose Canadianists organize regional conferences, often on specific themes, and who participate in the biennial national meetings. The individual centres are located in or attached to institutions of higher learning, where courses on Canada are offered. Some courses are directly on Canada, while others include aspects of Canadian experience within course content. More intensive study is carried out by graduate students who choose a Canadian topic for their theses and who have supervisors with a record of study in Canada and/or of publications concerning Canada. In the early years, the range of topics was narrow. In Canadian literature, perhaps the most popular field, they might include the study, sometimes comparatively, of the writings of Canadian authors, Margaret Atwood and Margaret Laurence being popular subjects. Students in the Social Sciences might write on Canadian immigration policy, the lives of individual Canadians such as missionaries or diplomats who had careers in China. In recent times, topics range further afield. With the help of the internet and instructors who have links within Canada, students undertake topics such as the structure and content of Canadian media, the nature of multiculturalism, Canada's health system, separate aspects of Canadian foreign policy, etc.

Students and their professors are able to test their ideas through meetings of the ACSC. Under the ACSC are regional associations that meet in between national meetings, while the ACSC sponsors the biennial national conferences. The association members, through the ACSC website, internet newsletters and journals, publish news of activities and their work. Some publish their work in Canadian Studies Journals in other countries. Within China, members of the ACSC have produced a plethora of books, monographs and articles. These range from translations of important Canadian works on law, history and society and the writings of Canadian authors such as Margaret Atwood, Margaret Laurence, Rudy Wiebe, Farley Moat and others, to specialized studies by Professor Liu Guangtai of Hubei Normal University on Chester Ronning and on Pierre Trudeau, to a volume by Professor Jiang Peng of the World History Institute of the Chinese Academy of Social Sciences (CASS)

3 Canada, Department of Foreign Affairs and International Trade, *Understanding Canada.*

on "The Civilization of Canada" in a series on World Civilizations published by CASS. Few of these publications, however, are likely to have an impact beyond universities and specialized agencies in the Chinese government.

Most of the above-described activities are supported and to a great degree subsidized by the Canadian Government through its Embassy and Consulates in China. This support includes grants for translation of Canadian works, major awards to assist scholars to spend a year in Canada to do first-hand research and short-term summer grants for scholars to experience Canada first-hand and to explore a topic of their interest. The Embassy is also very influential in establishing the themes for the biennial conference held by the ACSC and in assisting with bringing in Canadian speakers.

In addition, the President of the ACSC is invited to the annual meetings of the ICCS, where there is an opportunity to share and compare experiences with Canadian Studies Associations from around the world. In 1990, the ICCS annual meeting was held in Beijing in conjunction with the national ACSC meeting. Through the internet, ICCS provides associations with updates on Canadian publications, comprehensive bibliographies of Canadian Studies and other networking information. Beyond the ICCS connection, members of ACSC, and indeed anyone anxious to learn more about Canada, can reach out and touch individual Canadians, Canadian organizations and institutions through the internet.

To gain an appreciation of how far Canadian Studies have come in China since their inception in 1984, it is instructive to look at the notes for a paper, "Two Decades' Canadian Studies in China," delivered in Chongqing in the fall of 2004 at the biennial ACSC conference. The author, Professor Wang Bing of Liaoning Normal University, pointed out that, in the 1950s, only about 15 articles on Canada appeared in Chinese newspapers. The 1960s were little better with only 17 articles about Canada. In the 1970s, with diplomatic relations having been established, the article count rose to 111 and the Chinese government sponsored the translation of a *History of Canada* and a *Centennial History of Canada* by Shandong University. In addition the Chinese government developed a North American Economic Research Division at Wuhan University and a North American Economic and Geographic Research Division at East China Normal University. Both of these initiatives were designed to meet government diplomatic and political purposes. The main focus was the United States and research areas were limited to history, geography and economics.

In the 1980s, the growth of reform and the opening of China provided greater impetus to learn more about Canada, encouraged in part by the Chinese scholars and professors who went as visiting scholars to Canada after 1978 to upgrade their skills that had been stunted by the Cultural Revolution. With the establishment of the ACSC in 1984 came the recognition of Canadian Studies as a discipline in Chinese universities. In 1985, ACSC members attended the ICCS conference in Montreal establishing the Chinese Association as the tenth member of the Council. Also in 1985, Ruan Xihu published the first monograph on Canada, entitled "Ethnic Groups in Canada." Since the mid-1980s, ACSC membership has grown steadily and now numbers over 400 members. Research has become more diversified to include law, culture, literature, environment, language, education, ethnic studies, media, along with interdisciplinary and multidisciplinary approaches. Until his untimely death in 1987, a key figure in the promotion of Canadian Studies in China was Professor Hsieh Pei-hsieh of the University of Regina, who, although from Taiwan, had close ties with the University of Shandong. The outstanding growth in the 1980s was capped by the combined ACSC and ICCS meeting held in Beijing in 1990, the year following the Tiananmen incident.

Throughout the 1990s, Canadian Studies enjoyed further steady growth. From eight Centres in the 1980s, the number grew to the over 40 in the early 21st century. Some centres specialize; for example, Shandong University in literature, Liaoning Normal University in multiculturalism and immigration, Inner Mongolia University in Native Studies and Heilongjiang University in language and bilingualism. Although no direct count has been made, the increased specialization and spread of activity has led to more papers being published in national journals and more articles in influential newspapers. Two book series were launched in the 1990s. The first, *Glimpses of Canada,* begun at Beijing University in 1992, has become *Canadian Studies Research* since 2004. The second series, *Canadian Horizon,*

has been published by CASS since 1996. In 1995, a two volume history of Quebec was published along with histories of Canadian literature and Canadian drama. Within universities, Canadian Studies concentrations at the graduate level were introduced at Nanjing University, Shandong University, Nankai University, Lanzhou University, Tianjin Normal University, Inner Mongolia University, Sichuan University, Hubei Normal University and others. A number of institutions have given Canadian professors adjunct status, and most have more than one linkage with Canadian universities.

Outside of the immediate Canadian Studies program in the 1990s, but greatly contributing to the growth of the study of Canada, was a joint CASS and Royal Society of Canada project that ran from 1993–1998. Called the 'Democracy Project,' it brought together scholars in the Social Sciences from China and Canada in joint seminars held in both countries. Funded mainly by CIDA with assistance from DFAIT and CASS, it enabled Canadian experts such as Alan Cairns, Jan Meisel, Craig Brown, Ramsay Cook, David Bercuson and Stephane Dion to engage with Chinese counterparts on questions of Canada's history, social, political and economic structures. It was the first, and perhaps the only, intense and in-depth engagement between scholars of the two countries on the subject of Canada. The outcome was an increased interest in Canada within CASS and the publication of a collection of papers in China.

In the same vein, CIDA sponsored linkages between Canadian and Chinese business and management schools, begun in the early 1980s, deepened the understanding of Canada in China, and vice versa. Some of these linkages remain active up to today. Other CIDA-funded projects involving training Chinese in Canada's legal and governmental systems have added further dimensions to the picture of Canada in China. These projects are but a sample, there being many others in education, performing arts, etc., all of which fall outside the rubric of Canadian Studies, but which enhance the appreciation of Canada by China's policy makers.

The ACSC conforms to the general organizational pattern of Canadian Studies Associations around the world. ACSC has over 400 members, among them fine established scholars and talented young researchers. Many of the established scholars have benefited from time in Canada. Among them are those who hold doctoral degrees from Canadian universities, offer courses devoted to Canada and organize special conferences on Canadian themes at their universities. One such example is Professor Wang Bing of Liaoning Normal University, who holds a doctor's degree in education from the University of Calgary. In 2006, with support from the Canadian Studies development fund of the Canadian Embassy in Beijing, Professor Wang organized a highly successful conference on the theme of multiculturalism in which the Canadian experience was used to illuminate the problems that China faces with ethnic minorities. At this conference, a younger Chinese scholar, Gu Junwei, presented an insightful paper on the treatment of minorities in Canadian media. It was extraordinary because he had never been to Canada, yet nearly all of what he said rang true to the Canadians in attendance. Subsequently, he was able to travel to Canada on a short-term SACS grant to test his ideas through meetings with Canadian media outlets. This enabled him to polish his original paper and to give a revised version to the ACSC biennial conference at Nanjing in November 2008. This is but one example of the Canadian Studies program at work.

In fact, the 13th Biennial Conference of ACSC held in Nanjing, November 7–9, 2008, in conjunction with the latest ACSC report to ICCS, provides the most recent overall snapshot of the state of Canadian Studies in China. Sponsored by the Nanjing University of Finance and Economics, the conference met at the university campus for the first day's plenary sessions and for the final evening concert of Canadian songs and a Canadian speech contest. Over 120 delegates, among them half a dozen from Canada and one from Mexico, attended. The plenary sessions were addressed by Chinese and Canadian scholars as well as by university, Canadian Embassy and ACSC representatives. The priority conference themes had been laid down earlier in the year by the Canadian Embassy in Beijing in keeping with the newly launched "Understanding Canada: Canadian Studies" initiative. This initiative represents a more forceful approach to Canadian Studies to be taken by DFAIT, which, it is said, to

provide "a program better adapted to the new realities of the academic environment … [and] … aiming to demonstrate how the program could in several cases, come in support of Canadian foreign policy."[4] It was recognized that the laying down of a list of priority themes "raised a few concerns in some circles especially regarding academic freedom and the possible exclusion of some disciplines."[5]

The priority themes were:

- Democracy, Rule of Law, Human Rights
- Economic Prosperity and Competitiveness
- Environment and Energy
- Managing Diversity
- North-American Partnership
- Peace and Security

Given that conference organizers would unlikely receive funding from the Embassy should the list of themes not be respected, not surprisingly the plenary addresses, more or less, reflected them. Chinese scholars discoursed on anti-corruption practices of the Government of Canada, the fight against money laundering in Canada, university responses to Canada's innovation strategy and on the 'soft power' of Canada. Canadian contributors spoke of Canadian-Chinese relations today, Aboriginal health in Canada and Canadian approaches to managing diversity.

After the first day, panel discussions, divided among five broad categories, were held at the Shuangmenlou hotel. The panels were: Economics and Law; International Affairs, History, Society, Government; Culture and Multiculturalism and Education, and E. Literature. While the plenary talks had been delivered mainly in English, the papers in the panels were delivered sometimes in English, sometimes in French and sometimes in Chinese. A few titles from these sessions give an idea of the current range, breadth and depth of Canadian Studies at China's universities:

- "Overpass Multiculturalism: Reflections of the Canadian Multiculturalism"
- "Comparative Study on the Ethnic Relations between China and Canada"
- "From Quantum Theory's Uncertainty Principle to Information Multiple Processing and Various Endings Brought About by Butterfly Effect"
- "A Comparative Study of Margaret Atwood's *Happy Endings* and Stephen Dobyus' *Kansas*"
- "On the Duplessis Government"
- "Histoire de Passion et de Mort, de Neige et de Fureur"
- "Studies on Species Diversity of the St. Lawrence River"
- "Feminism in the Making: The Significance of Ethel Wilson's Literary Style"
- "Multiculturalism Reflected in Canadian Media"
- "Une Etude sur le Film Quebequois"
- "On the Brief Characteristics of Universities' Administration in Canada"
- "An Impact of the Humanities Education in Canadian Universities on the Reform in Chinese Universities"
- "The Development and Innovation of Higher Education"
- "Ivory Tower or Company: Commercialization of Canadian Universities in the World as a Big Market"
- "Towards a Better Understanding of the Real Needs of the North American Indians"
- "On the Impact of the Canadian Charter of Rights and Freedoms"
- "Characteristics and Development of Foreign Policy and Sino-Canadian Relations in Harper's Government"
- "Why Young People Do Not Vote—Observation and Analysis of Canadian Low Voter Turnout"
- "Canadian Foreign Policy toward Taiwan"
- "On Research of Canadian History in China"
- "Margaret Atwood and Quilt Making"
- "Harper Administration Human-Rights Diplomacy towards China"
- "The Impact of NAFTA on Canada"

4 Canada, Department of Foreign Affairs and International Trade, *Understanding Canada*.

5 Canada, Department of Foreign Affairs and International Trade, *Understanding Canada*.

Each of the above topics, and many more, was the subject of a paper delivered by a Chinese scholar keen on Canadian Studies. There can be little doubt that Canadian Studies in China has matured and come of age, although a truer picture of its real nature would have included at least one plenary address devoted to Canadian literature.

In a brief preliminary report summing up the first year's global operation of the new "Understanding Canada" initiative, the anonymous writer(s) reflect upon how successful the program was, because the results show that 84% of the grants awarded were directly linked to the stated priority themes. This is perhaps not too surprising, particularly since it was made clear in the application forms that priority consideration would be given to those themes. In the list of possible subjects, in priority order, history, politics and literature came last. These are the very areas that have formed the main foundation of ACSC. It is noteworthy that the list of successful candidates for the summer 2009 Special Award for Canadian Studies under the new priorities is quite different from that of 2008. While the 2008 list contains the names of young, not-yet-established scholars, the 2009 list is exclusively of professors and doctors from universities from CASS. Three of the 15 awards were given to professors from schools of foreign languages, with the rest being distributed among law, political science, environment, international studies, etc. Continuing in the self-congratulatory style of the report of the results of the first year of the implementation of "Understanding Canada," the writer(s) conclude, "It was an interesting and full year for 'Understanding Canada' and great results were achieved. Having responded to the expectations regarding governmental priorities while continually respecting academic freedom and its partners, the team both in Ottawa and abroad, will continue to work on the development and success of the program."[6]

Clearly the message coming from DFAIT, not just in China, but to all Canadian Studies Associations abroad, is, "This is how you are to study Canada." Such a message, if delivered to Canadian scholars engaged in the study of another country, would be rejected, if not laughed at. It is clear that the new approach does not sit well with the ICCS, who in their document entitled, "Knowing Canada Better: Strategic plan 2008–2013, Appendix 2 Rethinking the Study of Canada," include the following recommendation, beginning on page 14: "Endeavour to take into consideration government priorities and directives within research and teaching activities and projects, keeping in mind that changes in government priorities and directives occur more often and more rapidly than research can adjust to, and that, as a consequence, the two cannot be completely compatible."[7]

The Future of Canadian Studies in China

In 2006, the International Council for Canadian Studies celebrated its 25th anniversary with the publication of a work by Serge Jaumain entitled, "The Canadianists: The ICCS/25 Years in the Service of Canadian Studies." On page 12 there is a description of the long-term potential impact of the program:

> The world over, Canadian Studies are taught to many tens of thousands of student by professors who, in the course of their academic careers, were one fine day awarded a scholarship in Canada. This allowed them to complete their studies, that is, to specialize in a specific field of their choosing, and later suggest to the administration of their university that one or more courses on Canada be offered by that institution. While it may be true that not all of the students they teach will go on to specialize in Canadian Studies, their young charges will at least have been given the opportunity, during their university years, to learn something about this country. It takes no great exertion of imagination to grasp that, in one way or another, the knowledge of Canada they acquired through these courses will stand them in good stead in their chosen profession.[8]

6 Canada, Department of Foreign Affairs and International Trade, *Understanding Canada*.

7 International Council for Canadian Studies, *Knowing Canada Better*.

8 Jaumain, "The Canadianists."

Such is the dream, but like all programs, there is never enough money for Canadian Studies in China. Unfortunately, all too frequently, there are not enough resources to follow up on initiatives. Some scholars will be successful in gaining support to go to Canada for graduate degree work, while others will be given a shorter term exposure. Still others might independently win a place in a Canadian graduate program or pursue their studies of Canada at a Chinese institution. For a number of others, a paper delivered at a conference will represent as far as they go in the study of Canada.

While finding funding for keen young scholars of Canadian Studies is one problem, the retention of established and mature scholars is another. The retirement regulations in Chinese universities, which put established scholars out to pasture at the time in their careers when they are having their greatest impact, plus the conscious ageism in grant application regulations or the unconscious ageism in evaluations, has proved to be discouraging factors to senior, productive scholars. Moreover, these senior scholars, as members of ACSC, are unable pursue the cause of Canadian Studies as vigorously as they might, because of lack of resources. ACSC's lack of resources is evident in its inability to keep its website up to date, or to maintain its online newsletter. What should be key instruments in networking among scholars, bringing to their attention news and opportunities, is moribund, or lethargic, at best. ACSC has had to rely too heavily on the spare time of already-overburdened academics, who must undertake the great efforts needed to organize successful biennial meetings. Overburdened academics are also unable to exploit what resources that are available, say for staging workshops, roundtables and special conferences on Canadian issues. They need to know how to go about it and in this ACSC should play a vital role.

There is another problem that perhaps faces all Canadian Studies programs abroad, but is exacerbated in China because of language barriers: how to entice busy Canadian specialists, i.e. Canadian Canadianists, to undertake a lecture tour in China of two or three weeks duration. Canadian Canadianists are among academia's most stay-at-home people. In the past, some have stated outright that they cannot see how such a tour would advance their careers. Even for someone who is willing to undertake a tour, the logistics, given busy home schedules, present a major challenge. As a result, apart from the previously mentioned Royal Society of Canada/CASS collaboration, real Canadian experts have been thin on the ground in China. The breach has been filled by Canadian China specialists and by visiting politicians willing to discourse on subjects, oft times quite peripheral to their own areas of expertise. The hazard faced by politicians speaking at Canadian Studies Centres is illustrated by the experience of Premier Ralph Klein of Alberta at Peking University. After giving a talk on the intricacies of the oil industry, he agreed to answer questions. The first question was: *What do you think of Margaret Atwood?* There is only so long, however, that Chinese academics, seriously engaged in the study of Canada, can make do with yet another lecture on Chinese immigration to Canada, multiculturalism or Canada-China relations—topics they have heard expounded upon many times before. For too long, Canadian Studies in China has had to depend upon serendipitous and occasional visits by a Canadian expert and upon Canadian China specialists.

Despite this, the seeds for Canadian Studies have been well sown, but the question is how are they to be tended and brought to maturity. In this case, one comes up against a problem inherent to Canadian Studies programs outside Canada that are so dependent on DFAIT. In the pursuit of DFAIT's specific objectives, thriving Canadian Studies Associations and Centres are a plus, but it is a rare academic who is willing to tailor his or her research strictly to the interests and objectives of Canadian diplomacy and trade. Yet, with shortages of funds, DFAIT is naturally reluctant to underwrite what it might see as the tangential interests of a purely academic nature, no matter how famous is the scholar proposing them. Unless, perhaps, if that academic has an established and an influential national profile.

In China, the seeds of Canadian Studies have been widely scattered. This is understandable given the geographic size and population of China and the diversity of Canadian interests there. Nonetheless, it can be argued that Canada, through DFAIT, has sown what, under the new "Understanding Canada" strategy and priorities, it is no longer prepared to reap. There is a firm foundation in China for the study of Canadian literature (French and English), history and politics, represented by scores of professors and by hundreds of students, but DFAIT has placed these fields at the very bottom of its priority list

for funding. Are they no longer essential to understanding Canada? This can only be discouraging to ACSC executives and members who are being invited to be like blades of grass, bending in whichever direction the winds from DFAIT bid them. In the past, the Department's financial gatekeepers have not always been sensitive to the nature of the academic contributions being made.

It would seem that Canadian Studies in China is at a crossroads. If Canadian Studies are to progress in China as Chinese scholars of Canada would like, some major changes need to be considered. Most of the current centres lack the critical mass of scholars needed to sustain vibrant and robust programs. The designation of a few centres, say, in Beijing, Shanghai and Chongqing, as Canada Institutes, drawing their membership from the scholars in those cities and surrounding areas, and to which smaller centres could look for leadership and direction, would do much to raise and maintain interest in the scholarly study of Canada. Such Institutes would have to seek private and public funding in order to reduce the current dependence on Canadian government sources and to carry out programs of their own design, which could include ones to attract Canadian experts as visitors. Chinese scholars, who have published substantial works on Canada, could be attached (no matter their age) as Senior Fellows to an institute and contribute their ideas and expertise on Canada in exchange for research opportunities in Canada. The alternative, given the current situation, is to do nothing and to watch the broad scholarly interest in Canada wither in the face of DFAIT priorities.

No matter what, since its beginnings in 1984, Canadian Studies in China have outgrown the original concept. To date, Canadian Studies in China can be termed a success. Not only has it recruited excellent scholars to its fold, but it has established itself throughout the length and breadth of China. Moreover, the study of Canada has had its impact upon Chinese views of multiculturalism, civil society, volunteerism, university governance and in a host of other areas. It is a time now for Canada's Canadianists to recognize what has been accomplished in China, to exploit still further the wonders of information technology that have shrunk the Pacific into a pond and to build upon the interest in Canada that Chinese Canadianists have so ably demonstrated.

Conclusion

The Canadian Studies program in China is at a crossroads. For it to develop further, some major changes need to be considered. Most of the current centres in China lack the necessary critical mass to sustain robust programs. Those that are capable of doing so should be recognized and designated as Institutes of Canadian Studies, which can network with smaller centres in their geographic area. Currently, among the best candidates for Institute status are Beijing, Nanjing, Chongqing and Shanghai. Institutes should be charged with raising the profile of Canadian Studies in their areas through conferences, speakers programs, research projects and library resource building. Institutes will have to seek funds outside those provided by DFAIT, from private sector interests. It is assumed that the Institutes (as well as centres) will continue to enjoy 'in kind' support from Chinese education authorities. Institutes must be capable of attracting Canadian experts on Canada for short- and long-term visits. Chinese scholars of Canada, with established research and publication records, must be recognized, no matter their age, as Senior Fellows of an Institute and be invited to participate in the planning of the Institute's ongoing projects. Institutes should as soon as possible link with one or more Canadian institutions. This is not only important to the Institutes themselves, but very important to encourage Canadian specialists to take seriously the Canadian Studies program in China, and to bridge the gulf that continues to exist between Chinese specialists on Canada and Canadianists in Canada. In addition to internal and external academic relations, the Institutes, along with the centres, must be encouraged to establish community outreach programs with local schools, public service organizations and media, to raise the knowledge of Canada beyond the "Bethune/Dashan" level. The anticipated increase in Chinese tourists to Canada can be expected to spark a farther interest in the 'real' Canada, which ideally will encourage Chinese schools to include the study of Canada in school curriculums.

The above recommendation for the establishment for Canadian Studies Institutes and pro-active programs involving both China and Canada involves much more money than is currently being expended and a much greater effort at co-ordination. Nonetheless, it is an effort worthy of the support from Canadian governments at all levels, not to mention the private sector. It has been 40 years since the exchange of official recognition between Canada and China. Now, more than ever, China is in Canada's future. We need to work harder, however, to assure that Canada remains understood and important to China. Unfortunately, if nothing is done beyond the current approach to Canadian Studies, serious, organized interest in Canada will stagnate. A foundation has been laid; it awaits a significant structure.

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9

ZHANG XIAOYI

PUBLIC DIPLOMACY—CANADA & CHINA: A RACE BETWEEN A HARE AND A TORTOISE?[1]

To conduct diplomacy in today's world, there is the growing need to deal with foreign publics alongside their governments. The reasons are threefold. Firstly, in most countries and regions where the democratization process is deepening, the general public is gaining increasing influence over their governments. Much of the influence is exerted through non-governmental organizations (NGOs). NGOs are now playing an increasingly active role in the international arena together with states, and even exerting their influence over states. For example, there are now over 1000 NGOs enjoying consultative status in the United Nations. Secondly, along with the popularization of information technology, the general public plays an important role in creating and disseminating information. This both contributes to and further results from the tendency that domestic and international politics "may ultimately be about whose story wins."[2] Last but not least, mankind's common challenges like environmental degradation, infectious diseases, transnational crimes, and others call for collaborated efforts by governments and publics alike, often at the global level.

As a result, countries are more aware of the influence of the general public as represented by non-government players such as NGOs, multinational national corporations, academia, among others. They upgrade their Public Diplomacy (PD) endeavours in order to reach out more effectively to foreign publics. The U.S. renewed its PD momentum, especially to the Arab world, after September 11th, 2001, in order to dissolve antagonistic feelings against it. In order to update its image, since the late 1990s, Britain has embarked on a comprehensive PD project called "Cool Britannia," through joint efforts by the British Foreign and Commonwealth Office, the BBC, the British Council, as well as creative industries including media, software, publication, and art, among others. To become a chief player of soft power in the 21st century, Japan harnessed its already-existing PD institutions, such as the Japan Foundation under the Public Diplomacy Department of the Ministry of Foreign Affairs in 2004, significantly increasing its investment in PD efforts. Even small countries like Norway, realizing the magnifying effect of positive global opinion on soft power, championed its role as the world's peace broker with the 'Oslo process' that continued for over a decade at the turn of the century.

In the current tide of public diplomacy, how do Canada and China fare, one of which is a long-time torchbearer of public diplomacy, celebrating its PD achievements, such as the Ottawa Convention, and the other a late-comer, with a PD capacity heavily limited by the lack of a mature civil society to support its credibility? The present study starts by examining Canada's public diplomacy through crystallizing its characteristics, and then contrasting the present PD performances of Canada and China. Canada's public diplomacy revival of Canada-China relations is described and commended as the right strategy in dealing with Canada-China relations and a positive direction for Canada's foreign policy in general.

1 The author wishes to thank Professor Pitman Potter, Professor Jeremy Paltiel, Professor Brain Job, Professor Liu Youfa and other scholars present at the CIIS/CIC conference for their invaluable comments in helping this come to fruition.

2 See John Arquilla and David Ronfeldt, *The Emergence of Neopolitik: Toward an American Information Strategy* (Santa Monica: RAND Corporation, 1999) 53.

Canada's Public Diplomacy: Its Characteristics

The high popularity enjoyed by Canada, the third most popular country in 2005 according to Simon Anholt's national brand power survey,[3] should be partly accredited to its public diplomacy. Canada's public diplomacy has formed its own unique characteristics over decades of development.

Deeply Rooted in Its Liberalist Tradition

A review of Canada's PD history shows that this country's public diplomacy gained major momentum under the Liberal administrations.

Canada's first major public diplomacy vehicle, the National Film Board (NFB), established in 1939 under Prime Minister Mackenzie King, successfully created Canada's national image at home and abroad and functioned well into the 1970s. Still under King in 1943, the Wartime Information Board (WIB) was set up as a powerful organ that combined the country's information-related initiatives to create favourable publicity in the U.S., Britain, Australia, France, as well as Latin America. The importance of public diplomacy was first officially acknowledged in the memorandum circulated by the Department of External Affairs in 1948. It took note of "the speed of modern communications and technological developments", and made it clear that "international relationships depend upon mutual understanding and comprehension, not merely at the official level—but at the grass-roots".[4] The 1950s and 1960s under Prime Minister Louis St Laurent and Prime Minister Lester Pearson witnessed a surge of momentum in Canada's external cultural activities, underscored by an investment in 1965 of CAD $750,000 in cultural programs in French-speaking countries. Foreign cultural relations returned to priority under Prime Minister Trudeau as he sought to establish a distinct Canadian identity. The Canada-Soviet hockey 'summit series' in 1972 proved the impetus that sport could inject into Canada's diplomacy.[5] As the third pillar of Prime Minister Chretien's foreign policy platform, public diplomacy managed to receive such major support as the renovation of Canada House in London and the Canadian Cultural Centre in Paris, despite grave pressure at the time to cut government programs due to budget reasons.[6]

Liberal diplomats, such as Lloyd Axworthy and Bill Graham, see the country as an avatar of the 'responsibility to protect' victims in the world and as a country with "the right stuff to be agents of change"[7] for the realization of "post-material priorities,"[8] such as equality, human rights, and environmental protection, which are core values endorsed by Canada's public diplomacy. Capitalizing on these liberal values explains three things about Canada's public diplomacy.

First, it is why Canada's public diplomacy is globally focused. With the missionary impulse of a "stern daughter of the Voice of God,"[9] Canadians feel the moral obligation to address the problems of the world at large. As a result, Canada has the vision to be 'everything to everyone'. Canada's approach to international conflict prevention demonstrates that Canada is not only allegedly facing all problems in all regions in the world, but that it is also tackling each individual issue area from a global perspective as well. Canada's intellectuals, NGOs, and other parties involved commended the government's 3D approach to international conflict prevention, namely defense, diplomacy and development, "that such a holistic vision should be Canada's contribution to international conflict prevention."[10]

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3 See Simon Anholt, *Competitive Identity: The New Brand Management for Nations, Cities and Regions* (New York: Palgrave MacMillan, 2007) 44.

4 See L.A.D. Stephens, *Study of Canadian Government Information Abroad 1942–1972: The Development of the Information, Cultural and Academic Divisions and Their Policies. Unpublished mimeograph.* (Ottawa: Department of Foreign Affairs and International Trade Canada Library, 1977) 13. Cited in Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy* (Montreal: McGill-Queen's University Press, 2009).

5 This review is summarized from Chapter Three in Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy* (Montreal: McGill-Queen's University Press, 2009).

6 See L.A.D. Stephens, *Study of Canadian Government Information Abroad 1942–1972: The Development of the Information, Cultural and Academic Divisions and Their Policies*. Supra.

7 See Lloyd Axworthy, *Navigating a New World: Canada's Global Future* (Toronto: Knopf Canada, 2003).

8 See Bill Grahan, "Notes for an Address by the Honourable Bill Graham, Minister of Foreign Affairs," Cited by Allan Gotlieb, *Romanticism and Realism in Canada's Foreign Policy* (Toronto: C.D. Institute, 2004) 3. 20 Oct. 2002, 13 Oct. 2004, available at: http://webapps.dfait-mae.cigc.ca/minpub/Publications.asp?publication_id=379570&language=E.

9 Former US Secretary of State Dean Acheson used this phrase from Wordsworth's Poem "Ode to Duty" to describe Canada. See Alan K. Henrikson, "Niche Diplomacy in the World Public Arena: the Global 'Corners' of Canada and Norway," *The New Public Diplomacy: Soft Power in International Relations*, ed. Jan Melissen (Basingstoke: Palgrave Macmillan, 2007) 68.

10 See Koren Marriott and David Carment, "International Conflict Prevention: An Assessment of Canadian Perceptions and Policies," Ed. Patrick James and Marc O'Reilly. *Handbook of Canadian Foreign Policy*. Lanham, MD: Lexington Books (2006): 204.

Second, it is why Canada's public diplomacy is non-subversive. Public diplomacy "activities are public not clandestine, [with] its goals [being] no less subversive, for good or bad".[11] Identifying itself as the do-gooder of the world, Canada's public diplomacy is non-subversive, in contrast with the aggressive public diplomacy such as that of the U.S. during the Cold War, which was targeted to subvert communist rule. According to an expert's comment quoted in a report on the Canadian International Development Agency's (CIDA) performance in China, "When we engage with the Chinese, we don't have a hidden agenda."[12] Former Chinese premier Li Peng also praised Canada's aid program when referring to the China Council for International Cooperation on Development and Environment, operated under CIDA as follows: "[T]he Council is very different from many other organizations which criticize China without considering China's limitations and without giving China any viable alternatives."[13]

Third, it is why Canada has sustained its positive international image with relatively little funding, ridiculed as "[a] particular Canadian disease of doing the right thing but underfunding it."[14] "The Canadian investment on its public diplomacy instruments can be counted in the tens of millions of dollars annually, the United States, France, Germany, and Japan each spends over one billion dollars."[15] One crucial factor that contributes to the success of a country's public diplomacy is that it embodies certain universal values which can be easily accepted by the target audience and thus create influence. The upholding of the universally-true liberalist values has created a niche for Canada's public diplomacy. It is well begun and therefore is half done. For example, Robert Greenhill, the former president of CIDA, has called the China Council for International Cooperation on Development and Environment "a great example of how a little bit of money can go a long way."[16]

However, can Canada's present peacekeeping and international aid live up to the claims in its liberalist rhetoric? According to Allan Gotlieb, Canadian ambassador to the U.S. between 1980 and 1989, Canada has slipped from do-good to feel-good, that "our foreign policy has often been characterized by a reluctance to commit resources, a tendency to moralize and proclaim superior values."[17] Andrew Cohen emphatically points out the drastic fall in Canada's contribution in both peacekeeping and international aid, "[f]rom the world's most engaged peacekeeper, as measured by the number of troops under the UN command, Canada has slipped to thirty-first. India, Portugal, Bangladesh, Ghana, and Nepal all provide more troops than Canada. Canada once supplied 10 % of the world's peacekeepers, but it now contributes less than 1%."[18] As for international aid, "as a percentage of gross national product—the standard international measure—it fell to 0.22 % in 2001, placing Canada third-last of the twenty-two donor countries of the Organization for Economic Co-operation and Development."[19]

Open to Its Domestic Public

In the U.S., the domestic public is prohibited from access to its public diplomacy assets, such as the Voice of America (VOA), as the Smith-Mundt Act provides in Section 501(a): "information produced by VOA for audiences outside the United States shall not be disseminated within the United States." But in Canada the case is the opposite: "public diplomacy is the international face of a foreign ministry's domestic public affairs' role."[20]

George Haynal, one of the leading Canadian diplomats in public diplomacy practice and Canada's Consul General in New York during 1995–98, commented that the 'disintermediation' of states is caused by globalization. According to him, modern governments, when managing public policy issues such as health, food safety, or telecommunications policy, have to "abandon rigid codes of

11 See Mark McDowell, Public Diplomacy at the Crossroads: Definitions and Challenges in an 'Open Source' Era. *The Fletcher Forum of World Affairs*, Special Edition 32:3 (2008): 11.

12 See Bruce Muirhead, "China and Canadian Official Development Assistance: Reassessing the Relationship," *Asia Pacific Foundation of Canada Research Reports* (2009) 14. 2009, 20 September 2010, available at: http://www.asiapacific.ca/research-report/china-and-canadian-official-development-assistance-reassessi.

13 Ibid. 7.

14 See Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy* (Montreal: McGill-Queen's University Press, 2009) 9.

15 Ibid. 55.

16 See Bruce Muirhead, "China and Canadian Official Development Assistance: Reassessing the Relationship," Supra.

17 See Allan Gotlieb, *Romanticism and Realism in Canada's Foreign Policy* (Toronto: C.D., Howe Institute, 2004) 5.

18 See Andrew Cohen, *While Canada Slept: How We Lost Our Place in the World* (Toronto: McClelland & Stewart, 2003) 29.

19 Ibid. 29.

20 See Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy*. Supra. 56.

sovereignty and … stress coherence and compatibility between domestic and foreign policy in order to manage intermestic (*sic.*) agenda intruding on the domestic agenda," and the need "for an informed public to help pursue society's interests internationally" compels diplomats to view this new source of power, such as mobilized citizens at home and around the world, as potential partners rather than competitors in carrying out PD and pursuing national interests.[21]

Indeed, since its early development, Canada's PD had viewed the domestic public as an intended audience vis-à-vis foreign publics. The National Film Board (NFB) had the dual successes of both "formulating a national image in the minds of Canadians and translating the national program of communication into an international program."[22] The Wartime Information Board (WIB) also had the responsibility of informing domestic audiences about Canada's progress during World War II.[23] The 1948 referendum, which served as Canada's first official declaration of the country's outlook towards public diplomacy, stated that for the Department of External Affairs, besides providing information to the public of other countries, "there is a similar responsibility on governments to provide fuller information within each country on foreign policy and international affairs."[24]

Opening public diplomacy to the country's general public is rooted in Canada's tradition of open diplomacy. Canada's Department of Foreign Affairs believes in the value of open consultation, as Rhiannon Vickers quotes a Canadian diplomat: "[W]e acknowledge the fact that we no longer have the monopoly of information, … that some of the holders of information are not as they used to be, that is only in government, but are out there in civil society, so let's go see what they know about a situation."[25]

Public diplomacy has played a crucial role in forging Canada's national identity. Socrates may have been the first in the western intellectual tradition to point out that reputation may motivate changes in one's identity. He said, "The way to achieve a better reputation is to endeavour to be what you desire to appear." Canadians' identification with liberal internationalism is reinforced by the country's efforts to publicize such values. On the other hand, Canada's public diplomacy also owes its credibility to its wide domestic public alignment. As Evan Potter, the Canadian scholar specializing in the country's public diplomacy, puts it, "a country must believe in its own brand before it can expect others to do the same."[26]

Decentralized & Scattered

A central coordinating agency of Canada's public diplomacy only existed once: the Wartime Information Board during World War II. It combined all of Canada's external information programs. Since its decline with the end of the war, the country's PD activities have been left to the mercy of the competition and repetition of international publicity efforts by different federal departments as well as provincial governments.

An overview of Canada's public diplomacy practice at the federal level shows it does not have a central focus and is scattered in a wide range of overlapping activities across different federal departments. These activities include art promotion, international academic research and postgraduate scholarships, international academic mobility, Canadian studies abroad, education marketing, working holiday programs, Young Professionals International, international exhibitions, international broadcasting, e-government, science and technology cooperation, and tourism cooperation.

Art promotion is shared between the Department of Foreign Affairs and International Trade (DFAIT) and the Canada Council for the Arts; cultural export is shared among DFAIT, Canadian Heritage,

21 See Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy*. Supra. 203.

22 See Gary Evans, John Grierson and the National Film Board. *The Politics of Wartime Propaganda* (Toronto: University of Toronto Press 1984) 56. Cited by Evan H. Potter, Branding Canada. *Projecting Canada's Soft Power through Public Diplomacy*. Supra. 78.

23 See Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy*. Supra. 80.

24 Ibid. 83–84.

25 See Rhiannon Vickers, "The New Public Diplomacy: Britain and Canada compared," *British Journal of Politics & International Relations* 6 (2004): 187.

26 Ibid. 57.

Industry Canada, Granting Councils (SSHRC, NSERC, CIHR)[27], the National Research Council (NRC); international academic research and postgraduate scholarships are shared among CIDA, DFAIT, Granting Councils (SSHRC, NSERC, CIHR), and Industry Canada, NRC; international academic mobility is shared among Human Resources and Skills Development Canada (HRSDC); Canadian Studies abroad are directed by DFAIT; education marketing is shared among DFAIT, HRSDC, Canadian Heritage, and Industry Canada; Working holiday programs are shared among DFAIT, HRSDC, Canadian Heritage, and Industry Canada; Young Professionals International is directed by DFAIT; international exhibitions are directed by Canadian Heritage; international broadcasting (RCI, TV5) is directed by Canadian Heritage, while the general promotion of Canada's image abroad is directed by DFAIT; e-government is shared among DFAIT, HRSDC, and Industry Canada; investment promotion is shared between DFAIT and Industry Canada; science and technology cooperation is shared between DFAIT, Industry Canada, and NRC; tourism promotion is directed by the Canadian Tourism Commission under Industry Canada.[28]

Moreover, Canada's provincial governments also have their own agendas to reach out to international publics in order to boost their respective images. Quebec has a CAD $100 million annual expenditure to promote itself as a modern and attractive society.[29] Ontario maintains trade offices in Los Angeles, New York, London, Munich, New Delhi, Shanghai, Beijing, and Tokyo. British Columbia has representatives in the European Union, San Jose, California, Shanghai, and Tokyo. Alberta is visible in Mexico City, Washington, London, Munich, Taipei, Seoul, Tokyo, Hong Kong, and Beijing where it operates the Alberta Petroleum Center.

As far as a country's ability of controlling external information about itself is inversely proportional to its size,[30] Canada may be excused for not having as fine a public diplomacy focus as Norway, which highlights its role as a peace broker, or New Zealand, which mainly advertises itself as a pure travel destination. But the myriad of PD agendas of different federal departments and provinces work contrary to the cultivation of a coherent and clear international image of Canada. The impressions that different provinces create tend to be different, such as Quebec as a unique French culture and Alberta as an oil giant, and do not always relate to a unified "Canada" image. The images projected by the different federal departments of Canada can contradict each other as well, for instance, the pristine and clean vacation destination promoted by Canada Tourism Commission and the image of a sophisticated, high-technology market endorsed by the federal trade commissioners.[31]

Not only is there a lack of a mediating body to harness the synergies of the disparate PD agendas of different federal departments and different provinces, there is no career track for Canada's PD diplomats either. As a result, the human resources for the country's public diplomacy undertaking cannot be reserved or properly developed on a sustainable basis.

The non-existence of a central harnessing agency rests on deep roots in Canada's political structure and national culture. Canada's federalism features a highly decentralized power structure where provinces hold considerably more power than sub-national entities in other countries. And Canada by nature may be characterized by a 'deep diversity', for which Jozef Batora quoted Fossum's interpretation as involving a situation of "a multitude of different collective goals and conceptions of the polity. Groups and collectives have different relations to the overarching entity: there is no overall

27 Social Sciences and Humanities Research Council of Canada (SSHRC), Natural Sciences and Engineering Research Council of Canada (NSERC), Canadian Institute of Health Research (CIHR).

28 See Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy*. Supra. 19.

29 "Ministere des relations internationales," *Rapport Annuel de Gestion 2004–2005*. 82.

30 See Mark McDowell, "Public Diplomacy at the Crossroads: Definitions and Challenges in an 'Open Source' Era." *The Fletcher Forum of World Affairs*, Special Edition 32:3 (2008): 12.

31 See Evan Potter, "Canada and the New Public Diplomacy," *International Journal* (Winter 2002–2003): 60.

agreement on what the country or polity is for; and there are different collective goals as to what the society ought to be and ought to look like."[32]

Contrasting Current PD Momentum between Canada & China

Under the Conservative administration, Canada has witnessed a halt in public diplomacy, while Chinese public diplomacy has boomed in recent years. While the halt in Canada's public diplomacy efforts is caused mainly by domestic political reasons, the sudden surge in China's public diplomacy efforts is a countermeasure to the world's prevalent negative opinions towards China, as well as a natural step in the continuous development of China's foreign policy strategies.

Canada's PD Halt

Public diplomacy under the Harper administration has suffered a serious setback. The PD department under DFAIT, called the Department of Public Diplomacy and Domestic Outreach, was eliminated and PD-targeted funding under DFAIT was cut to zero.

The reason may lie in the urgency of budgetary cuts; however, given the CAD $21.185 billion military spending in the fiscal year of 2009–2010, the several million PD funding under DFAIT seemed too small an amount to be worth cutting.

Whether a PD budget can be justified depends on its input and output, with public diplomacy input and output calculated in its own terms. For PD efforts with long-term goals, such as cultural exchange and academic relations, several years at least are required before measurement of results, for example issuing questionnaires, can be conducted. In Canada's case, consistent historical PD efforts have successfully established Canada's good reputation. That demonstrates how the country's PD efforts pay off. Another measurement concerns the value of media coverage. Take the example of Adrienne Clarkson's state visit to Russia, Finland, and Iceland in 2003 celebrating the three themes of environmental and economic development, circumpolar cooperation, and culture. "By the standard industry calculation, the total earned media exposure was equivalent to nearly CAD $9million in advertising costs."[33] Compared to the costs of advertising, this PD effort actually saved Canada a substantial amount of money.

Another possibility is that public diplomacy has fallen victim to partisanship, because public diplomacy is assumed to be associated with the Liberal Party. Canadian public diplomacy can arguably be accused of being too-closely affiliated with the Liberal Party due to the Party's historical connections to Canada's liberalist tradition and the development of Canadian public diplomacy. But as a form of conducting diplomacy like sport diplomacy, culture diplomacy, people-to-people diplomacy, etc., public diplomacy is not a Liberal-Party-specific means of diplomacy.

In the arguably more-right-wing U.S., and under the neo-con Bush administration, public diplomacy is a main diplomatic approach pursued. The attack of September 11th awakened the Bush administration to the compelling need to engage in public diplomacy, especially towards those countries with strong anti-American sentiments. Bush appointed Charlotte Beers as the Undersecretary of State in charge of public diplomacy and set up the Office of Global Diplomacy to disseminate positive information about the U.S. globally. In July 2002, the American Congress ratified an investment of US $255 million for international media coverage and the revival of a bureaucratic system of public diplomats. The current 'PR President', Barack Obama, is a strong supporter of public diplomacy. Therefore, public diplomacy seems to be one of the few areas of consensus between the Republican and Democratic Parties. The lesson here for Prime Minister Harper is arguably that party differences are not reasons

32 See J. E.Fossum, "The European Charter—Between Deep Diversity and Constitutional Patriotism?" *The Chartering of Europe*, eds. E. O.Eriksen, J. E. Fossum and A. Menedez (2003). Also see Baden-Baden, "Nomos Verlagsgesellschaft," quoted by Jozef Batora in "Multistakeholder Public Diplomacy of Small and Medium-Sized States: Norway and Canada Compared," paper presented to the International Conference on Multistakeholder Diplomacy, Mediterranean Diplomatic Academy, Malta, February 11–13, 2005. 15.

33 See Evan Potter, *Branding Canada*. Supra. 111.

for or against public diplomacy, but rather that PD has become a necessary and standardized tool in today's diplomatic context.

Still another possibility is that public diplomacy fell out of favour due to a prioritization of hard power, including military strength, over soft power. But public diplomacy can be an effective weapon for a country to defend its hard power as well. For example, winning the Arctic dispute, for which Harper is concerned about openly challenging the U.S., necessitates a well-framed and disseminated narrative in Canada's favour. This can only be achieved through public diplomacy.[34]

Canada's public diplomacy is limited by "the broad, visionary approach, focused on transforming state behaviour rather than on specific conflict resolution,"[35] as a senior Canadian diplomat also points out "[y]ou can't be all over the map. You want to have two or three messages to come forward … [and] be a bit prudent about that, a little bit focused."[36] The Conservative Party has a significant role to play in making Canada's PD less overreaching and more focused.

But to focus Canada's PD efforts does not only mean tackling emergent issues, such as the seal hunt or oil sands, which Harper readily supports. Edward Murrow famously maintained that public diplomacy officials should be in on "the takeoffs (*sic.*), not just the crash landings." And former Director of the Department of Public Diplomacy and Domestic Outreach under DFAIT (before it was eliminated by the present administration), Mark McDowell, also compared advocacy campaigns targeted at diffusing crises to harvesting lettuce in contrast to long-term efforts at image and relationship building as growing and tending lettuce.[37] Canada's present success in easing its image crisis is based on its accumulated efforts to develop relations with foreign NGOs and work with its own civil society. The country's public diplomacy capital will definitely be thinned if it only exploits its past gains without cultivating it. The recent deterioration of Canada's national brand ranking from 4th in 2008 to 7th in 2009 according to the Anholt Gfk-Roper index may be symptomatic of this trend.[38]

Rather, focusing Canada's PD efforts means having a clear strategy of developing public diplomacy, and this can start through cooperating with the corporate world. The lack of a corporate mindset lies at the heart of Ontario's failed PD undertaking.[39] The corporate world's in-depth involvement in Canada's public diplomacy is a prominent recommendation from the Canadian Chamber of Commerce in its 2010 report on Canadian business success in China, that stated "that Canada establish an overarching, visible Canadian brand under which all its sectors can consistently market themselves to China" given that "in China, other foreign countries promote their entire product offerings under a national brand of excellence."[40]

China's PD Boom

In as early as the Warring States Period, *Hanfei*, (about 281 BC to 233 BC), one of China's most important ancient philosophers and a founder of the *Legalist School*, proposed the idea that "amity between people holds [the] key to sound relations between states." Foreign public opinion has been a chief concern of the Chinese Communist Party even before the founding of the People's Republic. During the 1930s, while still based in Yan'an, the Chinese Communist Party invited American journalist Edgar Snow, who would later write the book *Red Star Over China*, to report about it. Afterwards, Edgar Snow met Presidents Roosevelt and Truman multiple times for consultations on China and the Chinese Communist Party, playing an indispensable role in shaping the image of the Chinese Communist Party and bringing about the U.S. government's gradual alienation from the Kuomintang. Foreign language broadcasting by the Xinhua News Agency since the late 1940s was also one of the

34 See Personal interview with Mark McDowell, Consul of Public Diplomacy of Canadian embassy in Beijing, September 2010.

35 See Allan Gotlieb, *Romanticism and Realism in Canada's Foreign Policy* (Toronto: C.D., Howe Institute, 2004) 3.

36 See Evan H. Potter, *Branding Canada: Projecting Canada's Soft Power through Public Diplomacy*. Supra.281.

37 See Personal interview with Mark McDowell, Consul of Public Diplomacy of Canadian embassy in Beijing, September 2010.

38 See GFK Group, "America is Now the Most Admired Country Globally—Jumping to the Top of the 2009 Anholt-GfK Roper Nation Brands Index", 22 October 2010, available at: http://www.gfk.com/group/press_information/press_releases/004734/index.en.html.

39 See Greenagh Lodge, "Success and Failure: the Brand Stories of Two Countries," *Brand Management* 9 (2002).

40 See "Canada-China: Building a Strong Economic Partnership," CCBC, 6 July 2010, 22 October 2011, available at: http://www.chamber.ca/images/uploads/Reports/2010/Canada-China0710.pdf.

Party's earliest public diplomacy Endeavors. But it was not until recently that 'public diplomacy' has become a conscious diplomatic strategy for China.

Confucius Institutes, the Beijing Olympic Games, and the Shanghai Expo—one only needs to invoke the names of a few events to prove the strong momentum of China's public diplomacy. During Hu Jintao's recent state visit to the U.S., he also stopped at a Chicago high school to meet average American students face-to-face.

On a policy level, 'public diplomacy' enjoys steady promotion. In July 2009 at the 11th Diplomatic Envoy's Conference, Hu Jintao called on the diplomats to "strengthen public diplomacy and culture diplomacy and carry out various culture activities to different countries to effectively spread the essence of Chinese culture."[41] China's Twelfth Five-Year Plan publicized on October 18th, 2010 lists "strengthening public diplomacy" as one of the major goals in creating a favourable external environment.[42]

As a result, two major government institutions, the Ministry of Foreign Affairs (MFA) under the State Council and the Chinese People's Political Consultative Conference (CPPCC) strengthened their roles as the chief promoters of the country's public diplomacy efforts.

The Information Department under MFA upgraded the Public Diplomacy Office at the end of 2009 to make it both a *chu*-level department headed by a consul (higher than a normal *chu*-director) and the most-staffed *chu*-level department, now with over forty members and to be further enlarged in the future.[43] More importantly, it has a mandate to harness MFA's public diplomacy efforts by a mechanism established to enable it to communicate with different departments within MFA, as well as with other ministries beyond MFA. In August 2010, the Senior Diplomats Diplomatic Innovation Committee was set up with public diplomacy as one of its focuses. It updated MFA's website to present a version designed to cater to the respective needs of six different groups of users, reformed the review mechanism of ambassadors to include their public diplomacy performance, strengthened communications with foreign media by holding active and regular meetings with journalists residing in Beijing, and establishing news and information centres during spotlight events such as the Copenhagen Conference.[44]

The other engine of China's public diplomacy at government level is the Subcommittee of Foreign Affairs of the Chinese People's Political Consultative Conference (CPPCC). When Zhao Qizheng, former minister of the State Council Information Office, became its president in 2008, it identified public diplomacy as its working orientation. In the Work Report of CPPCC given by Jia Qinglin, President of CPPCC, at the 'two meetings' (nicknamed for the National People's Congress and the Chinese People's Political Consultative Conference held in March every year) in 2010, public diplomacy was mentioned as a chief task of CPPCC. As a cohort of Chinese elites in business, art, sport and academic circles, CPPCC deputies have special calibre in reaching to and communicating with their counterparts among foreign publics. Under the leadership of CPPCC, the Chahar Institute, China's public diplomacy think tank, was founded in October 2009 and started issuing the *Public Diplomacy Quarterly* in 2010, a journal whose authors include PD practitioners like Chen Haosu, president of Chinese People's Association for Friendship with Foreign Countries, and scholars from China and abroad, like Joseph S. Nye from Harvard University. Its readership extends to China's public diplomacy practitioners across different professions, as well as interested scholars.

41 His original statement was "要加强公共外交和人文外交，开展各种形式的对外文化交流活动，扎实传播中华优秀文化". Qian Tong (钱彤), "Hu Jintao and Other Leaders of Central Government Attend the Eleventh Conference of Diplomatic Envoys " (胡锦涛等中央领导出席第十一次驻外使节会议), *Xinhua Net* (新华网) 20 July 2009, 12 November 2010 <http://news.xinhuanet.com/politics/2009-07/20/content_11740850_1.htm>.

42 It appears under Point 55 To Actively Create Favourable External Environment. The original sentence is "加强公共外交，广泛开展民间友好交往，推动人文交流，增进中国人民同各国人民相互了解和友谊," meaning to reinforce public diplomacy and extensively carry out people-to-people and culture exchanges to upgrade mutual understanding and friendship among different countries. "The Central Government Proposals on the 12th Five-Year Plan" (中央关于国民经济和社会发展十二五规划的建议), *Xinhua Net* (新华网) 27 October 2010, 12 November 2010, available at: http://www.gov.cn/jrzg/2010-10/27/content_1731694_2.htm.

43 The Public Diplomacy Office originated from the Department of Public Affairs, which was set up to communicate China's diplomatic affairs to the domestic public and was renamed the Department of Public Diplomacy in 2008. In China's government institutional hierarchy, there are two levels under the ministerial level, respectively called si-level or ju-level, which the Information Department belongs to, and chu-level, to which the Public Diplomacy Office belongs.

44 Adapted from the speech given by Consul Sun Lushan, who is in charge of the public diplomacy group under the Innovative Practices Committee for Senior Diplomats, at a meeting with scholars at Beijing Foreign Studies University on November 29, 2010.

The inclusion of conducting public diplomacy in China's Twelfth Five-Year Plan, which plays a navigating role for the country's development, ensures its priority position in China's diplomatic agenda, for at least the five years to come. Moreover, the Public Diplomacy Office in MFA and the Subcommittee of Foreign Affairs of CPPCC have laid the institutional foundation for the sustainable development of China's public diplomacy. But what are the forces that fuelled the rise of public diplomacy in China?

External Causes

In the first paragraph of the foreword of the first issue of *Public Diplomacy Quarterly*, the above mentioned public diplomacy think tank publication, Zhao Qizheng clearly stated the compelling need for carrying out public diplomacy. "International community led by the west [sic.] is voicing suspicion, distrust and even opposition to China. Therefore, a new challenge that is posed before us is how to effectively weaken these negative influences and make the world understand China and meanwhile improve China's understanding of the world. Active public diplomacy is an important strategic measure adopted to cope with this challenge."

One of the messages here is that negative opinions about China directly stimulated China to adopt public diplomacy. Criticism of China has actually been constant since the Cold War. But there are signs of a fiercer tendency of China bashing, such as the case of Canadian Prime Minister Stephen Harper, especially during his first term, who vocally criticized China's human rights records among other things. His example is alarming because this criticism is from Canada, a long-time friend of China, 'our best friend in the world' according to China's former premier Zhu Rongji.

China was genuinely alarmed when it realized the negative opinions were not limited to Western governments, but spilled over to common people. According to a survey conducted by the Chicago Council on Global Affairs among people in China's neighbouring countries like Japan, South Korea, Indonesia, and Vietnam in 2008, most of the respondents are not certain whether China's rise is entirely a positive thing and want the U.S. to countervail China's influence in this region.[45] Ingrid d'Hooghe analyzed results from a Pew Global Attitudes Survey, PIPA, and the Harris Poll to conclude that among the Europeans, "the 'China-hype' of the late 1990s and the beginning of this decade has gradually changed into fear of a rising China and dissatisfaction with the slow pace of China's political reform and the human rights situation in China."[46]

The reputation of China's brand also suffered from a serious devaluation due to the poisoned baby milk powder incident and other episodes of dodgy products which seem to have unexpectedly delayed the evolution of 'made-in-China' products from 'ubiquitous' to 'trusted' to 'desired.'[47] The Nation Brands Index initiated by Simon Anholt discovered, "[i]f people find out that a product is made in China, the majority of people in the survey said they would be less inclined to buy it. What's more, the people who said they had bought products from China were even more negative than the respondents as a whole … In the 2008 study, China is now 47th (the third lowest country) for [reputation of] products, compared with 24th in late 2005."[48]

As a country which is still undergoing a socialization process of emerging into the current international system,[49] China is deeply concerned with international opinion about it, and therefore the world's negative opinion provides China with ample motivation to react with public diplomacy in order to change these opinions.

45 See Christopher B. Whitney, "Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion," Chicago Council on Global Affairs and the East Asia Institute (2008).

46 See Ingrid d'Hooghe, "The Limits of China's soft Power in Europe: Beijing's Public Diplomacy Puzzle," The Hague, Netherlands Institute of International Relations "Clingendael" *Clingendael Diplomacy Papers* 25 (2010).

47 See Simon Anholt, *Places—Identity, Image and Reputation* (Basingstoke: Palgrave Macmillan, 2010) 78.

48 Ibid. 80.

49 An opinion espoused in both the following books. Jeremy Paltiel, *The Empire's New Clothes: Cultural Particularism And Universal Value In China's Quest For Global Status* (Basingstoke: Palgrave Macmillan, 2005). Alastair Iain Johnston, *Social States: China in International Institutions, 1980–2000* (Princeton: Princeton University Press, 2008).

Internal Causes

China's diplomatic strategies under Deng Xiaoping, Jiang Zemin and Hu Jintao underwent different stages through a continuous development process, and public diplomacy is the next natural step in this process.

Deng Xiaoping's general diplomatic thought evolved around "moderate one's edges and never take a lead" (*tao guang yang hui, yong bu dang tou*).[50] The severely hampered economic situation after the Cultural Revolution awakened Deng to the pressing need to develop the national economy and the obsoleteness of ideological struggle.[51] His instruction "*tao guang yang hui, yong bu dang tou*" was intended for those ideologically driven to stop antagonizing the capitalist countries. And out of the same consideration, China would never entertain the idea of being the leader of the socialist bloc. So by *tao guang yang hui*, Deng means exactly the opposite to what was taken by the U.S. Department of Defense in its annual report on China's military power to denote a disguised intention to stage a comeback after power is accumulated.[52] China's diplomatic strategy under Deng was largely featured by a laissez-faire attitude, which had neither actively involved China in international relations nor deliberately opposed the international system of the time.

China's diplomatic strategy under Jiang Zemin, prioritized restoring relations with foreign countries after the crisis in 1989, and reinforced Deng's general line, but also featured active participation in international institutions throughout the 1990s in order to make China a status quo power.[53]

Under Hu Jintao, the goal of developing the economy advocated by Deng and Jiang was largely accomplished. And as a continued endorsement of the "Three Represents"[54] proposed by Jiang Zemin, especially "to represent the progressive course of China's advanced culture", Hu Jintao called for "enhancing soft power of Chinese culture" in the report to the 17th National Congress of CPC. Since public diplomacy is a necessary means to enhancing a country's soft power,[55] it has also naturally become Hu's new diplomatic strategy.

The gist of development of China's diplomatic strategy reveals several of China's key diplomatic values. The first is pragmatism, which prioritizes China's economic development over other issues. The second is norm-sensitiveness and isolation-averseness,[56] which explains China's painstaking efforts to join international institutions, as well as a deep concern with international opinion about it. The third is moralism, which has a distant resonance with the preference of a 'kingly way' over a 'hegemonic way' maintained by Chinese ancient philosophers. This may serve as China's diplomatic ideal, motivating China to pursue soft power that may "subdue your enemy without using force."[57]

An Upturn of Canada's Public Diplomacy towards China

Canada employs a country strategy to arrange its public diplomacy activities. The key target countries for Canada's public diplomacy are the U.S., for obvious reasons including the close economic, social, and political ties between the two countries, the French speaking countries as a levelling off force with Quebec, and Japan when it comes to Asia, since Japan is Canada's third largest export market after the U.S. and EU, one of the top five sources of foreign direct investment, as well as an important G8 partner. China never appeared as a priority of Canada's public diplomacy. Under Harper, the neo-con prime minister, public diplomacy was seen as unnecessary from a 'small government' philosophy,

50 General Xiong Guangkai commented on the inappropriateness in translating tao guang yang hui into "hide one's capabilities and bide one's time", which was taken as disguising certain ulterior intentions. From "Diplomatic & Strategic Importance in the Translation of Tao Guang Yang Hui" (zhongwen cihui taoguangyanghui fanyi de waijiao zhanlue yiyi), *Public Diplomacy Quarterly* 2 (2010). Therefore a different translation is suggested here.

51 Ironically while China abandoned ideological mentality more than three decades ago to embrace market economy and gradual political democratization, it is in the developed countries that the ideological mentality clings even after they launched and won the Cold War.

52 Ibid. 56.

53 See Alastair Iain Johnston, *Social States: China in International Institutions, 1980–2000* (Princeton: Princeton University Press, 2008).

54 Meaning the CPC must represent advanced social productive forces, represent the progressive course of China's advanced culture and represent the fundamental interests of the majority.

55 See Joseph S. Nye, *Soft Power the Means to Success in World Politics* (New York: PublicAffairs, 2004) 99–126.

56 Briefly mentioned by Jeremy Paltiel in "Structure and Process in Chinese Foreign Policy: Implications for Canada," March 2010, 23 December 2010 (http://www.onlinecic.org/research/research_areas/china).

57 See Sun Tzu, *The Art of War*, Chapter 3.

and was subsequently crossed out from DFAIT's budget. However, in 2010, a year that happened to be the 40th anniversary of the formal establishment of bilateral diplomatic relations between Canada and China, there appeared signs that revealed to a certain extent a revival of public diplomacy in Canada's diplomatic relations with China.

In 2010, the former Director of the Department of Public Diplomacy and Domestic Outreach under DFAIT, Mark McDowell, was stationed in the Canadian embassy in Beijing as Consul of the Section of Public Affairs, which was renamed the Section of Public Diplomacy. Part of CIDA's funding in China was allocated to this section to strengthen its role. The new PD Consul was seen to be actively reaching out to his Chinese counterparts, such as Minister Zhao Qizheng, Director of the Subcommittee of Foreign Affairs of CPPCC, Consul Wei Xin, Director of the Public Diplomacy Office of Ministry of Foreign Affairs, and China's PD think tanks including the Chahar Institute and the Public Diplomacy Center at Beijing Foreign Studies University. A large international symposium themed 'Branding Canada, Branding China' is also planned, aiming at bringing together academics researching public diplomacy and top ranking officials practicing public diplomacy from both countries and the world at large. The adoption of public diplomacy on Canada's side will prove to be a timely measure to ease the present tension in bilateral relations and realize Canada's long-term diplomatic goals with China.

To Recover the Unrecovered Bilateral Relations

Harper's China policies during his first term caused serious damage to Canada-China bilateral relations. During his first term, Harper attacked China's human rights records unscrupulously, suspended the Bilateral Human Rights Dialogue, publicly accused China of economic espionage despite a lack of solid evidence, formally met with the Dalai Lama and granted him Honorary citizenship, and aggressively interfered with Huseyincan Celil's case.

China was tough in responding. It suspended the Strategic Working Group in late 2006, which was a major bilateral forum at the deputy-ministerial level. It also cancelled a scheduled formal meeting at the Asia-Pacific Economic Cooperation forum in Hanoi and agreed to only have a 15-minute informal meeting with Harper instead. In an interview with the Globe and Mail and CTV in Ottawa in February 2007, He Yafei, China's Assistant Minister of Foreign Affairs for North America, said, "the economic relationship goes hand in hand with the political relationship" and "I cannot say Canada is squandering [the relationship] now, but in practical terms Canada is lagging behind its relations with China."[58] This was widely interpreted as a warning that bilateral trade would suffer from diplomatic setbacks.

During Harper's second term, he was apparently eager to repair the damage. He visited China in the end of 2009. Then in 2010 alone, 13 Canadian ministers visited China. The response on the Chinese side was positive. Apart from diplomatic rhetoric lavished on the long-standing Canada-China friendship, China granted Canada 'Approved Destination Status' as a tangible benefit of the improved relations.

But was the relationship back to its heyday? Despite use of the term 'golden time' by Canadian ambassador to China, David Mulroney, and quoting Prime Minister Harper's 14th Biennial Conference of Association of Canadian Studies speech held in China in October 2010, one has reason to doubt whether bilateral relations were back to the 'strategic partner' level jointly declared by Paul Martin and Wen Jiabao, or whether China still considers Canada, as China's former premier Zhu Rongji once put it, 'our best friend in the world'.

There is a giant picture, 3.2 metres in width by 2.5 metres in height, of Prime Minister Harper hosting Hu Jintao during his visit to Canada in June 2010 on the east-facing wall of the Canadian embassy in Beijing. The Canadian embassy seems to want to show to the Chinese people that the bilateral relations are back to normal. But ironically in the picture, while the facial expression of Harper is one of gentle congeniality (if without a trace of concealed embarrassment for going back on his

58 "China Lashes Out: A Chinese Official Takes Aim at Canadian Criticisms of His Country's Human Rights Record," *Maclean's*, 9 February. 2007.

former attitudes to this communist country), Hu looks emotionless (as if expressing that "we haven't completely forgiven you yet").

Certain legacies from China's diplomatic history may explain why China does not 'let bygone be bygones'. One of Deng Xiaoping's most important diplomatic principles was that 'sovereignty issues are not discussable.' This is definitely carried on into the hardline and heavy-handed stance adopted by the Chinese government in terms of Taiwan, Tibet, and Uygur issues. Allen Carlson broke down China's sovereignty into territorial sovereignty, jurisdictional sovereignty, sovereign authority, and economic sovereignty, and observed an evolution in China's diplomatic stance concerning sovereignty, especially during the 1990s when "[p]olicies preserved a static interpretation of territorial sovereignty, promoted an unyielding and increasingly combative stance on jurisdictional sovereignty, and permitted a transgression of the lines created by the economic and authority components of the sovereignty norm."[59] He observed, in the same book, that while certain aspects of China's sovereignty stance loosened over time, Taiwan and Tibet seem to be the "firewall" insulated from these changes. Harper's actions, such as granting the Dalai Lama honorary citizenship among other things, was seen as interfering with China's sovereignty issues and was therefore not easily forgiven.

When there is a problem in official relations, the remedy is to resort to multi-layered and multi-faceted bilateral contacts.[60] Public diplomacy is meant to offer alternative channels for Canada to associate with China and achieve better results in bilateral communications.

To Accomplish the Unaccomplished Diplomatic Goals

To promote bilateral trade is definitely the prime target of Canada's diplomacy with China, as the name of Department of Foreign Affairs and International Trade (DFAIT) reveals. While presence and relationship are crucial for any business to succeed in a foreign land, given the importance that the Chinese people attach to *guanxi*, relationship building is especially crucial for one to succeed in the Chinese market. This central feature of China's culture and mentality is termed by one of China's most prestigious international relations scholar as "relationalism,"[61] meaning an emphasis on the relative nature of relations, the central role relations play in dealing with any issue, and a subsequent developmental perspective of problem-solving.

The observed importance of *guanxi* is a force that binds the Chinese government with its public. In China, government-public relations do not fit into the democratic model of a 'social contract,' where the public sacrifices and surrenders part of its power to the government and the government in turn must accept monitoring by the public. China's political reality is that the government (and government officials) and the public are closely bound by various relations. The omnipresent power of these relations blurs the division between government and public, non-government organizations, and government organizations. According to a PhD thesis from Maryland University in 2005, which probed into the role of NGOs in China in areas of healthcare and environmental protection, China's public is mobilized by international and domestic NGOs as much as its own governments.[62] The Research Center for Contemporary China at Peking University designed and conducted a survey in 2008 called *Attitudes towards Citizenship in China* to gauge Chinese people's citizenship awareness towards issues such as democracy, freedom, rule of law, human rights, justice, and others. Employing GIS/GPS and PPS survey methods and collecting 4004 valid samples from 31 provinces in China to effectively represent the Chinese population aged 18 to 70, the survey results show general contentment among the public with the current domestic situation and confidence in the future under the present political system. In addition, many Chinese people still see the government as possessing sufficient authority and capability to lead people out of dire situations such as poverty.

59 See Allen Carlson, *Unifying China, Integrating with the World: Securing Chinese Sovereignty in the Reform Era* (Palo alto: Stanford University Press, 2005) 48.

60 See Mark McDowell, "Public Diplomacy at the Crossroads: Definitions and Challenges in an 'Open Source' Era." Supra. 14.

61 See Qin Yaqing (秦亚青), "Relationality and Processual Construction: Bringing Chinese Ideas into International Relations Theory" (关系本位与过程建构：将中国理念植入国际关系理论), *Social Sciences in China* (中国社会科学) Vol. XXX.3, (2009): 5–20.

62 See Wu Fengshi, "Double-mobilization: Transnational Advocacy Networks for China's Environment and Public Health," *Dissertation Abstracts International* 66-08, (2005): 3084. Ann Arbor, Mich,UMI. 2005.

Together with other factors, the binding force of *guanxi* definitely contributes to the legitimacy of the Communist government among the Chinese public.

Given the inseparable relationship between government and public in China, the implication for foreign countries in dealing with China is to associate with people or organizations which, in turn, are closely associated with the government, in addition to directly dealing with the Chinese government. In other words, to implement active public diplomacy is to pave the way for formal diplomacy. However, Canada-China relations since the formal establishment of diplomatic relations in 1970 have been mainly focused on high politics, with Canadian governments primarily approaching the Chinese central government through official channels and using public diplomacy only rarely. Trudeau approached Zhou Enlai to acquire the Most Favoured Nation status for Canada. Mulroney and Li Xiannian exchanged visits, and opened bilateral trade meetings and dialogue. Martin established the Strategic Working Group with China in 2004 and continued to pursue frequent high-level visits.

Formal diplomacy with China promises limited potential for the development of a trusting and lasting relationship, especially the kind that can helps business grow. This is because Chinese diplomats, in most cases, are rigidly following a script under the premise espoused by Premier Zhou Enlai that "there are no small matters in diplomatic affairs," and the risk of making mistakes thus limits their actions. Canada's traditional diplomacy with China certainly did not help Canadian business establish an effective presence in China, and it is high time that Canada employ public diplomacy to make up for what traditional diplomacy failed to achieve. The report by the Canadian Chamber of Commerce in 2006, *China and Canada: The Way Ahead, Strategies and Solutions for Addressing Barriers to Enhanced Trade and Investment with China,* discussed how to attract Chinese investment to Canada. The report stated that "[i]n part this means ensuring that Canada has a higher visibility on the radar screen of Chinese business and government decision-makers, that we sell our potential in many sectors (i.e., more than just resources) and that we explain that we have an attractive investment climate that will welcome investment under our normal regulatory framework."[63] A sentence that appears three times in the report reads "the federal government must allocate more resources to support Canada's presence and activities in China if we truly intend to meet our goals and targets for greater economic interaction."[64]

To Grasp the Chances Presented by China's PD Boom

China is now undergoing a public diplomacy boom that has activated a wide range of actors from government institutions to academia to social elites to internationally positioned businesses. China's zeal for public diplomacy can increase Canada's leverage.

Why will Canada pose more importantly at a time when China actively pursues PD? First, a PD-conscious China attaches more importance to legitimacy, of which Canada has a considerable amount.[65] Becoming the second largest economy in the world does not help with China's legitimacy in the international community since this can incur global anxiety to a rising and as-yet-unknown power. Since China's PD efforts are partly focused on winning foreign publics' minds and hearts to increase China's legitimacy, a possible short-cut to this goal is association with countries, such as Canada, that possess large reserves of legitimacy.

Second, a PD-active China wants to borrow experiences from PD powers like Canada. Canada is a country which can 'punch above its weight' exactly because of its soft power, for which effective public diplomacy can claim considerable credit. China has much to learn about how to conduct PD in today's world, in terms not limited to the government's role, legislation of NGOs (China does not have relevant legislation yet), cooperation with NGOs, and information technology PD tools. In fact,

63 Canada, the Canadian Chamber of Commerce, *China and Canada: The Way Ahead* (Ottawa: Canada, 2006) 25.

64 Ibid. 26. 32. 35.

65 See Michael Ignatieff, "Canada in the Age of Terror: Multilateralism Meets a Moment of Truth," *Policy Options* (February 2003): 16–17, quoted in Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004) 10.

Minister Zhao Qizheng, directing the Subcommittee of Foreign Affairs of CPPCC, has already met with the Canadian Consul of Public Diplomacy, to exchange opinions on this issue.

Moreover, China needs a friend from the 'Western' countries to help interpret the Western attitudes, mentality, and responses to certain issues, and Canada can be that friend. Needless to say, there exists a huge difference between Chinese political culture and mentality and that of Western countries. Due to the short period of time since China's opening to the world and the inward-looking perspective of China's politics, China's leadership is only now starting to address the issue of political cultural difference, and is still finding its ways through trial and error. An example of this can be seen in China's response to the U.S. during the first year of the Obama administration. This represented a missed chance for China before the Obama administration shifted its China policy from emphasizing common interests and accommodating China's core interests to balancing China's influence in Asia through U.S.-Japan alliance and a closer bond with India. Though multiple factors contributed to Obama's policy change, China's misunderstanding of the U.S. policy, as well as the misjudgement of possible U.S. reactions, were certainly to blame for China's missed chances.

Given China's inadequate understanding of Western politics and mentality, it actually needs explanation of a situation from a Western perspective and sometimes suggestions of a solution as well. Canada should be an ideal candidate for this friendly role. This is because Canada is not only a deft player in multilateral diplomacy, but also a country remembered in China as the one Western power which never invaded China historically, established formal diplomatic relations with the PRC before all the other western countries, helped the PRC join the United Nations, sold wheat to China during its famine and Cold War isolation, and broke with sanctions on the PRC imposed by the West after 1989.

Conclusion: PD as a Correct Direction for Canadian Diplomacy

The world today is different. The developments of democratization, information technology and globalization have created a so-called neopolitik sphere of international politics. As an opposed concept to realpolitik, which emphasizes the self-interested nature of states, neopolitik refers to "an approach to statecraft, to be undertaken as much by non-state as by state actors, that emphasizes the role of soft power in expressing ideas, values, norms, and ethics through all manner of media."[66] The following chart illustrates the differences between a neopolitik approach to dealing with international relations and a realpolitik one.

Figure 1: Contrast between Realpolitik and Neopolitik[67]

Realpolitik	Neopolitik
State as the unit of analysis	Nodes, non-state actors
Primacy of hard power (resources, etc.)	Primacy of soft power
Power politics as zero-sum game	Win-win, lose-lose possible
System is anarchic, highly conflict-oriented	Harmony of interests, cooperation
Alliances conditional (oriented to threat)	Ally webs vital to security
Primacy of national self-interest	Primacy of shared interests
Politics as unending quest for advantage	Explicitly seeking a *telos*
Ethos as amoral, if not immoral	Ethics crucially important
Behaviour driven by threat and power	Common goals drive actors
Very guarded about information flows	Propensity for info-sharing
Balance of power as the steady state	Balance of responsibilities
Power embedded in nation-states	Power in "global fabric"

66 See David Ronfeldt and John Arquilla, *Emergence of Neopolitik* (Washington: RAND, 1999) 28–29.

67 Ibid. 47.

Neopolitik rules converge with Canada's distinctive national values: antimilitarism, openness, multiculturalism, environmentalism, globalism, and international institutionalism.[68] We thus have reasons to believe that Canada has been a conducive force, if not a midwife, of the birth of the neopolitik era. A case in point is that without Canada's painstaking efforts to include China in such international organizations as the UN and the WTO, China would not have become integrated into the international order so soon, and the so-called "global fabric" would not have been quite accomplished now.

At the dawn of the neopolitik era, China is hurrying to undertake extensive PD efforts so as not to be left out of this new global trend. But ironically, Canada, the world's PD pioneer, now rests on its laurels and, in relation to PD, appears to be asleep. [69]

Aesop once told us a fable of a race between a tortoise and a hare, which can offer an analogy to compare the different PD momentums of China and Canada, if we suppose there is a race among countries on public diplomacy. China can be likened to the tortoise: old, big, and slow, lagging far behind Canada due to its weak civil society, but with the dedication of its government's persistent efforts. Canada can be likened to the hare: young, nimble, and presently far ahead of China thanks to its historic record. Since a country's reputation can be depleted, it requires constant tending. Due to China's dedicated efforts and Canada's lack of efforts, the relative position of the two in terms of public diplomacy achievements and national image is subject to change. In order to keep its favourable reputation to generate soft power while tackling challenges in today's world, Canada needs to resume its public diplomacy efforts with vigour. May Canada wake up to the call of the times!

68 See John Kirton, *Canadian Foreign Policy in a Changing World* (Toronto: Nelson, 2007).

69 See Andrew Cohen, *While Canada Slept* (Toronto: McClelland & Steward, 2004).

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SECTION II:
ECONOMIC RELATIONS

"Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods, … ."

Preamble to the General Agreement on Tariffs and Trade 1947

10

WENRAN JIANG

THE DRAGON RETURNS: CANADA IN CHINA'S QUEST FOR ENERGY SECURITY

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Executive Summary
China's continuous economic growth over the past 30 years has created a huge demand for energy and resources, and Beijing's quest for energy security will continue in the coming years and decades. Chinese energy companies have grown into large, integrated and competitive multinational corporations and their "go-out" strategy has left a global footprint of investment, production, joint ventures, supply networks and other forms of presence.

One notable strategy used for large-scale Chinese foreign investment in the energy sector is the "loans-for-energy-supply" accompanied by long-term contracts signed with hosting countries. The recent market downturn has facilitated multi-billion dollar Chinese overseas expansion using this and other models.

There has been a clear correlation between Canada's political relations with China and bilateral energy relations in recent years. Coinciding with the Harper government's lack of engagement with China from early 2006 to early 2009, there was very little Chinese interest in investing in Canada's energy sector; since Ottawa resumed active engagement with Beijing with high-level cabinet visits and summit diplomacy from early 2009, there has been a noticeable jump in Chinese investment in Canada's energy and resource sectors.

With potential large Chinese investment in Canada's energy sector, Canada needs to seek better understanding of China's development and investment dynamics. And, in order to effectively engage China, Canada should develop a long-term China strategy in general and in the energy and resource sectors in particular.

Introduction
China's interests in Canada's energy sector and some of its initial investments were first studied and reported by this author in an Asia Pacific Foundation (APF Canada) publication, "Fueling the Dragon, China's Quest for Energy Security and Canada's Opportunities" in 2005.[1] The current study is a follow-up to that report on Canada-China energy relations over the past five years. Canada and China defined energy as one of their most important bilateral policy priorities by signing a joint accord on Canada-China energy cooperation in the 21st century during Prime Minister Paul Martin's visit to Beijing in 2005.[2] Investments in Alberta's oil sands by two large Chinese energy companies, China

1 Jiang, *Fueling the Dragon.*
2 People's Republic of China. National Development and Reform Commission. "Statement on Energy Cooperation in the 21st Century."

Petroleum & Chemical Corporation (Sinopec) and China National Offshore Oil Corporation (CNOOC), followed immediately. Soon after, China National Petroleum Corporation (CNPC), China's largest energy firm, signed a $2 billion memorandum of understanding (MOU) with Enbridge for potential cooperation on the Northern Gateway Pipeline project from Alberta to the West Coast.

Over the past five years, Canada's energy relations with China have closely followed the pattern of bilateral political relations: cooling off from early 2006 to early 2009, and warming up since early 2009. The public discourse around the Conservative government's amendments to the *Investment Canada Act* based on national security concerns initially had a discouraging impact on potential Chinese investors. This study finds a close correlation between the broader context of bilateral relations and the interests and scale of Chinese investments in Canada's energy and resource sectors. While China's investment, merger and acquisition activities in energy sectors around the world have intensified over the past five years, Chinese energy companies did not invest in large projects in Canada from early 2006 to mid-2009. But they did purchase a significant amount of assets, owned by Canadian firms, elsewhere in the world.

Since the fall of 2009, there has been an identifiable trend, accompanying the resumed summit diplomacy between the two countries, of China showing renewed interest in the Canadian energy and resource sectors. Large investments have begun to come to Canada, and all the large Chinese energy companies are actively seeking potential investment targets, especially in Alberta. There are positive factors contributing to this development, such as the re-affirmed "strategic partnership," a range of good buying opportunities due to the downturn of the market and the stabilized oil prices that are seen as necessary for profitable oil sands exploration. But the Chinese have identified a number of factors still hindering their investment decisions, such as the complex regulatory process for investment and joint venture activities, the high labour cost, the slow expansion of existing and future pipeline capacities from Alberta to the West Coast and potential U.S. priorities that may affect the Canadian energy sector.

Meanwhile, Canadian energy companies have experienced a transition from focusing mainly on the United States as their export market to paying more attention to the emerging Asian market, due partly to the financial and economic crises of the past two years, and partly to the realization that diversification may best serve their long-term interests. Yet, there are lingering questions as to how to get to know potential Chinese investors better; how to engage in effective negotiations; what is the best level of Chinese investment; and how best to overcome potential physical infrastructure challenges to opening Alberta's vast oil sands to the Chinese and other Asian markets.

This report recommends that Canada conduct a more comprehensive review of the current state of our energy relations with China, identify areas in which Canada has a comparative advantage, organize a more institutionalized consortium of government, private sector and academic cooperation and develop a long-term strategy in working with China in key areas of energy, environment and related sectors.

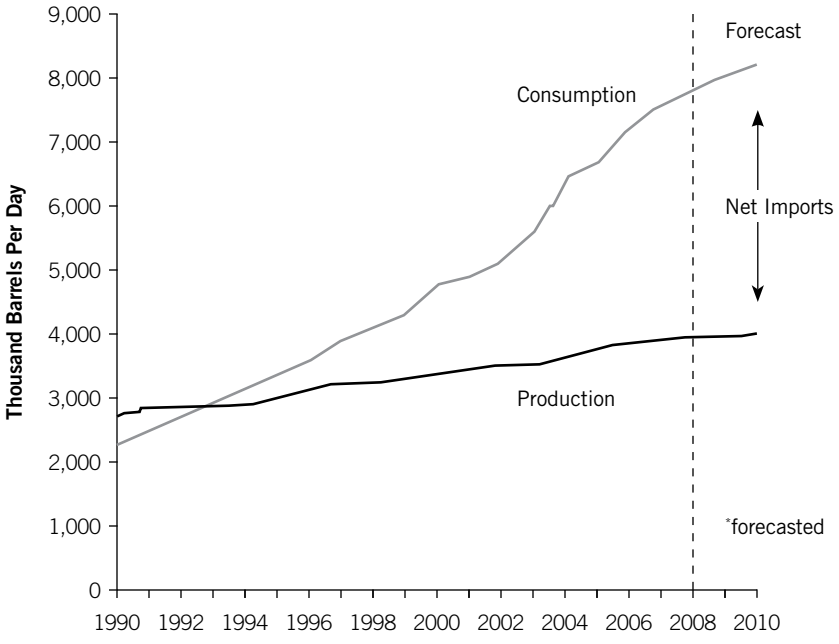
China's Continuous Quest for Energy Security

Economic Growth and Energy Demand

China is now the world's second-largest comprehensive energy producer and consumer after the U.S. It generates 13 percent of the world's economic output measured by Purchasing Power Parity. China has just overtaken Japan as the second-largest global economy in U.S. dollar terms, and it is poised to surpass Japan as the second-largest energy importer. China is already the world's largest national exporter of goods, largest iron and steel producer and largest automobile producer and market.

The Chinese economy has been growing at over 9 percent annually for the past three decades. The Chinese leadership has pursued a modernization program built largely on traditional economic development models: heavy industrialization, labour- and capital-intensive manufacturing industries, export-led growth, low labour costs and high environmental damage. As part of China's development paradigm, Beijing is following a basic premise laid out by old-school mercantilism on the accumulation of wealth: export as much as possible while discouraging imports where feasible and the larger the trade surplus, the richer and stronger the state. The relatively open international economic system dominated by the U.S., Japan and other Western powers and the accelerating process of globalization have provided China with a favourable external environment for such a development process. Since joining the World Trade Organization in 2001, China's exports have been rising at an average rate of 29 percent annually.

Figure 1: China's Oil Production and Consumption, 1999–2010*

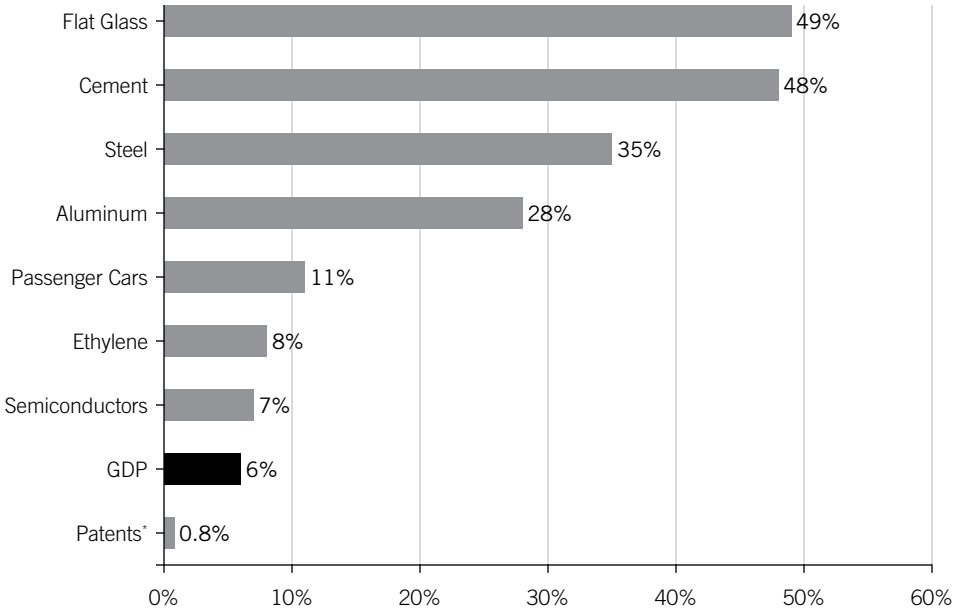


Source: Energy Information Administration. "China—Oil." July 2009. Accessed September 23, 2010. http://www.eia.doe.gov/cabs/China/Oil.html.

But China's "miracle" GDP growth has come with a heavy price tag, including the growing hunger for more and more energy and natural resources, leading to massive extractive activities both inside China and around the world. A fast-growing economy typically requires more energy, but China's modernization drive has produced a manufacturing structure that requires huge increases in energy use, creating an inefficient energy consumption system and a consumer trend that is difficult to sustain. China is now the "factory of the world." The major portion of its economic output is oriented toward industries that are primarily energy-driven. With about 6 percent of global GDP, China consumes 31 percent of the world's coal, 30 percent of iron, 27 percent of steel, nearly 50 percent of cement, 38 percent of copper, 19 percent of aluminum and 10 percent of electricity.[3]

3 Chen, "Zhongguo Nengyuan Jingzhang Suyuan." Copper consumption rates are based on the first half of 2009, see Holmes, "Global Copper Sales"; cement consumption rates are for 2009, see High, "Global Cement Demand to Reach 3.5 Billion Tonnes in 2013."

Figure 2: China's GDP and Share of Global Production on Selected Goods, 2006

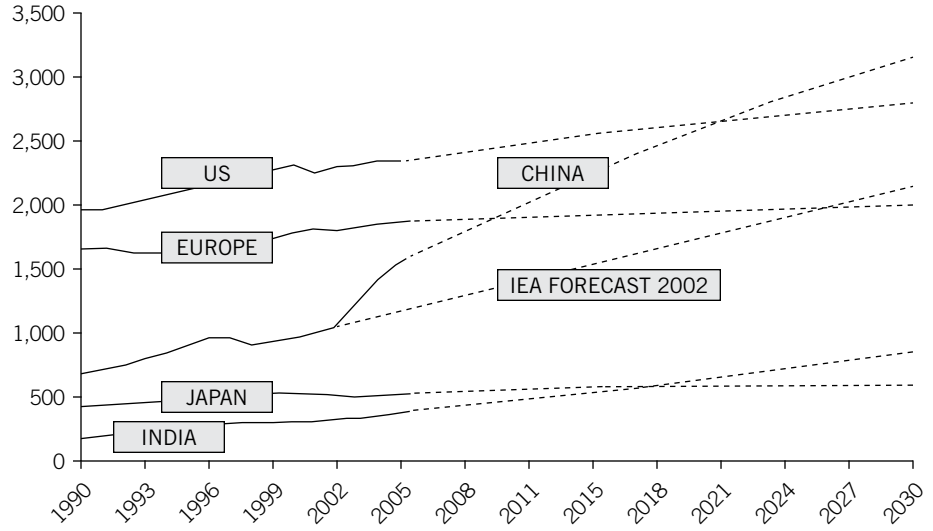


*Refers to share of U.S. Patents awarded to foreign countries.
Source: Rosen, Daniel H., and Trevor Houser. "China Energy: A Guide for the Perplexed." China Balance Sheet. Center for Strategic and International Studies and the Peterson Institute for International Economics. May 2007. Accessed September 27, 2010. http://www.petersoninstitute.org/publications/papers/rosen0507.pdf.

Accompanying this heavy industrial structure is a tremendous waste of energy. As acknowledged by Zhang Guobao, Deputy Commissioner of China's National Development and Reform Commission, to generate every 10,000 *yuan* of GDP (C$1,519), China uses as much as three times the energy as the global average.[4] The ratio is even higher than major advanced industrialized countries. In producing US$1 of GDP, China consumes eight times the energy that Japan does; and in producing the same industrial goods, China uses 11.5 times the energy that Japan does.[5] According to Wang Chao, former minister of China's Ministry of Petroleum Industry, the unit energy consumption level of China's GDP in 2004 was 2.4 times more than the world average; 3.6 times more than the U.S.; 4.9 times more than Germany; 4.4 times more than Japan and 1.6 times more than India.[6] The unit energy consumption of 33 Chinese industrial goods is 46 percent higher than the international average. To generate each tonne of steel, China consumes 40 percent more energy than the international average. Coal supplies nearly 70 percent of China's energy needs. But officially acknowledged statistics show that, in the past 50 years, Chinese coal mines have wasted two tonnes of coal in producing every tonne, resulting in the loss of 65 billion tonnes of coal to produce 35 billion tonnes from 1949–2003.[7]

4 Chen, "Fagaiwei: Zhongguo Mei Baiwan Meiyuan GDP Nenghao Shi Riben 9 Bei."
5 "Mei Meiti Cheng Zhongguo Yi Chengwei Shijie Shang Nengyuan Langfei Zui Yanzhong Guojia."
6 Wang, "Wang Tao: Zhongguo De Heping Jueqi Yu Nengyuan Tiaozhan."
7 "Da Youtian Faxian Hou De Yousi: Ziyuan Xingshi Daodi You Duo Yanjun?" ("Troubled Thoughts After Large Oilfield Discovery: Natural Resources Situation Finally Very Grim?")

Figure 3: Energy Demand Forecasts of Major Countries (mtoe)



Source: Rosen, Daniel H., and Trevor Houser. "China Energy: A Guide for the Perplexed." China Balance Sheet. Center for Strategic and International Studies and the Peterson Institute for International Economics. May 2007. Accessed September 27, 2010. http://www.petersoninstitute.org/publications/papers/rosen0507.pdf.

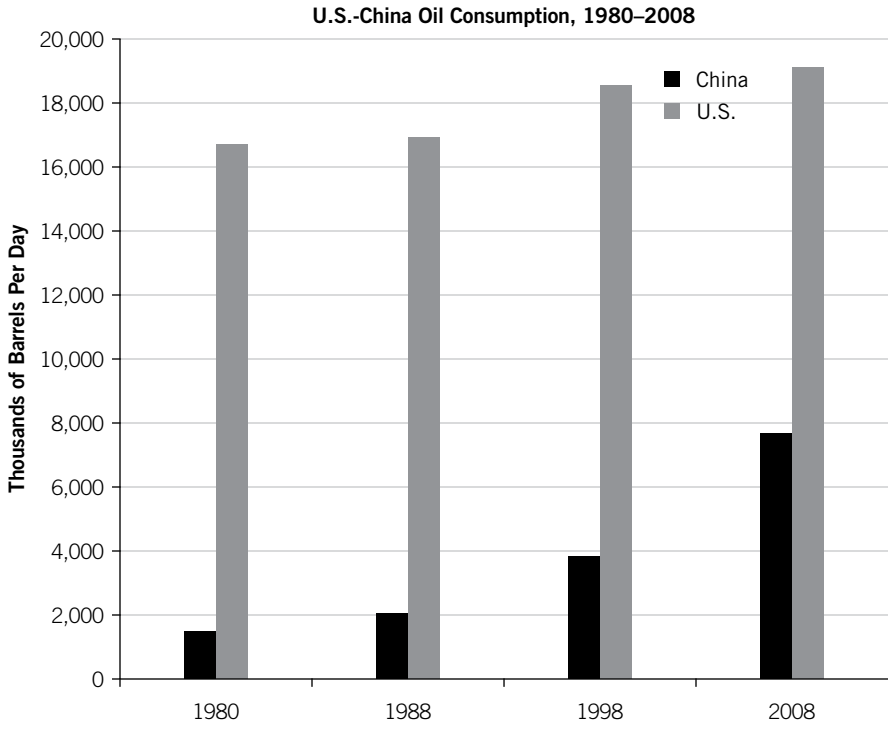
Yet, the country is building one of the most extensive highway infrastructures on Earth to replace its one billion bicycles with cars. In 1999, only 220,000 vehicles were sold. In 2004, China produced and sold over five million automobiles, ranking third in the world. By 2009, China's domestic auto production reached 13.79 million units and sales of 13.6 million units, overtaking Japan and the U.S. in both categories.[8] And, China's auto industry is projected to grow tenfold between 2005 and 2030.[9] Oil consumed in transportation will account for half of the total oil consumption. Thus, China will not only rival the United States in overall national strength in a few decades, but it will also have the largest number of cars—that is if such growth can be sustained.

Implications for Energy Policy Formation

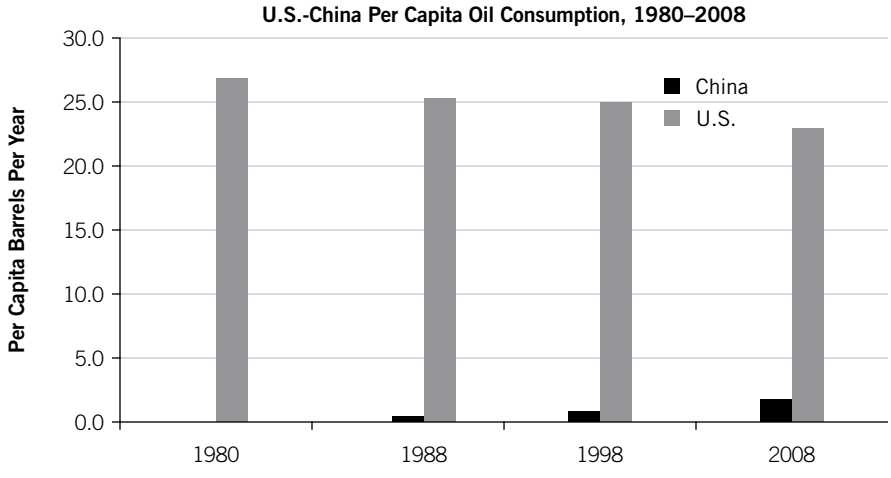
China's relentless pursuit of economic development had turned the country from a petroleum exporter to an importer by 1993, and by the turn of the new century, its dependency on foreign oil had jumped to about 40 percent, and now is at 50 percent. Beijing's new target is to quadruple its economy again between 2000 and 2020, as it did from the late 1970s to the mid-1990s.[10] To achieve that goal, China must rely more and more on external energy supplies. The Middle Kingdom is now burning 8.43 million barrels of oil a day (mbd), a 12.7 percent increase over 2009.[11] Although still far behind the U.S., which consumed some 20.7 mbd in 2007 and 18.5 mbd in 2009,[12] Chinese consumption is projected to reach a daily level of 10 bpd within the next two decades or so, according to estimates by the International Energy Agency.[13] If every person in China's 1.3 billion population (today with only 2.4 barrels per person annual consumption) were to have the same per capita consumption as in the U.S. (22 barrels per person per year), China would require more than 80 mbd—about the entire world's current daily consumption.[14]

8 Ren, "China Is Now World Champion in Car Production"; Fang and Subler, "China Tops Global Auto Market in 2009."
9 Watts, "China's E6 Electric Car."
10 Klein, "New Growth Centers in This Globalized Economy," 499.
11 Salaheddin, "China Reaps Benefits of Iraq War with Oil Deals."
12 Energy Information Administration, "Short-Term Energy Outlook."
13 Based on China's average oil consumption rate in 2007, from Flavin, "Oil Price Surge Threatens Economic Stability and National Security."
14 Mouawad, "China's Growth Shifts the Geopolitics of Oil."

Figure 4: Energy Consumption—U.S. and China Comparison, 1980–2008



Data: U.S. Energy Information Administration; Chart: USC U.S.–China Institute



Data: U.S. Energy Information Administration; U.S. Census Bureau, China National Statistics Bureau; Chart: USC U.S.-China Institute

Source: "Economic Crisis, Looming Environmental Threats, and Growing Nuclear Weapons Worries—All in a Day's Work at the Strategic and Economic Dialogue." USC US-China Institute. July 29, 2009. Accessed September 27, 2010. http://china.usc.edu/ShowArticle.aspx?articleID=1557.

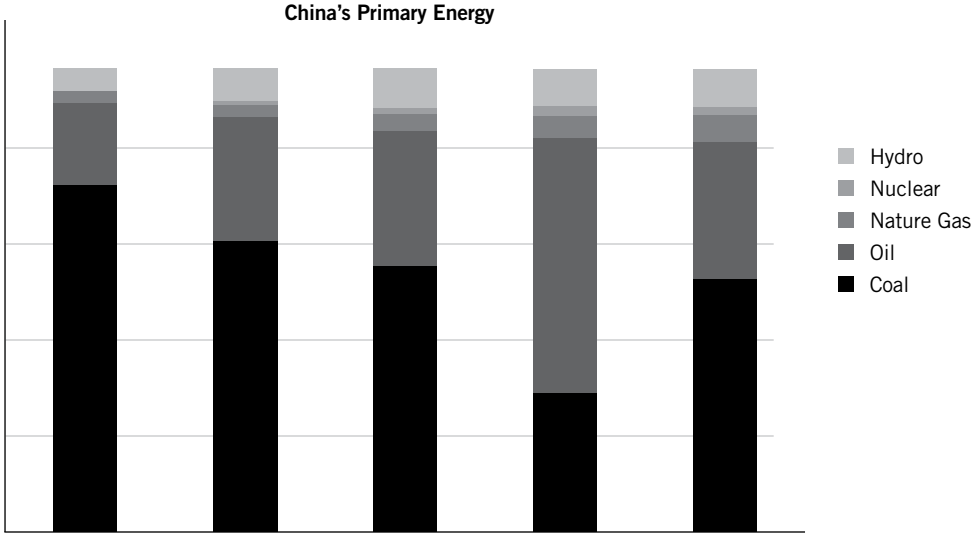
Such a heavy demand for energy and raw materials have led to two major structural imperatives for China. One is to find ever more energy and resources within China's borders and to develop them as quickly as possible to meet the fast growing appetite of major heavy industries and manufacturing capacities. The second is the call by the central government for Chinese enterprises to "go-out," that is, to go around the world to secure, explore and extract additional energy and resources. The high energy and commodity prices prior to the recent world economic recession added urgency to this external push.

The financial and economic crises of the past two years have only heightened the need of such a "go-out" strategy. Zhang Guobao, the head of China's National Energy Administration, described the current energy situation as "opportunities" within "crisis" ("*wei zhong zhi ji*").[15] He identified the symptoms of the crisis as a decreasing demand in the energy sector, such as oil and coal; declining prices of oil, coal and related products; and the deterioration of operating conditions of energy enterprises such as electricity generation, petro-chemical and coal plants. These new developments, as conditioned by the international financial crisis, demanded new thinking and adjustments. Zhang clearly saw more opportunities as he elaborated how China would proceed with a series of new energy policy measures.

First, China's energy strategy must be in concert with the broader $587 billion stimulus package that Beijing has implemented. This means boosting domestic demand and further building up China's energy infrastructure: three new nuclear power plants ($17.5 billion), a second West-East gas pipeline of 5,300 kilometers and related projects ($44 billion), plus a range of other coal, electricity generating and transmission projects.

Second, China must speed up the restructuring of its energy mix by: expanding large electricity generating plants while reducing the number of small ones; reorganizing coal mining by focusing on 13 large national coal mining areas with large-scale, modernizing operations; increasing the share of electricity generated from nuclear power plants; putting more resources into renewable energy development; and encouraging the development of large energy enterprises.

Figure 5: China's Primary Energy Composition, 1990–2025



Source: Calculations by author from EIA (2004).

15 Zhang, "Dangqian De Nengyuan Xingshi."

Third, China regarded the lower energy and commodity prices during the economic downturn as providing breathing space for the much-needed but complicated on-and-off domestic product oil price reform. Despite the fluctuations in oil prices, the government seemed committed to an "indirect and controlled connection" between domestic and international oil product prices.

Finally, China should take advantage of the lower oil prices not only for importing more oil but also for filling up its strategic petroleum reserves (SPR), a task that was delayed by the persistence of high energy prices in recent years. Zhang indicated that China's first phase of SPR, already in place, had a stockpile capacity of about 100 million barrels of oil, and the second phase now under construction will accommodate 170 million barrels.[16]

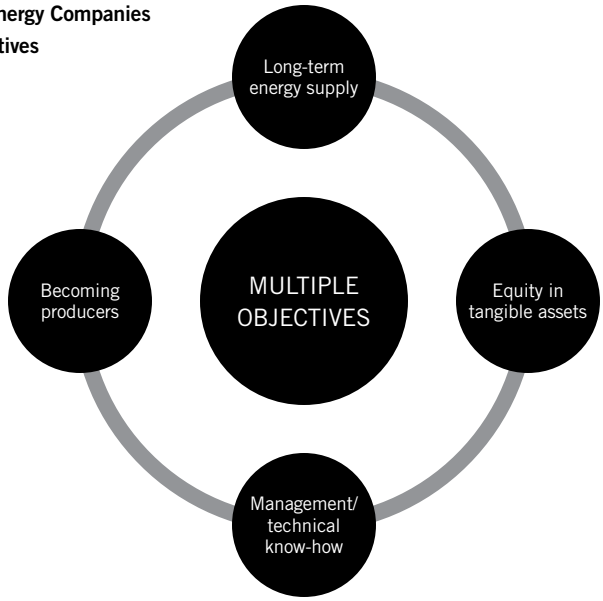
In other words, one major structural requirement for China's continuous industrialization drive is to enter energy and resource rich countries to secure supplies. Given Canada's rich endowment of energy, minerals and other key resources, it is only natural that Chinese enterprises see the country as a major frontier to satisfy China's need. And, such a need is unlikely to slow down in the foreseeable future. With all the efficiency measures in using energy and the potential of reduced speed in its economic growth, China's demand for traditional energy sources is unlikely to slow down in any substantial way, specifically in the case of demand for oil and gas. This is due primarily to China's energy mix (70 percent coming from coal at the moment). Other than the rapid growth of auto fuels usage, China also wants to replace coal with more oil and gas. The structural demand, therefore, is very strong. China's overall demand for energy will also make it impossible for a substantial slowdown, and this is the predication of many international energy forecasts.

Chinese Energy Companies Going Global

General Strategies of Engagement

It is an oversimplification to claim that China is so hungry for energy and resources that it will do anything to lock up whatever is available anywhere. China's energy companies have not marched onto the world stage as simple agents of the state. While they receive some the guidance from the government, as discussed above, Chinese firms have gone through more trials and experiments of their own in recent years for engaging the outside world. The following set of characteristics is generalized more as behavioural patterns than calculated master plans.

Figure 6: Chinese Energy Companies Going Global: Objectives



Source: author.

16 "Guoji Youjia Xin Bianshu: Zhongguo 4000 Wan Fang Yuanyou Chubei Tixi Chengxing." ("International Oil Price's New Variable: China's 4 Million Barrel Crude Oil Reserve Is Taking Shape.")

1 National oil companies (NOCs) are becoming bigger and more integrated globally. Large Chinese energy companies have begun to diversify from their traditional roles to become bigger, more comprehensive and integrated multinational corporations. In order to cope with competition on the international stage, the top three Chinese energy firms have carried out further reforms in an effort to become more adaptable to a wide range of challenges in foreign environments. CNPC, Sinopec and CNOOC, the three largest NOCs, used to have a clear division of labour. CNPC was designed to be responsible for upstream production in China's major oil fields, mostly located in the northern part of the country. Sinopec focused on downstream refinery and processing activities, which are mostly located in the southern part of China. CNOOC was created to explore offshore oil and gas fields.

These dividing lines remain, but more as areas of professional strength in each company. But the NOCs have also crossed the lines of the historical division of labour, beginning to diversify into others' traditional territories. CNPC now goes downstream while Sinopec goes upstream in their respective corporate expansions. And CNOOC has also moved into on-land production and processing of oil and gas. Such line-crossing activities are most visible in the markets outside China. According to the *Fortune* 2009 Global 500 ranking for revenues, Sinopec took the 9th place while CNPC occupied the 13th spot. The only other Chinese firm within the top 100 was China Mobile Communications at number 99.[17]

For a list of major global activities by Chinese companies, see Appendix I: Major Events of China's Energy "Go-Out" Strategy, 2005–2009.

2 Building global networks of delivery capacities. China has focused on building more "Pipelines from the North" and securing "Oil Tankers from the South." Realizing that China's major domestic oil fields have peaked in output, how to manage the fast-growing dependency on imported energy has become a major concern for China. *Bei guan*, or pipeline from the North, characterizes the extensive effort and investment China has put into building transportation infrastructure from Central Asia and Russia. Since 2005, CNPC and the Kazakh oil company KazMunayGas have jointly built the first Kazakhstan-China oil pipeline. With the additional phase to be completed by 2011, the 2,228 kilometer-long pipeline has a capacity of sending 20 million tonnes of oil per year from Central Asia to China. From 2007–2009, CNPC, in joint ventures with Turkmengas, Uzbekneftegas and KazMunayGas, built the first Central Asia-China gas pipeline. Once the second parallel line is completed by the end of 2010, the 1,833 kilometer-long gas line is expected to deliver 40 billon cubic meters of gas per year from Turkmenistan to China.[18] In early 2009, China also signed an agreement with Russia to build a spur to its border from Russia's Eastern Siberia-Pacific Ocean oil pipeline under construction, thus winning the competition with Japan for the first destination of Russian oil through this route.

While these arrangements have eased some concern on China's overwhelming dependency on imports from the Middle East and Africa, Beijing remains worried about sea-lane security for some 80 percent of its oil imports via tankers. *Nan chuan*, or Tankers from the South, can be broadly defined as China's efforts in maintaining a smooth flow of sea-lane transportation of energy and resources that are bound for China. While the long-term goal of a blue water navy is being implemented, China dispatched for the first time its destroyers to the Indian Ocean in 2009 to deal with the increasing seizures by Somalia-based pirates. And, CNPC also began to build oil and gas pipelines from Burma's deep-water port in the Bay of Bengal to Kunming in China's Yunnan province. This will enable China to diversify the shipping traffic of its imports from the Middle East and Africa via the Strait of Malacca while also shortening the shipping route.

17 "Global 500 2009."

18 For a more comprehensive look at China's pipeline strategy, see Wang, "China-Central Asian Pipeline."

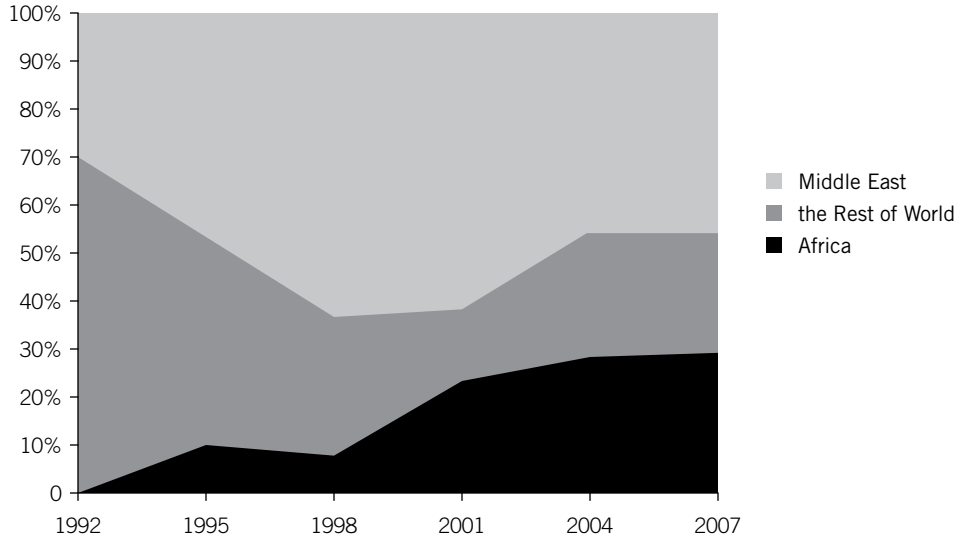
Figure 7: Central Asia/Russia/Myanmar—China Pipelines

Source: Rogers, Michael, and Li Yao. "China's Oil and Gas Balance." PFC Energy. October 2009. Accessed September 27, 2010. http://www.aspo-usa.com/2009presentations/Michael_Rodgers_Oct_13_2009.pdf.

3 Go wherever the energy resources are. Chinese energy companies have widespread operations, from Central Asia to the Middle East, from Africa to Latin America. The general increase in trade between China and oil-rich countries in recent years has featured substantial energy supplies. Angola is now China's largest African trading partner due to its rapid increase in oil exports to China. Saudi Arabia sold more oil to China than to the United States in 2009.[19] Venezuela, Brazil, Iraq, Sudan and Nigeria all have large Chinese investments in their energy sectors, as does Australia. Though the impact of the failed bid by CNOOC to buy Unocal cast a shadow over Chinese investment in North America, Canada has returned to the list for major Chinese investment in the past year or so.

19 Mouawad, "China's Growth Shifts the Geopolitics of Oil."

Figure 8: Sources of China's Crude Oil Imports, 1992–2007



Source: Author's calculations based on multiple data sources.

4 Bring warm economics together with warm politics and other friendly ties. The Chinese tend to work with countries that maintain friendly political ties with China. Positive political relations may not necessarily lead to more investment and cooperation by Chinese companies, but the lack of a favourable framework is almost certainly perceived as an obstacle for economic cooperation. China's relations with Middle Eastern countries have been friendly, steady and improving over the decades. Beijing's ties with most African countries are on a firm ground that stretch back to the 1960s. Latin American countries, such as Cuba, Venezuela and Brazil, all have close political and economic relations with China as they collaborate on more energy and resource projects in recent years. The Shanghai Cooperation Organization (SCO) has served as a crucial vehicle in promoting China-Central Asia-Russia relations, and is moving more and more towards the supply of oil and gas to China.

Special Success Formula: Loans-For-Energy-Supply with Long-Term Contracts

General engagement strategies have benefited China's "go-global" drive. But by far the largest Chinese energy investments overseas have all featured a loans-for-energy-supply long-term contract, which involves a mix of state-owned and private actors. For instance, in early 2009, Chinese NOCs struck four major overseas energy deals with Russia, Kazakhstan, Brazil and Venezuela for a combined value of nearly $50 billion in Chinese capital.[20] These complex arrangements indicate that China's expansion into overseas energy assets is a long-term goal and that it is increasingly interested in securing investments from its international partners.

In February 2009, CNPC signed a raft of agreements with Moscow, in which China would provide $25 billion in soft loans to Russia in return for a long-term commitment to supply China with oil. In the same month, China and Venezuela agreed to double their joint investment fund to $12 billion by injecting an additional $4 billion from China, in return for Venezuela's state-run oil company PDVSA's commitment to sell CNPC between 80,000–200,000 barrels of oil per day (bpd) by 2015.[21] On February 19, China Development Bank, a financial institution under the State Council primarily responsible for raising funds for large infrastructure projects, sealed a similar deal with Petrobras

20 Winning, Oster and Wilson, "China, Russians Sign $25 Billion Oil Deal."

21 "China Changing Oil Trade Pattern with Forex Surplus."

—the Brazilian state-owned oil major—for a Chinese loan of $10 billion in exchange for a 10-year oil supply memorandum. This agreement will allow China's Sinopec and CNPC to receive up to 150,000 bpd beginning this year, increasing to 200,000 bpd in the next nine years.[22] China's fourth loans-for-oil deal, which was also signed in February 2009, was with Kazakhstan. Under the terms of the contract, Kazakhstan would receive $10 billion in financing for its oil projects. China's Export and Import Bank (Exim Bank), the official export credit agency of the Chinese government, lent the state-owned Development Bank of Kazakhstan $5 billion, while CNPC extended a $5 billion loan to its Kazakh counterpart, KazMunaiGas.[23]

The loans-for-oil deals were unfolding against the backdrop of the global financial crisis, the stock market collapse and abated global oil consumption. Take Russia for example. Rosneft, 75 percent controlled by the government, was burdened with $21.2 billion in debt and Transneft with $7.7 billion.[24] For Rosneft, its $15 billion share of the $25 billion loan from China would comfortably cover its $8.5 billion debt maturing in 2009.[25] China's capital injection complemented the emergency capital needs of national oil firms in Venezuela and Brazil, allowing them to further expand their market shares and turning resources into capital. As for Kazakhstan, China's $10 billion loan could help the Central Asian country initiate its $14.6 billion dollar economic recovery policy.[26]

The global economic crisis has also presented China with a rare opportunity to trade its abundant foreign currency reserves for oil, mineral and other resources around the world. China now has roughly $2.4 trillion in foreign exchange, ranking number one in the world, and many state firms are also flush with funds.[27] Beijing was also considering setting up an oil stabilization fund to support purchases of overseas resources by Chinese oil companies.[28]

A further facilitating factor for this formula to work was the need for funds and diversification by China's partners. Beijing offered oil-producing nations, especially Russia and Venezuela, an alternative to Western European and U.S. markets, thereby giving them more political clout in the international community and reducing potential vulnerability from their existing buyers. The Russian government plans to increase its crude oil exports to the Asia-Pacific region from 3 percent in 2000 to 30 percent by 2020, amounting to 100 million tonnes a year.[29] Similarly, Venezuela regards China as a key link in its strategy of diversifying oil sales away from the U.S., which still buys about half of its oil despite years of political tension. The rationale also applies to Kazakhstan. In addition to pipelines extending to Russia and Europe, sustainable oil supplies through the existing China-Kazakhstan oil pipeline can enhance Kazakhstan's energy transit potential by diversify its exporting routes, thereby reducing political and commercial risks.

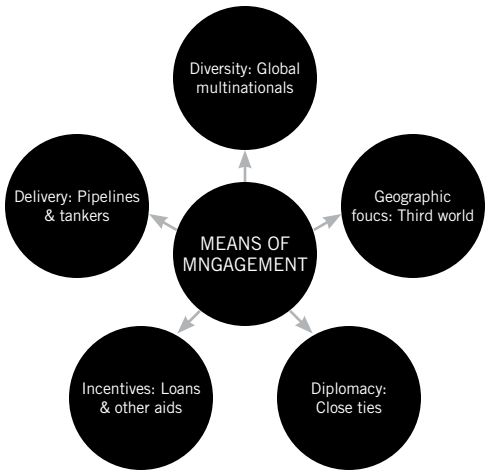
Yet even under economic pressure, oil-producing countries still kept Chinese oil companies at arms' length during the negotiations. For the former, these four deals represented an optimal outcome—let China provide the financing while they maintain the control of the energy assets. The terms of the agreements only gave China the "right to purchase" the oil, but not the "right to own" the oil through equity purchase.

These loans-for-oil activities will remain a component of the Chinese overseas resource acquisition strategy given current global economic and energy conditions. They are accompanied by Chinese NOCs' other commercial and acquisition activities, such as the $8.27 billion offered by Sinopec to buy the Swiss energy company Addax (listed on the Toronto stock exchange) which has large holdings

22 Fick, "Brazil Petrobras: China Finance Deal Worth $10B Over 10 Yrs."
23 Chen and Chien, "Kazakhstan Expects More Deals with Chinese Firms."
24 Wu and Lin, "After 14 Years of Negotiation."
25 "China/Russia Oil Deal."
26 "Zhongguo Shiyou: 'Daikuan Huan Shiyou' Zaixu, Dingdan Luozi Hazakesitan." ("CNPC: 'Loan-For-Oil' Deal Resumed, This Time Kazakhstan.")
27 Kurtenbach, "China Inc. Uses Financial Clout to Lock in Energy, Resource Supplies, Despite Slowdown."
28 "Chinese Oil Firms to Get Financial Support on Forex Surplus for M&A."
29 Itoh, "Russia's Energy Diplomacy toward the Asia-Pacific."

in West Africa and Iraq.[30] The Sinopec-Addax transaction is by far the single largest energy asset purchase by China's NOCs, demonstrating the dynamic nature of China's overseas energy security drive.

Figure 9: Chinese Energy Companies Going Global: Engagement Strategies



Source: author.

Canada in China's Grand Energy Strategy

China's energy and resource needs have been driving its foreign investment in these areas in recent years. A faster-than-expected recovery from the recession in China since 2009, thanks to a US$586 billion government stimulus package in late 2008, has also fuelled the demand for more energy and resource supplies. While China has invested tens of billions in countries such as Australia, Brazil, Kazakhstan, Russia and Iran, Chinese investment in Canadian energy assets were largely absent until the fall of 2009. Even during the pre-crisis boom years of the Canadian energy sector from late 2005 to early 2009, Chinese firms made almost no major investment in Canada's energy sector other than CNPC's purchase of over 258.6 square kilometers of oil sands exploration rights in early 2007. During this period, the Chinese purchased energy assets owned by Canadian firms, but almost all of those assets were located outside Canada.

Figure 10: Canadian Firms with Foreign Assets Bought by Chinese NOCs

Time	Company	Purchaser	Price (US$)	Assets Location
Oct. 2005	PetroKazakhstan	CNPC	$4.18 bil.	Kazakhstan
Dec. 2005	Petro-Canada	CNPC & ONGC	$576 mil.	Syria
Feb. 2006	EnCana	Andes Petro CNPC	$1.42 bil.	Ecuador
Oct. 2006	Nations Energy	CITIC Group	$1.9 bil.	Kazakhstan
Jan. 2007	EnCana Chad	CNPC Int'l Chad	$202 mil.	Chad
Dec. 2008	Tanganyika Oil	Sinopec Group	$2 bil.	Syria
Feb. 2009	Verenex Energy	CNPC Int'l	$357 mil.	Libya
Oct. 2009	SouthGobi Energy Resources	China Investment Corp.	$500 mil.	Mongolia

30 "Zhongshihua Shougou Ruishi Shiyou Gongsi Jiaqiang Feizhou Zhanlue."

Changing Political Context of Canada-China Relations

In fact, the absence of major Chinese investment coincided with the period when Canada-China political relations were at a very low point. It was just five years ago that China's relations with Canada seemed to be at their peak. On a visit to former Prime Minister Paul Martin in Ottawa in the fall of 2005, President Hu Jintao declared that a bilateral "strategic partnership"—a term that Beijing uses to define key close relations with countries around the world—had been established. The two countries would cooperate in areas ranging from energy security to environment to trade and investment. After the Conservatives ousted the Liberals and formed a minority government in early 2006, however, Sino-Canadian relations entered into a period of uncertainty. In the first three years, Ottawa stopped using the term "strategic partnership" to describe the bilateral relationship. China was removed from Canada's foreign policy priority list. Ideology-based criticism of China from Ottawa intensified. The Harper cabinet suspended all major initiatives for forging closer ties with China previously pursued by the Liberal government, such as Team Canada trade missions and the human rights dialogue. The comprehensive China Strategy, a cabinet level document, was also shelved. And there was little China expertise in the Conservative circle other than that provided by David Emerson, who crossed the floor from the Liberal camp to join the Conservatives.

Harper also decided not to attend the Beijing Olympics in the summer of 2008, an even more explicit message that he was not treating Canada-China relations as a priority. In fact, he did not visit China during his first three years in office, resulting in the suspension of bilateral summit diplomacy. The Conservatives perceived that Canada could carry on a cold relationship with China at the political level while not suffering economically. Another idea floating around at the time was that China needs Canada more than the other way around. There was much discussion about national security threats from Chinese companies, and many perceived the amendment of the Investment Canada Act as a reflection of the worries in Conservative circles that China may come to control Canada's energy and resource sectors. But publicly the Tory government denied that the amendment to the Investment Canada Act was primarily targeting China. Minister of Industry Tony Clement himself also got into controversy by talking about reviews of takeover activities by other foreign firms in Canada.[31]

As a result, Canada lost ground in China on the economic and trade fronts. While trade volumes with China have grown in absolute terms in recent years, Canada's shares of both trade and investment in the world's most dynamic economy have dropped. Despite the overall growth trend, Canada's total trade with China, India and Russia grew only 4.83 percent annually from 2000 to 2009.[32] Investment from the three countries together in Canada in the same period represented only 0.48 percent of Canada's foreign direct investment (FDI) and 0.51 percent of the nation's investment from other countries. In 2009, merely 1.61 percent of China's FDI came to Canada while only 0.33 percent of Canada's FDI went to China.[33] Australia, a country with a much smaller population and economy than Canada, is conducting almost twice as much trade with China as Canada does. While the Harper government underwent a long learning curve in formulating its policy toward China, Beijing displayed no urgency to adopt any fresh initiatives. It took a long time for the Harper Conservatives to realize that the "cold politics, warm economics" formula has been hurting Canada a lot more than China, and the continued disengagement at the highest level would only put Canada in a more disadvantageous position.

Since early 2009, the Government of Canada has changed course in its China policy. Cabinet minister after cabinet minister has been sent to Beijing, reassuring the Chinese that Canada values its relations with China and Chinese investments in Canada are welcome. Ottawa sent consistent, conciliatory messages to Beijing throughout the year, culminating in Prime Minister Harper's own visit to China

31 For the newly amended "National Security Review of Investment Regulations" of the *Investment Canada Act*, see *Canada Gazette Part II* 143, No. 20, 1940–1947. For the related controversies, see Hoffman and McNish, "Clement's Takeover Hangover."

32 According to the recent report by the Standing Senate Committee on Foreign Affairs and International Trade of Canada, over the 2000–2009 period, 4.21 percent of Canada's total trade, on an average annual basis, was with China; in 2009, trade with China represented 7.01 percent of Canada's total trade. Moreover, imports from China annually averaged 7.03 percent of Canada's total imports over the period; in 2009, 10.86 percent of Canada's imports came from China. Canadian exports to China, on an average annual basis over the 2000–2009 period, were 1.67 percent of Canada's total exports; in 2009, 3.10 percent of Canadian exports went to China. Finally, Canada is China's 11th most important trading partner. See Canada. Standing Senate Committee on Foreign Affairs and International Trade, "A Workplan for Canada in the New Global Economy," 49.

33 Ibid., 50.

in December 2009. The reasons behind this policy shift are multi-fold: mounting criticism from the business sector, the press and the general public on Harper's neglect of China had made the Conservatives' China policy a liability and potentially a vote-losing factor; Canada's recession generated a more urgent need for accessing the Chinese market; and a much better understanding of China by the formerly inexperienced Conservative foreign policy team.[34]

Policy Recommendation I:
Canada should maintain an overall stable, constructive and friendly relationship with China as specified in the mutually accepted "strategic partnership" concept. Ottawa must continue its regular summit diplomacy with Beijing and further strengthen its political relations with China, which is an indispensible pre-condition for closer economic ties that will benefit both countries.

The Chinese side clearly took notice of such a policy shift in Ottawa, and received Harper warmly. The Chinese media described Harper's trip as an attempt to warm up "cool to icy" ties between Ottawa and Beijing.[35] And the G20 summit in Toronto in June of 2010 provided a good opportunity for Chinese president Hu Jintao to return to Canada, the first Chinese head of state to visit Canada in nearly five years. The Harper government, despite its extremely demanding schedule in preparation for the G20 summit, hosted Hu's formal visit to Canada just two days prior to the G20 gathering in Toronto. The Chinese dispatched by far the largest delegation ever to Canada, with vice premiers, ministers and some 300 senior business executives. In their speeches during the visit, both Harper and Hu expressed optimism over the current state of bilateral relations. Other than signing a range of bilateral agreements for promoting trade, investment and joint ventures, the two countries set a target of reaching $60 billion in bilateral trade by 2015 (currently at $30 billion). And for the first time since the Conservative government came to power in early 2006, Harper used the term "strategic partnership" to describe the nature of the Canada-China relationship, a term that was equally endorsed by Hu.[36] Immediately following Hu's visit, both Canadian Governor General Michaëlle Jean and the Opposition leader Michael Ignatieff visited China, with the latter promising even better relations with China under a Liberal government.[37]

> *"China's economic engine needs fuel; resources to power and supply its factories; food to feed its workers. Canada has an abundance of natural and agricultural resources to share with China. Our Asia-Pacific Gateway will, in the years to come, be the fastest way to ship goods between North America and Asia."*—Prime Minister Stephen Harper

China Returns to the Canadian Energy Sector

As revealed by multiple Chinese sources, the Harper government's policy shift and the subsequent improvement of the relationship at the political level were important precursors to China's renewed investment activities in Canada's energy and resources sectors. China's well-endowed sovereign wealth funds and other companies have also picked up the pace in investing in Canada's energy, mining and resource sectors in recent months. The recent US$4.65 billion investment by Sinopec in Syncrude Canada Ltd. represents a major renewal of interest in the Canadian energy market by large Chinese oil companies. Sinopec's purchase of ConocoPhillips Co.'s 9 percent stake in Syncrude Group is by far the largest Chinese ownership stake in an active, oil-producing venture in Alberta's energy sector.

The Sinopec-Syncrude deal followed closely the $1.9 billion successful purchase by PetroChina (a subsidiary of CNPC) of 60 percent of Athabasca Oil Sands Corporation's MacKay and Dover oil sands projects in late 2009. And in May 2010, the China Investment Corporation (CIC) injected $1.25 billion into Penn West Energy Trust. China has also been actively investing in Canada's mining sectors since

34 For more on the shift in the Harper government's China policy, see Jiang, "Canada Needs to Articulate a Clear China Strategy."
35 "Ties with Canada 'to Thaw'."
36 Speeches made by Stephen Harper and Hu Jintao at the Canada-China Business Council gala dinner, June 24, 2010.
37 Schiller, "Michael Ignatieff Gets Warm Reception from Chinese Students."

2009—notably the $1.7 billion equity investment by the CIC in Teck Resources, and the announcement of a $1 billion MOU to forge a strategic alliance between China's State Grid International Development (SGID) and Quadra Mining Ltd.[38]

Three Recent Chinese Investments in Alberta Oil Sands

Joint Venture
PetroChina-Athabasca Oil Sands Corp.

Announcement date:	August 31, 2009
Ministerial approval:	December 29, 2009
Completion date:	February 11, 2010
Investment by PetroChina:	C$1.9 billion
Chinese holding in project:	60-percent stake in two oil sands fields
Potential project scale:	300,000 acres of land and 5 billion barrels of bitumen
Potential future investment:	C$15–20 billion
Related projects:	New refinery that can process 20 million tonnes of heavy oil
AOSC Initial Public Offering:	Completed on April 8, 2010, raising C$1.32 billion

Share Purchase
Sinopec-ConocoPhilips-Syncrude

Announcement date:	April 12, 2010
Ministerial approval:	June 25, 2010
Completion date:	June 27, 2010
Investment by Sinopec:	C$4.65 billion
Chinese holding in project:	9.03-percent stake in Syncrude Canada Ltd.
Potential project scale:	Access to Syncrude's potential 5.1 billion barrels reserve
Related projects:	Consolidation of Sinopec's presence in Alberta

Joint Venture
China Investment Corporation-Penn West Energy Trust

Announcement date:	August 31, 2009
Ministerial approval:	December 29, 2009
Completion date:	February 11, 2010
Investment by CIC:	C$1.25 billion (C$817 million plus C$435 million in trust units)
Chinese holding in project:	45-percent stake in the partnership
Potential project scale:	96,000 hectares of bitumen assets in Northern Alberta

As the following Table shows, relatively large-scale Chinese investment in Canada's energy and mineral sectors have picked up pace since the summer of 2009, coinciding with the warming-up of bilateral political relations.

Figure 11: Major Chinese Investments in Canada since 2009

Date	Company	Purchaser & Joint Venture Partner	Price (US$)
July 2009	Teck Resources	China Investment Corp.	$1.5 billion
August 2009	Athabasca Oil Sands Corp.	PetroChina	$1.7 billion
March 2010	Quadra Mining MOU	State Grid	$1 billion
May 2010	Syncrude	Sinopec	$4.65 billion
May 2010	Penn West Energy Trust	China Investment Corp.	$1.23 billion

38 As of June 2009, the MOU between SGID and Quadra Mining (now QuadraFNX Mining Ltd.) was no longer effective, and the negotiations continue.

As discussed earlier, global oil prices represent another reason why Chinese interest in Canadian energy has grown of late. After a brief nosedive to lows in the US$40 per barrel range during the economic crisis, oil prices climbed back quickly and stabilized in the US$70–$80 range. Various forecasts place the price of oil in coming years at US$80–100 per barrel, a level that can sustain profitability for the extraction of Alberta's oil sands. Over the years, a major question Chinese oil companies have asked during the annual Canada-China Energy and Environment Forum is whether the global market is able to support an oil price range high enough to justify long-term investment in the oil sands. Current oil prices seem to have removed initial doubts, and Sinopec's generous payment ConocoPhillips' shares in Syncrude displayed a considerable new confidence on the Chinese side.

Annual Canada-China Energy and Environment Forum, 2004–2009

The annual Canada-China Energy and Environment Forum was first launched in 2004 as a major initiative of the China Strategic Working Group of the Department of Foreign Affairs and International Trade (DFAIT). In the 2004 and 2005 annual gatherings, DFAIT provided primary financial support through its Research and Conference Funds. But since 2006, the annual event has been mostly funded by the Canadian private sector and the Canadian academic institutions involved, as well as the two embassies from both countries. Key organizational partners have included the University of Alberta, China Petroleum University, Peking University, Canadian Energy Research Institute, APF Canada and the Canada-China Business Council.

Over the years, the annual event, also called Canada-China Energy Cooperation Conference (2004–2007), has established itself as the most comprehensive mechanism in studying, discussing and debating bilateral energy relations. The annual meeting brings together a large group of private sector participants, government officials and academics from China, Canada, the United States and other countries to address key issues of energy policy, market trends, challenges of cooperation, investment environment, trade barriers and related issues. The forum is not only a platform for policy coordination and academic research, but also an effective vehicle for networking, seeking potential business partners and exploring new opportunities of cooperation. Since 2004, many conference participants have benefited from the annual gathering through direct investment and joint venture opportunities.

2004 Conference in Edmonton: The inaugural conference had only limited Chinese participation and was designed to make an initial assessment of Canada-China energy relations and taking the first steps in cooperation with China in the energy and related sectors. The conference findings and recommendations contributed to the policy formation process that led to the *Canada-China Joint Statement on Energy Cooperation in the 21st Century* during Prime Minister Paul Martin's visit to Beijing in January 2005.

2005 Conference in Beijing: The first ever large-scale bilateral energy conference at Peking University's Centre for Economic Research. A number of Director-Generals from China's National Development and Reform Commission (NDRC) and the State Council spoke to approximately 120 participants from both countries. Representatives from major energy companies made presentations. It was the first time that China registered Canada as a major energy supplier with huge potential, and the conference served to create a positive environment for project cooperation. Not long after the conference, Sinopec and CNOOC made their respective investment in two Alberta oil sands project, Northern Lights and MEG. Enbridge Pipeline Inc. signed a $2 billion MOU with PetroChina for Gateway pipeline cooperation.

2006 Conference in Beijing: The first conference after the Conservatives came to power in Canada. Amid political uncertainties and a clear signal that bilateral political relations were about to cool, the enthusiasm of the private sector from both countries continued to carry the momentum. The meeting addressed key issues such as the market movement, investment climate and the possibility of cooperation on labour. High-tech energy firms such as Westport Innovations Inc. from Canada and the Energy Research Institute of China's NDRC made presentations that opened up further cooperation potential in environmentally friendly technologies.

2007 Conference in Edmonton: The first large-scale bilateral energy relations meeting in Canada. With the strong backing of the Alberta provincial government and the City of Edmonton, China dispatched by far the largest official delegation from its energy sector, including the Director-General of the National Energy Bureau of the NDRC, high ranking officials from CNPC, Sinopec, CNOOC and other big energy firms, China's Ambassador to Canada and embassy officials from the Ministry of Commerce (MOFCOM) and the Ministry of Science and Technology (MOST). In his speech to the conference, Mr. Zhang Xin, Director-General of CNPC's Foreign Affairs Department, announced for the first time that CNPC had acquired 258.6 square kilometers of oil sands exploration rights in Northern Alberta early in the year, with a potential of producing 220,000 barrels of oil if developed in the future. The Chinese energy companies also expressed continued interest in the Canadian energy sector despite the fact that there were political constraints in the bilateral relationship. U.S. Energy Council Chairman, Senator Henry (Hank) Coe of Wyoming, also participated in the conference on behalf of the Council's Executive Committee.

2008 Conference in Beijing: The meeting was held amid the global financial and economic crisis, the plunge in oil prices and uncertainties about the future of oil sands development. Jointly organized with the Canada-China Business Council, the conference was part of a larger event that hosted five Canadian provincial premiers and business delegates from many parts of Canada. The strong display of provincial commitment to improving relations with China put the Harper Conservative government in the spotlight for its lack of engagement with China. More than 100 participants discussed a range of issues on how to respond to the economic downturn. Featured speakers included the Hon. Shawn Graham, the Premier of New Brunswick; Mei Ping, former Chinese Ambassador to Canada; Xu Dingping, Senior Advisor of the National Energy Leading Group of the State Council; Gao Zhikai, former Senior Vice President of the CNOOC Ltd.; and a number of Director-Generals from NDRC, MOFCOM and MOST.

2009 Conference in Calgary: The first annual meeting to be held in the "energy corporate headquarters" of Canada. The new format of a smaller group of 45 people enabled more in-depth discussion on a range of issues, ranging from the improvement in bilateral political relations to the recovery of the market to China's renewed interest in the Canadian energy and resource sectors. The Canadian Petroleum Producers Association took part in the conference, displaying the newly developed interest by Canadian energy producers to explore potential Chinese investment and possible joint ventures. As predicted by the findings of the workshop, three major Chinese investments, totalling nearly C$8 billion, have occurred between the fall of 2009 to the spring of 2010, marking a new leap forward of Canada-China energy cooperation.

China's renewed interest in investing in Canada has also been helped by the backing of China's state banks in the form of loans and overseas expansion credits to the large state-owned energy and resource companies. Many cash-strapped Canadian energy and resource firms welcome such financial strength and secure funding. At the same time, the North American stock market was hit hard during the economic crisis, and many energy and resources companies have become very good buys—opportunities that do not go unnoticed by the Chinese. So even though the market has recovered significantly, the Chinese are optimistic that the timing is still good, and their investments will yield further returns when the world economy finally climbs out of recession.

Impact of Market Uncertainties

On the other hand, what is less clear is how Chinese energy companies will re-adjust their acquisition activities in Canada and elsewhere given the fact that the global economic recovery is still not stable and many uncertainties lay ahead. Like their Western counterparts, Chinese energy companies were caught off guard by the sharp decrease in oil prices in late 2008.

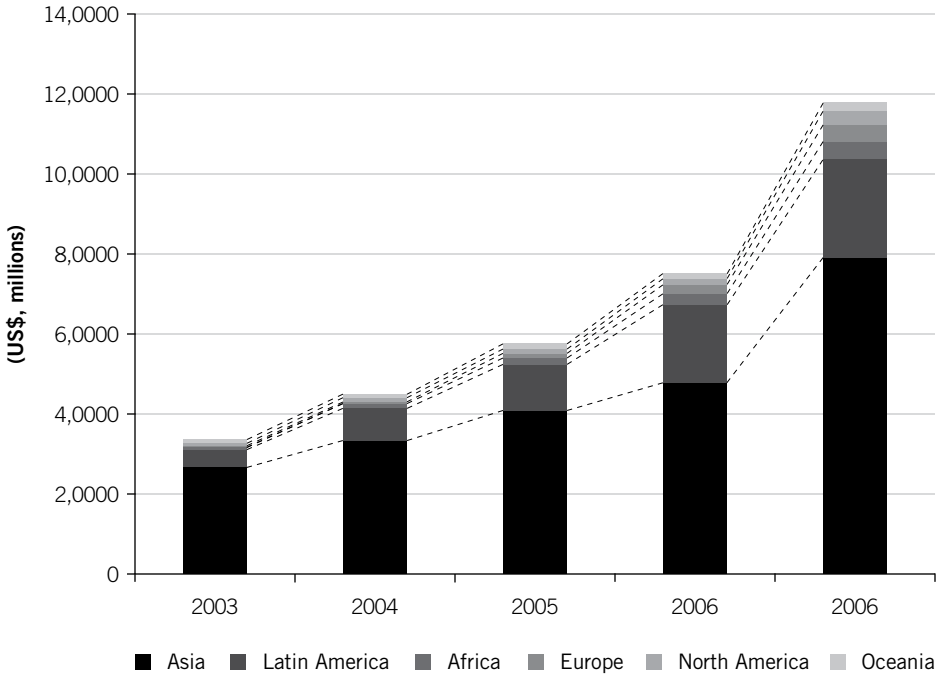
The dilemma facing both Chinese energy policy makers and large Chinese oil companies was exemplified by Sinopec's purchase of Tanganyika Oil, a Canadian company with its main assets in

Syrian oil blocks, in the fall of 2008.[39] When Sinopec, through its wholly owned Mirror Lake Oil and Gas Co. Ltd., offered RMB$2.5 billion (US$2.1 billion) to acquire Tanganyika Oil in September 2008, the price of oil was hovering around US$90 per barrel. But by December, the price had dropped to about US$40. Yet there was no revision of the deal and both China's State Council and the National Development and Reform Commission went ahead with the required government approval.[40]

Many in China saw such a commitment, especially in the face of large financial losses, as a move for the sake of credibility. Others, one of which being the chairman of China's State-owned Assets Supervision and Administration commission, questioned the wisdom of putting so much money abroad without immediate benefits when there was so much need for cash in dealing with the domestic economic downturn.[41] Yet others, represented by the China Petroleum and Chemical Industry Association, viewed the purchase as a healthy long-term investment in the expectation that the price of oil would go back up again in the near future. The latter camp seems to have the upper hand.

PetroChina's investment in Athabasca Oil Sands Co. (AOSC) late last year generated much enthusiasm and when AOSC went public, the share price offering was at $18. But due to the recent market fluctuations, the shares of the joint venture have come down to around $10. Whether such a development will have a negative impact on future Chinese investment in Alberta's energy sector is unknown.

Figure 12: Geographical Distribution of China's OFDI Stock, 2003–2007



Source: Korniyenko, Yevgeniya, and Toshiaki Sakatsume. "Chinese Investment in the Transition Countries." European Bank for Reconstruction and Development. Working Paper 107 (January 2009). Accessed September 27, 2010. http://www.ebrd.com/downloads/research/economics/workingpapers/wp0107.pdf.

39 "Sinopec Buys Out Canadian Oil Company."

40 "Sinopec to Acquire Tanganyika Oil Company."

41 "Zhongshihua Dui Tanganyika Baiyi Yuan Shougou Huo Pi." ("Sinopec Purchases Tanganyika for 10 Billion Yuan.")

But what is obvious is the fact that China's energy policymaking process is far from monolithic. Chinese officials, business leaders and their foreign counterparts are all exploring the implications of China's "go-out" strategy in at time of economic crisis and oil price uncertainty.[42]

Policy Recommendation II:
Given China's rapid rise, its continuous growing demand for more energy and resources and its global expansion in these sectors, Canada must prepare itself with a much better understanding of the internal dynamics of China's development as well as the nature, the process and major characteristics of that country's overseas investment strategies.

A Canadian Strategy for Dancing with the Dragon

The Need for a China Strategy

A close reading of the *Canada-China Joint Statement* released during Prime Minister Harper's visit to China in December 2009 reveals that the Harper government was back-pedaling on Canada's commitment to the nature of the bilateral relationship. The joint statement noted that the two sides would resume the "Strategic Working Group" initiative as a bilateral relations enhancement mechanism. According to the agreement, "Deputy Minister-level officials from both sides will meet early in 2010 to discuss the nature of this enhancement and likely subjects of focus, including trade and investment, energy and environment, health and governance." However, the recent visit of President Hu Jintao to Canada served to re-affirm the "strategic partnership" that was announced in 2005.[43]

This development demonstrated that Harper is likely to pursue a forward-looking China strategy. First, slowly and gradually, the Harper government has come to accept that China is Canada's second largest trading partner, and that China has deep pockets in terms of investment. China is also on its way to replacing Canada as the largest trading partner of the United States in the near future. Canada's China challenge is not bilateral and across the Pacific, but right here in North America. Second, Harper's inner circle appears to be moving away from treating human rights and trade promotion as mutually exclusive goals when it comes to China. If Harper proposes a sincere human rights dialogue with China on an equal basis, identifying the right mechanism to implement important human rights programs, Beijing may respond positively. At the same time, Ottawa may pursue economic relations with more vigour and give them serious attention at the highest level of the government.

On the political front, Richard Fadden, the head of the Canadian Security Intelligence Service, made explicit comments to the media that pointed to China as one of the foreign powers trying to influence Canadian politicians. Fadden made it clear that he was warning the public about the dangers posed by foreign governments to Canada's national interests, in an interview with CBC released just two days prior to Chinese President Hu Jintao's visit to Ottawa on June 23–24, 2010.[44] Although Fadden retracted most of his remarks and contradicted himself the day after his interview,[45] he nevertheless insisted again that his accusations were reasonable when he was called to appear before the Parliamentary committee for public safety.[46] The assumption by Canada's spy agency chief that China is Canada's enemy and that pursuing closer relations with China by Canadians of Chinese origin may harm Canada's national interests has given a heavy dose of McCarthyism to the vast majority of Chinese Canadians and many of those Canadian government officials who have worked hard to promote bilateral relations.

42 Based on the author's observations as the organizer of the 4th Canada-China Energy and Environment Forum in Beijing in November 2008, and the author's surveys of Chinese press, interviews with Chinese officials and business leaders in the past few months.

43 Canada, Prime Minister of Canada, "Canada-China Joint Statement" and "Canada and China Broaden Strategic Partnership."

44 "Some Politicians Under Foreign Sway: CSIS."

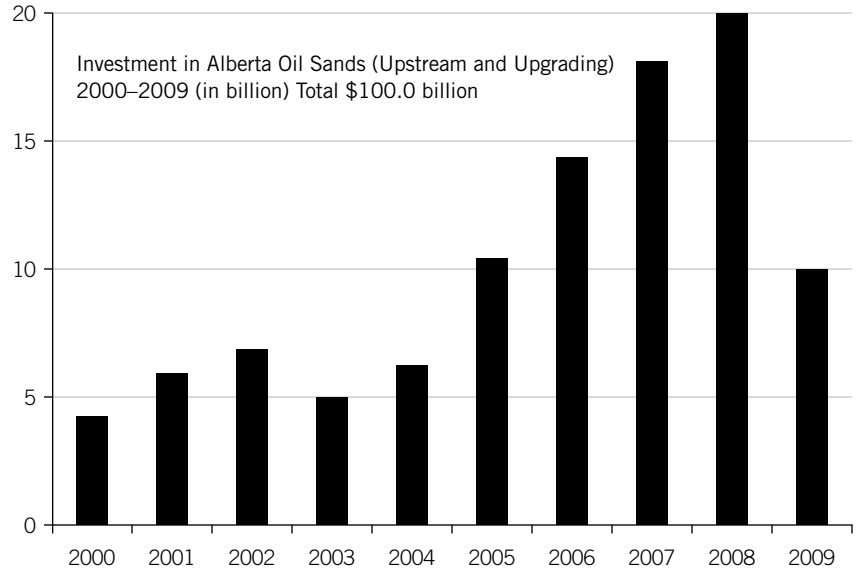
45 O'Malley, "Updated Yet Again with Fadden Statement."

46 "CSIS Boss Defends 'Foreign Interference' Comments."

On the economic front, since the Sinopec-Syncrude deal announcement, there has been much talk in Canada about potential Chinese leverage over Alberta's oil sands. While some have repeated oft-heard charges that Chinese investment will lead to Chinese control of Canada's energy and resources—an accusation that lacks credible evidence or research backing—others tend to deliver warning signs that any Chinese voice in the development of Alberta's oil sands may not be conducive to Canada's national interests.[47]

If the smooth approval of the PetroChina-AOSC deal at the end of 2009 and the speedy approval of the Sinopec-Syncrude deal in June of 2010 are any indication, future Chinese investment of this kind should not face substantial questioning or barriers. Tony Clement, the Canadian Minister of Industry, approved the PetroChina-AOSC deal with unusual praise, calling the transaction good for creating jobs, and a "net benefit to Canada."[48] The Sinopec purchase of ConocoPhillips' stake in Syncrude represents only 9 percent of the group's overall assets, and its grounds for approval seemed be no different than those of the PetroChina-AOSC transaction.

Figure 13: Total Investment in Alberta Oil Sands, 2000–2009



Source: Author's calculations based on multiple data sources.

Although Sinopec's US$4.6 billion investment is more than twice as big as PetroChina's, the amount is relatively small if measured against either of these companies' overall global investments. The major Chinese oil companies have, for instance, involved themselves in large-scale joint ventures in Iraq and Australia.

Thus, the critics have been asking the wrong questions. Not only are Chinese investments in Canada's energy sector small, they are also insignificant in terms of creating leverage to force Canadian shipments of oil to China. Currently, there is no large-capacity, direct pipeline from Alberta to the West Coast. Kinder Morgan completed its TMX Loop project in 2008, linking pipelines from Alberta to its existing Mountain pipeline, with a shipping capacity of 300,000 bpd. Even if construction of Enbridge's Gateway pipeline goes ahead as planned, it will not be in place until some time in the middle of this

47 See, for example, McCarthy and Pitts, "Oil Sands Deal Gives China Crucial Veto on Exports," and McCarthy, "Ottawa Puts up Barrier to Sinopec Bitumen Exports."
48 Canada, Industry Canada, "Industry Minister Clement Approves the PetroChina-Athabasca Oil Sands Corporation Transaction."

decade, if not later. And as business journalist Deborah Yedlin points out, there is really no need for paranoia: Sinopec's 9.03 percent stake in Syncrude works out to an implied entitlement to about 32,550 bpd, or 11.9 million barrels a year. This amounts to a mere 0.4 percent of China's daily demand for oil. And this number can only fill about 6.2 percent of Enbridge's proposed 525,000-bpd capacity Gateway pipeline.[49]

Policy Recommendation III:
The Canadian private sector, different levels of government, academia and the media should engage in a constructive discourse on the impact of potential large-scale Chinese investment in Canada's energy and resource sectors, and do a better job at informing the Canadian public on the pros and cons of a more robust Canada-China economic relationship.

Canada's Engagement Strategies

If the Canadian business community, different levels of governments, the media and the public in general are to be engaged in a broader discussion of the implications of Chinese investment in Canada, they must be informed by a set of issues associated with potential Chinese investment on a much larger scale.

First, does China insist on shipping its overseas oil production back home? This is clearly not the case for Sinopec's deal with Syncrude. There is no known clause in the transaction that states certain portions of production will be shipped to China. In fact, Sinopec may have made the investment on two assumptions. One is that exporting oil to China will be possible only on a small scale for the foreseeable future, given the existing, modest pipeline infrastructure; the potential for large-scale supply exists only if Enbridge's Gateway pipeline receives the regulatory approval required for construction. Another assumption may well represent a shift in Chinese thinking—that is, they are now willing to invest in Canada's energy sector even without large-scale access to Canadian oil production for China's domestic use. In fact, much of China's global oil production does not wind up being shipped to China. Most Chinese overseas production is sold on the world market as does oil produced by Western oil companies. For the moment, Syncrude's production will continue to flow south to the United States, and Sinopec's 9 percent ownership will not change this arrangement.

Second, is a pipeline that moves oil from Alberta to the West Coast, and thus a key component for the ability to ship oil to China, other Asian countries and the U.S. West Coast, still desirable for the Chinese and Canadians? The Chinese have inquired into the state of the Gateway pipeline project in recent years and continue to express strong interest. Their calculus might be understandable: a potential pipeline in place will certainly increase China's incentives for further investing in Alberta's oil sands. This is understandable: although most of China's overseas oil production is sold on the world market rather than shipped home, it is always good to have access to these production sites. The Chinese calculus in Alberta's pipelines to the West Coast is not a short-term concern but one of medium to long-term thinking. For Canada, a pipeline or two to diversify international markets will certainly be a benefit, although none of the planned diversification so far will change the fundamental fact that Canada is overwhelmingly dependent on the U.S. market. But it is almost certain that if there are more means of transporting Alberta oil to the West Coast, Chinese and other Asian investment interest will increase.

Third, is it in Canada's interests if Chinese and other Asian investors build refineries in Alberta? Currently, most of Alberta's pipelines head south, shipping bitumen to U.S. refineries for value-added upgrading. It has long been accepted on both sides of the border that this is the nature of a North American integrated market. But it is also true that the Alberta government has promoted a development strategy that would see investment to build refineries around Edmonton, thus taking

49 Yedlin, "Paranoia Greeting Sinopec's Oilsands Arrival." *Calgary Herald*, April 17, 2010.

advantage of the booming energy market in creating value-added jobs and products in Canada. If Chinese and other Asian economies become involved in Alberta oil sands extraction, there is good reason to believe investing in refineries is also a part of the long-term strategy, especially under the conditions that upgraded oil products could one day be shipped via increased pipeline and rail capacities to the West Coast, an then on to waiting tankers. The recent announcement by the Chairman of PetroChina, Jiang Jiemin, that the company would build a heavy oil refinery in Canada with an annual production capacity of 20 million tonnes of heavy oil is a welcome signal not only for job creation in Canada but also for the long-term diversification of Canada's export markets which, in turn, will produce more value-added jobs and products in Canada.[50]

Fourth, should Canada allow for greater Chinese investment as a part of its diversification strategy from the U.S. market, and if yes, should Canada be worried about a potential U.S.-China competition for Canadian oil? The question begs a response as much from Canada as from China and the United States. For Canada, the answer seems to be more of a market-oriented one than a strategic one. When U.S. demand was booming, there was very little discussion of diversification among Canadian producers. Alberta was happy to ship most of its exports to the south. But the recent economic downturn in the U.S. and the talk of labeling oil sands production as "dirty oil" have alerted Canadians and renewed interest in market diversification. Chinese investment came at this particular time, investment that is welcomed by Canadian producers. There are also indications that both the United States and China are moving in the direction of treating each other as joint venture partners rather than competitors, thus putting Canada in a position of ease rather than agony.

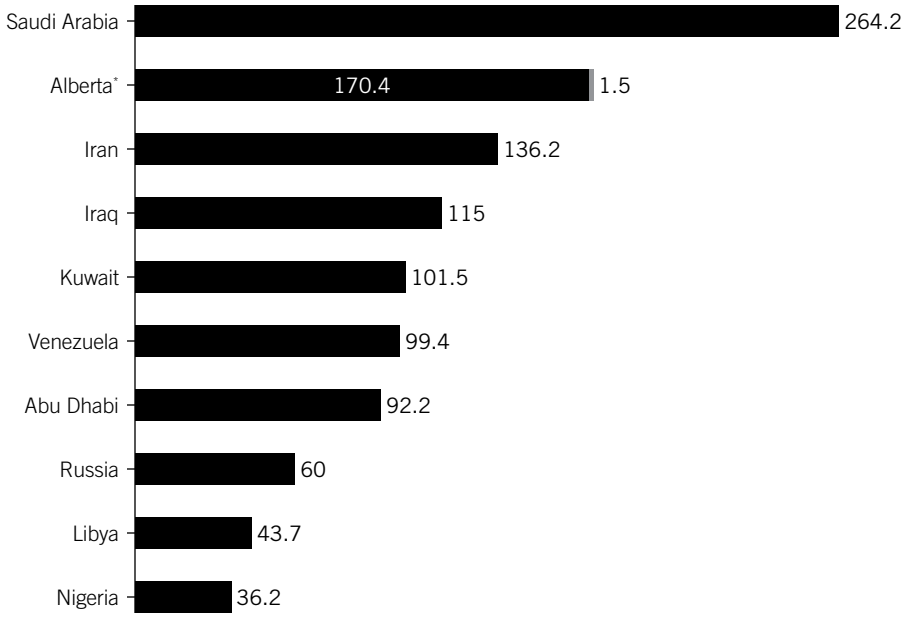
Finally, where is the red line for Chinese investment in Canada's energy sector? How big should it be? Within the global context, Chinese oil companies certainly possess the financial wherewithal to invest, and have done so on a large scale—$10 billion, $20 billion and upward to $40 billion—in other countries. If Canadians are starting to worry over Sinopec's $4.65 billion capital injection, then the nation is not yet ready for any larger investment. The fact is that Canada has all the necessary regulatory frameworks in place to cope with large-scale Chinese investment, and there is no evidence that multi-billion dollar investments by the Chinese in other countries have led to any erosion of host nation sovereignty. The Canadian national discourse needs to focus on whether investment from China will provide social and economic benefits for Canada rather than on parochial debates concerning foreign threats to the resource base.

Policy Recommendation IV:
Canada should conduct a comprehensive review of the current state of its energy relations with China, identify areas in which Canada has a comparative advantage, organize a more institutionalized consortium of government, private sector and academic players and develop a long-term strategy in working with China in key areas of energy, environment and related sectors.

At the level of the federal government, there is still no particular interest in an Ottawa-driven approach to engaging China, other than making it explicit that Chinese investment is welcome as long as it meets Canadian regulatory requirements. With the Sinopec-Syncrude transaction approved without undo rancour, both Chinese and Canadian energy sectors should be more encouraged and we will likely see other investment or joint venture deals in the near future.

50 "PetroChina to Build 20-Mln-Ton Heavy Oil Refinery in Canada."

Figure 14: World's Largest Oil Reserves in 2008 (Billion Barrels)



*Alberta's total oil reserves were 171.8 billion barrels, of which crude bitumen reserves accounted for 170.4 billion barrels and conventional crude oil reserves for 1.5 billion barrels (note: totals do not add up due to rounding)

Source: ERCB2009 ST-98 Report "Alberta's Energy Reserves 2008 and Supply/Demand Outlook 2009–2018" and Oil & Gas Journal "Worldwide Look at Reserves and Production. Special Report." December 22, 2008. Vol. 106, Issue 48.

Source: Government of Alberta. Energy. "Facts and Statistics." Accessed September 27, 2010. http://www.energy.alberta.ca/OilSands/791.asp.

Canada holds vast oil reserves that could supply China's energy needs for decades to come if the market and transportation conditions are ripe. Currently, Canada's major energy export market is the United States. The pipeline capacities for moving oil to the Pacific Coast are also limited. Thus, Canada's stable and potentially increased output benefits China's energy security indirectly as a contribution to the total global output. But if U.S. demand slows down in the future, the China market is a clear alternative. While the current Chinese investments in Alberta's oil sands are not conditional to shipping the output back to China, Chinese oil companies have always expressed a preference that pipelines from Alberta to the Pacific Coast, such as the Gateway project, be built. Canada is one of the most stable oil producers, with clear rules and regulations. And as an OECD member, it has a very good investment environment. But it is also important to point out that labour costs are high in Canada, oil sands extraction is expensive and the regulatory approval process is lengthy and complicated. There are also other energy-rich countries that compete for Chinese capital, sometimes with much more favourable terms. If the Chinese are arriving here with wallets at the ready and a desire to do business, Canada needs to think through how much it needs this new investment and how to respond with effective strategies.

Appendix I: Major Events of China's Energy "Go-Out" Strategy, 2005–2009
(For transactions involving Canadian firms, see Appendix II)

April 2005: China and Bangladesh sign an MOU on Oil and Gas Cooperation.

November 2005: A Chinese company is scheduled to undertake three-dimensional seismography in Iran's Changluleh oil field.

December 2005: CNOOC signs a production-sharing agreement with Devon Energy Corp. for deep-water block 42/05 in the South China Sea. CNOOC has the right to participate in up to a 51-percent interest in the event of any commercial discovery in the block.

January 2006: China and Saudi Arabia sign five agreements, including one on greater energy cooperation.

February 2006: CNOOC Africa Ltd., a subsidiary of CNOOC, signs a five-year production-sharing contract with GEPetrol for the offshore Block S in Equatorial Guinea.

April 2006: Chinese President Hu Jintao and Yemeni President Ali Abdullah Saleh sign eight agreements covering energy, economic, trade, telecommunications and other fields.

April 2006: CNOOC signs a production sharing agreement for oil and gas exploration of Kenya's Block L2 in the offshore Lamu Basin.

April 2006: The Chinese government agrees to invest US$4 billion to upgrade Nigeria's 110,000-bpd Kaduna Refining and Petrochemicals Company and build a railroad system and power stations in exchange for CNPC being granted four oil drilling licenses.

April 2006: CNPC purchases exploration rights to the oil and gas Manokwari Block located in Papua Province of Indonesia from PT Waropen Perkasa.

April 2006: Sinopec signs a US$239 million agreement with Brazil's Petrobras to build a 300-kilometer long natural gas pipeline linking northern and southern gas fields in Brazil.

June 2006: CNOOC Ltd. announces that Phase I of Southeast Sumatra (SES) Gas Project has been brought on stream. 55 million cubic feet of gas per day will be delivered via four wells. CNOOC Ltd. owns a 65.5-percent stake in Southeast Sumatra PSC.

June 2006: Sinopec acquires 27.5, 40 and 20-percent stakes, totalling US$692.2 million, for three deep-water oil blocks off Angola through its joint venture with Sonangol E.P.—Sonangol Sinopec International—in which Sinopec owns a 75-percent stake. The three blocks contain proven oil reserves of 3.2 billion barrels.

July 2006: The Chinese government approves a US$5 billion joint venture between Sinopec and Kuwait Petroleum Corp. to build a petrochemical plant in Nansha in Guangdong Province which will produce 1 million metric tonnes of ethylene a year.

August 2006: Sinopec acquires 99.49-percent stake in Udmurtneft from TNK-BP for US$3.5 billion. In its turn, Sinopec Russia's Rosneft will buy 51-percent stake in Udmurtneft and Sinopec will keep the remaining 49 percent.

August 2006: China agrees to invest US$5 billion in new and existing energy projects in Venezuela through 2012 as part of a plan to boost Venezuela's oil output and oil sales to China.

September 2006: Following the 2003 acquisition of a 12.5-percent stake in BP's Indonesian Tangguh LNG project, CNOOC Ltd. finalizes an agreement in which the Tangguh facility will ship 2.6 million tonnes per year of LNG to CNOOC's LNG terminal in Fujian Province starting in 2009 for the next 25 years.

October 2006: The Chinese government approves the establishment of a pipeline from Turkmenistan to Guangzhou for the transport of natural gas. The pipeline will begin to transport 30 billion coal bed methane over 30 years starting in 2009.

December 2006: CNOOC, U.S. ConocoPhillips and UK Premier Oil win oil and gas exploration rights for 18 blocks in Indonesia. The three companies will make a combined investment of US$235 million for the initial three years.

December 2006: CNOOC finalizes an MOU with Iran's NIOC to develop Iran's North Pars gas field. The US$16 billion agreement will last for 25 years.

December 2006: China Oilfield Services Ltd. (COSL) enters agreements with GOIMAR S.A de C.V for construction and provision of services for four module rigs in the Gulf of Mexico. COSL will be responsible for the investment and construction of the module rigs, mobilization, installation and rig-up, with each module rig to be employed for three years.

December 2006: Sichuan Honghua Petroleum Equipment Co., Ltd. signs an agreement with three Egyptian companies to establish an oil drill manufacturing company in Egypt. Both parties will each invest US$15 million.

December 2006: China National Oil and Gas Exploration and Development Corp. (CNODC), a subsidiary of CNPC, reaches an agreement on joint exploration of oil and gas with Uzbekistan's Uzbekneftegaz. CNODC plans to invest more than US$200 million in oil and gas exploration in Uzbekistan over the next five years.

January 2007: CNOOC joins Indonesia's PT SMART and Hong Kong Energy (Holdings) Ltd. to invest US$5.5 billion in producing biofuel in Indonesia.

February 2007: Sinopec signs a contract with Saudi Arabia's Aramco and U.S. Exxon Mobil Corp. on a US$4 billion refinery upgrade. The refinery in Quanzhou in Fujian Province will process primarily Saudi crude supplied by Aramco. Sinopec will own 50 percent of the joint venture, while Aramco and Exxon will each hold a 25-percent stake.

April 2007: CNOOC and Sinochem Corp. prepare separate bids for the West African oil and gas assets of U.S.-based Devon Energy Corp. in a deal valued at between US$1.5 billion and US$2 billion.

December 2007: Sinopec and the National Iranian Oil Company (NIOC) finalize a US$2 billion agreement to develop Iran's Yadavaran oil field. Sinopec owns a 51-percent stake, NIOC owns a 20-percent stake and India's ONGC Videsh owns a 29-percent stake. Phase 1 of the Yadavaran project will produce 85,000 bpd and Phase 2 will produce 185,000 bpd.

January 2008: Sinopec will invest US$5 billion and cooperate with Indonesia's PT Puri Usaha Kencana enterprise to set up biofuel factories in Indonesia.

August 2008: PetroChina and Sinopec make a joint bid of between US$2.5 billion for offshore assets in Peru owned by Petro-Tech Peruana.

December 2008: Chinese companies make numerous loans totalling US$3.2 billion to Indonesian companies for various energy projects.

February 2009: The China Development Bank loans Russia's Rosneft and Transneft US$15 billion and US$10 billion respectively in exchange for 300,000 bpd per year for the next 20 years and the completion of a pipeline from Siberian oilfields to northern China.

March 2009: CNPC begins operation of the Al-Ahdab oilfield in Iraq following the US$3 billion service deal signed the previous year. The oilfield is expected to produce up to 115,000 bpd in six years.

April 2009: CNPC signs two loan agreements with Kazakhstan's KazMunaiGas and the Development Bank of Kazakhstan, totalling $10 billion for financing oil and other projects.

May 2009: The China Development Bank finalizes a loan agreement with Brazil's Petrobras in which it will loan Petrobras US$10 billion. In exchange, Petrobras will supply Sinopec will 150,000 bpd for the first year and 200,000 bpd for the following nine years.

July 2009: CNOOC Ltd. and SIPC (subsidiaries of CNOOC and Sinopec respectively) announce that they have formed a joint venture for the purchase of a 20-percent stake valued at US$1.3 billion in Block 32, an offshore oil asset in Angola, from Marathon International Petroleum Angola Block 32 Ltd., a subsidiary of Marathon Oil Corp.

August 2009: PetroChina, CNPC's publicly listed arm, signs an US$41 billion supply contract with Exxon Mobil Corp. to purchase 2.25 million metric tonnes of LNG per year for 20 years from the Gorgon field in Australia.

August 2009: Sinopec Group buys Geneva-based Addax Petroleum Corp. through its wholly-owned Sinopec International Petroleum Exploration and Production Corp. (SIPC) for US$7.5 billion, the largest overseas takeover transaction yet made by a Chinese oil company. As a result, Sinopec gains control of Addax's oilfields in Iraqi Kurdistan and Nigeria.

September 2009: A consortium led by CNPC and BP wins the joint bid of Iraq's Rumaila oilfield project. CNPC holds a 37-percent stake, BP holds a 38-percent stake while Iraq's South Oil Company holds the rest. The consortium will invest approximately US$15 billion over the contract's 20-year term to increase the oilfield's current output of 1 mbd to approximately 2.85 mbd.

November 2009: Sinopec Corp. signs its first liquefied natural gas (LNG) purchase deal with U.S. oil major Exxon Mobil Corp. Sinopec will purchase 2 million tonnes of LNG per year for 20 years from Exxon Mobil's Papua New Guinea project.

APPENDIX II: MAJOR CANADA-CHINA TRANSACTIONS IN ENERGY AND RESOURCE SECTORS, 2005–2010

April 2005: PetroChina and Enbridge Inc. enter into an MOU to cooperate on the development of Enbridge's Northern Gateway pipeline project. The proposed C$2.5 billion pipeline will transport approximately 525,000 bpd from Alberta to the West Coast to be shipped to American and Asian markets.

April 2005: CNOOC acquires a 16.69-percent stake for C$150 million in MEG Energy Corp. which owns a 100-percent working interest in over 32,900 acres of oil sands leases, with an estimated 2 billion barrels of recoverable reserves.

June 2005: Sinopec buys Synenco Energy's 40-percent stake in Total E&P Canada's Northern Lights Oil Sands Project for C$105 million. The project is expected to eventually produce more than 100,000 bpd.

September 2005: A CNPC and Sinopec Corp.-led consortium called Andes Petroleum Company reaches an agreement to purchase Canada-based EnCana Corp.'s assets in Ecuador for US$1.42 billion. The consortium acquires five blocks in Ecuador, capable of producing 75,200 bpd with proven reserves of 143 million barrels of oil, as well as a 36-percent stake in OCP Pipeline.

October 2005: CNPC purchases Canada-registered firm PetroKazakhstan for US$4.18 billion. CNPC subsequently cedes 33 percent of its shares to Kazakhstan's KazMunaiGas.

August 2006: CNOOC signs three new product-sharing contracts with Husky Oil China Ltd. for the exploration of deep-water oil blocks in the South China Sea.

December 2006: China's CITIC Group gains a 100-percent stake in Nations Energy Co. Ltd. when it buys its Karazhanbas oil and gas field in Kazakhstan for US$1.91 billion. The field contains proven reserves of over 340 billion barrels of oil and currently produces over 50,000 bpd, which CITIC Group can develop until 2020.

June 2007: CNPC wins the exploration rights to 11 sections of a 258.6-kilometer oil sands project. The project is said to eventually yield 220,000 bpd. This is the first instance of a direct purchase of a controlling stake made by a Chinese company into the oil sands.

January 2008: Atomic Energy of Canada Ltd. and the Nuclear Power Institute of China sign an MOU for collaborative research and development of nuclear technology that uses less uranium in response to a possible future shortage of the fuel.

April 2008: More than 100 private Chinese oil producers intend to invest a total of US$30 million to establish 40 biodiesel bases in Canada to facilitate fuel exports to China.

June 2008: Husky Energy signs an accord with CNOOC to add exploration Block 63/05 to its acreage in the South China Sea.

December 2008: Sinopec completes the acquisition US$2 billion of Canada-listed Tanganyika Co. which produces heavy oil in Syria. Tanganyika's board of directors is replaced with Sinopec appointees and the company is delisted from the Toronto Stock Exchange.

April 2009: Sinopec buys a 10-percent interest in Total E&P Canada's Northern Lights Oil Sands Project, adding to the 40-percent interest it purchased in the project from Synenco Energy in 2005.

April 2009: CNPC approaches PetroCanada and Suncor Energy to purchase their offshore assets in Libya and Syria valued at US$5 billion.
April 2009: China Gas Holdings Ltd. forms a strategic partnership with IMW Industries Ltd. to develop compressed natural gas for natural gas vehicles in China and around the world. IMW will supply a minimum of 120 compressed natural gas fuelling stations over the next three years.

June 2009: Consolidated Thompson Iron Mines Ltd. signs a deal with China's Wuhan Iron and Steel (Group) Corp. for a US$240 million investment that will help fund the development of the company's Bloom Lake project.

June 2009: CNOOC and PetroChina plan to bid for a 35-percent stake in InterOil's proposed US$4.5 LNG project in Papua New Guinea, worth US$500 million.

July 2009: CIC acquires a 17.2-percent stake in Teck Resource Ltd. for US$1.5 billion.
The acquisition of 101.3 million Class B shares provides CIC with a 6.7-percent voting share in the company.

September 2009: CNPC pulls out of the C$499 million agreement it signed in April to purchase Verenex Energy, which includes its 50-percent share of the Area 47 property in Libya, following the Libyan government's refusal to approve the deal.

September 2009: China's largest nickel trader is taking a 15-percent stake in Royal Nickel Corp., a privately held junior miner led by a group of former Inco executives, including ex-chief executive officer Scott Hand.

October 2009: Zijin Mining Group Co. says it agrees to buy 12.8 percent of the enlarged outstanding shares of Canada-listed Continental Minerals Corp. for C$22.6 million.

October 2009: CIC agrees to invest US$500 million in a Mongolia-focused Canadian-listed coal company.

February 2010: CIC has been quietly accumulating stakes in resource firms including Canada's Kinross Gold Corp. and Potash Corp. of Saskatchewan, according to a filing with securities regulators.

February 2010: PetroChina Co. completes a C$1.9 billion acquisition of a 60-percent working interest in Athabasca Oil Sands Corp.'s MacKay River and Dover oil sands projects.

March 2010: The State Grid Corporation of China (SGCC), a state-owned public utility, plans to cooperate with Canadian miner Quadra Mining Ltd. to jointly develop copper mines in Chile, to secure raw material supplies for electric cables and to expand its investment portfolio.

April 2010: Jinchuan Group Ltd., a China-based non-ferrous metallurgical and chemical engineering enterprise, has made an offer to acquire all of the common shares of Crowflight Minerals, Inc., a Canada-based junior mining company, in consideration for an aggregate cash payment of C$150 million.

May 2010: CNPC signs an MOU with the province of Saskatchewan to help the province develop its energy assets.

May 2010: PetroChina Co. Ltd. announces its intention to build a heavy oil refinery in Canada with an annual production rate of 20 million tonnes of oil.

May 2010: CIC signs an agreement with Penn West Energy Trust to form a partnership to develop Penn West's bitumen assets in the Peace River area of Alberta through its wholly-owned subsidiary. CIC will invest C$817 million and will acquire a 45-percent stake in the project while Penn West will invest C$1.8 billion and retain a 55-percent stake. CIC also invests C$435 million for a five-percent equity stake in the trust.

June 2010: Tongling Nonferrous Metals Group Holdings Co. and the China Railway Construction Corp. have jointly acquired a 96.9-percent stake in the Canadian mining company Corriente Resources Inc.

June 2010: The Canadian government approves Sinopec International Petroleum's purchase ConocoPhillips' 9.03-percent stake in Syncrude Oil Sands Project for US$4.65 billion. This is China's second largest investment in North America.

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11

KENNY ZHANG

ASIA PACIFIC FOUNDATION OF CANADA FONDATION ASIE PACIFIQUE DU CANADA
25TH ANNIVERSARY 25IÈME ANNIVERSAIRE

FLOWS OF PEOPLE AND THE CANADA-CHINA RELATIONSHIP

Executive Summary

The movement of people between Canada and China flows in two directions. China has become the leading source of immigrants to Canada, and one of the most important sources of students and tourists. At the same time, China has become a major magnet for Canadians (and other nationalities) in their search for better job opportunities and education.

The same economic forces that have transformed China's place in global production, trade and finance have also affected human resources. China is no longer an exporter of labour but has become a magnet in attracting foreign talent. The popular perception that immigrants to Canada who return to their native countries have "failed" or are "opportunists" is misguided.

The Chinese community in Canada has changed, is changing and will continue to change in many ways that will have profound impacts on Canada-China relations. What the Chinese Canadian community looks like today is as diversified within the group as the diversity in Canadian society as a whole. Chinese Canadians are more visible in certain locations, schools, occupations and industries. This poses new challenges for Canada and all Canadians in terms of understanding Chinese communities as part of Canada's multicultural society and not as a homogenous group.

Nor can Canada afford to ignore a growing body of Canadians, native-born or naturalized, who choose to live in China, an emerging global powerhouse. More fundamentally, Canadian communities in China can play an important role and potentially be of great benefit to Canada.

Canada-China people flows will increasingly be characterized by two-way movements and by transnational citizens with personal, business and emotional attachments on both sides of the Pacific. While there are many challenges that arise from diaspora-like populations at home and abroad, the phenomenon of international labour mobility—especially of the most talented (and sometimes the most notorious)—is here to stay. The challenge for policy is to take a holistic and multigenerational view of transnational citizens, rather than to treat international mobility as a problem.

Canada must embrace a forward-looking China policy if it is to take advantage of its Canadian diaspora living in China and the growing number of talented individuals from China who choose to make Canada their home. Canada will increasingly have to compete with other nations to attract Chinese immigrants, and with China as a destination for workers and international students.

Of all the reasons for Canada to have a robust and forward-looking China policy, people-to-people linkages is arguably the most fundamental. Currently, the flow of people between Canada and China is unmatched by any other Organisation for Economic Co-operation and Development (OECD) country.

Seen in this light, the Canada-China human capital nexus is a unique focal point for relations between Ottawa and Beijing. While other countries are lining up to sign trade and investment deals with China, Canada can go a step further and investigate the possibility of an agreement on human capital. Such an agreement could encompass issues such as citizenship, visa, education and training, professional accreditation, social security, taxation and even extradition. Given the large number of Canadians and Chinese with deep connections across the Pacific, it is a certainty that these bilateral issues will become bigger policy challenges for Beijing and Ottawa in the years ahead. There is an opportunity

now to address these issues in a comprehensive fashion, and to turn potential problems into a competitive advantage for the bilateral relationship.

Introduction

The movement of people across international borders has significant implications for international relations. Today, the flow of people between Canada and China has become varied and complex, reflecting changing economic and social circumstances in the two economies and the evolving relationship between Canada and China.

China is a major source country for immigrants to Canada. The concentration of Chinese immigrants in major cities such as Toronto, Vancouver and Montreal has implications not only in terms of their settlement and integration but also for shaping foreign policy. Diaspora politics and transnational business networks have the potential to affect Canada-China relations in ways that are generally not well understood. Furthermore, a sizable community of Canadian citizens has moved to live in Greater China.[1] The push and pull factors of "Canadians Abroad," who number around 600,000 in Asia and about 2.8 million globally,[2] are also not well understood but have profound implications for citizenship, consular services, public finance, healthcare, border security, international business, research and innovation and more.

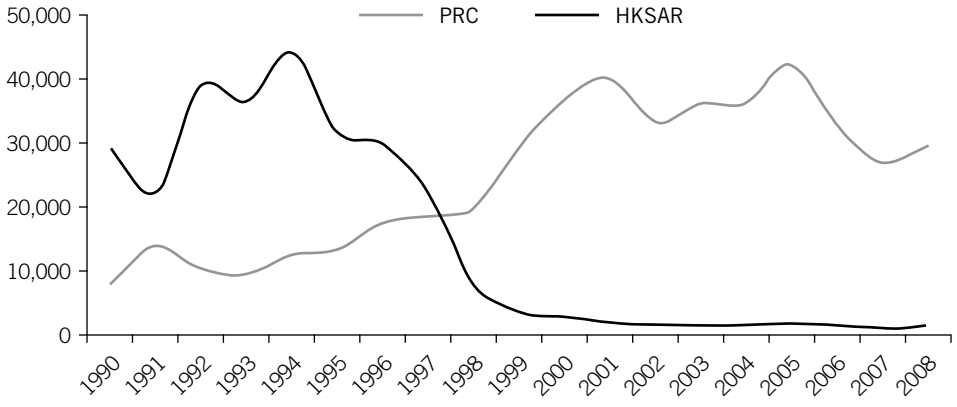
Emerging Trends

1 Increasing the Flow of People from China to Canada

Immigrants

China has become the leading source country of newcomers to Canada since 1998. However, Chinese immigration to Canada dates back to 1788 when the first Chinese settled in Canada.[3] The history of Chinese immigrants in Canada and their contribution to nation-building is well documented.[4] Over the last two decades, Canada has welcomed on average about 24,000 new immigrants from China each year, about 10 percent of the 220,000 new immigrants that arrive in Canada annually.[5]

Figure 1: Immigrants to Canada from PRC and HKSAR (1990–2008)



Source: Citizenship and Immigration Canada, "Facts and Figures 2008: Immigration Overview." Various years.

1 Greater China is a term used to refer to commercial ties and cultural interactions among ethnic Chinese. Usage of the term here includes only mainland China, Hong Kong, Macau, and Taiwan.

2 Don DeVoretz, "Canada's Secret Province: 2.8 Million Canadians Abroad," Asia Pacific Foundation of Canada, *Project Paper Series* #09-5, October 29, 2009, http://www.asiapacific.ca/sites/default/files/filefield/PP_09_5_DD_estimate_0.pdf (Accessed April 30, 2010).

3 CBC News Online, June 10, 2004.

4 Wai-man Lee, *Portraits of a Challenge: An Illustrated History of the Chinese Canadians* (Toronto: The Council of Chinese Canadians in Ontario, 1984).

5 Citizenship and Immigration Canada, "Facts and Figures 2008: Immigration Overview," Various years, http://www.cic.gc.ca/english/resources/statistics/menu-fact.asp (Accessed September 22, 2009).

Since 1989, the number of new immigrants from the People's Republic of China (PRC) each year has nearly tripled, growing from less than 10,000 a year to a peak of over 40,000 in 2005. Those numbers fell to about 30,000 annually in 2006 and 2007, but bounced back up again in 2008 with a year-on-year increase of 9 percent to 29,336 (see Figure 1).

Between 1998 and 2008, an estimated 363,760 Chinese nationals emigrated to Canada, accounting for 14 percent of all new immigrants.

There was a small uptick in immigration from China following the Tiananmen Square incident in 1989 when the Canadian government granted all Chinese citizens in Canada landed immigrant status. Since then, the annual inflow of Chinese immigrants has enjoyed a steady increase. It further grew in the mid-1990s when the Canadian government started accepting applications from skilled workers in the PRC through its Point System.[6]

The terrorist attacks in the United States on September 11, 2001 fundamentally changed immigration patterns to Canada. Just two months after the tragedy, Canada amended its Immigration Act to speed up the implementation of security measures, which in turn slowed down the processing of all new applications, including those from the PRC. As a result, the number of arrivals from China fell by 10–18 percent between 2002 and 2004.

Immigration from China reached a peak of 42,292 in 2005 after the Canadian government lowered the pass-mark in its Federal Skilled Worker program from 75 points to 67.[7] Since 2005, however, a backlog of applications in the skilled worker category has developed and the number of immigrants has tapered off. This has also been due to increasing employment opportunities in China and ridiculously long waiting times. Many applicants, for example, have had to wait for as long as six years in China before they are told whether they qualify to move to Canada.

In 2008, Canada attempted to streamline its immigration system in order to process applicants faster. Some of the most notable reforms included eliminating Citizenship and Immigration Canada's obligation to process every application and granting the Minister of Immigration the power to issue instructions to immigration officers as to whether applications could be processed or not. The effects were dramatic: new arrivals from China surged 8.6 percent in 2008. By contrast, the number of all immigrants to Canada that year rose a year-on-year 4.4 percent.

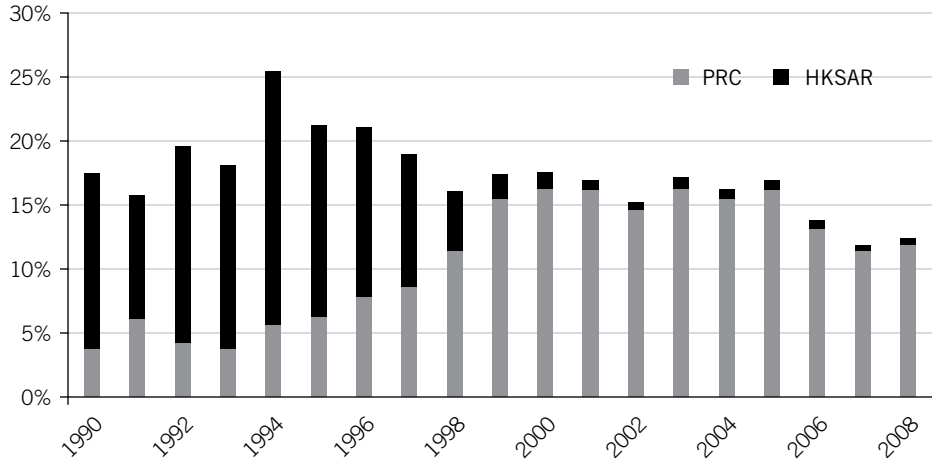
What is interesting to note is that immigration from Hong Kong and mainland China took on very different characteristics. Hong Kong became a Special Administrative Region (HKSAR) of China on July 1, 1997 under the 1984 Sino-British Joint Declaration. Between 1984 and 2008, an average of 14,500 immigrants moved from Hong Kong to Canada each year for a total of 362,522 immigrants. Nearly 93 percent (335,646) of all Hong Kong immigrants emigrated to Canada between 1984 and 1997, while just 7 percent (26,876) arrived in the post-1997 period. In other words, the average number of Hong Kong residents who emigrated to Canada after 1997 dropped almost 90 percent (from 23,975 to 2,443).[8] Overall, Chinese immigrants from the PRC and the HKSAR made up an average of 18 percent of Canada's total immigrant intake between 1998 and 2008.

6 A system introduced in 1967, the Point System is used to assess the eligibility of applications from skilled workers and professionals according to a set of criteria designed by the Minister of Citizenship, Immigration and Multiculturalism.

7 "New Point Qualification for Canada," Immigration and Visas International, September 18, 2003, http://www.immigrationandvisas.com/canada/canadanewpassmark.htm (Accessed April 23, 2010).

8 Ibid.

Figure 2: Share of Immigrants from PRC and HKSAR in Total Intakes of Canada (1990–2008)



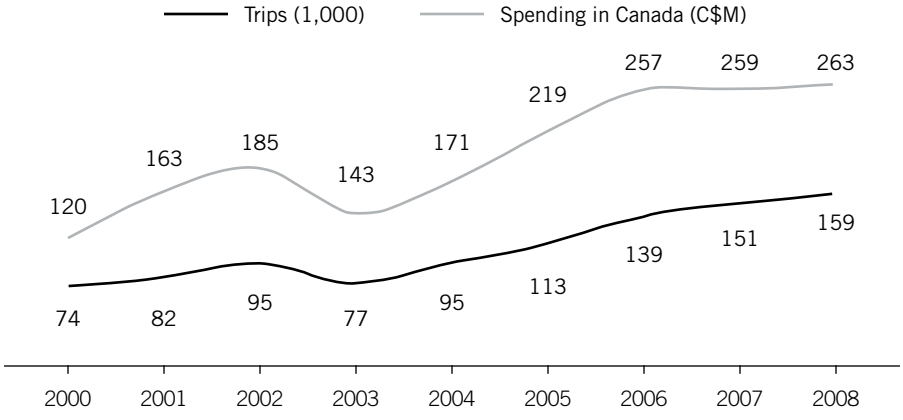
Source: Citizenship and Immigration Canada, "Facts and Figures 2008: Immigration Overview." Various years.

Tourists

China is currently the ninth major source country of overnight travelers to Canada, up from fourteenth just eight years ago.

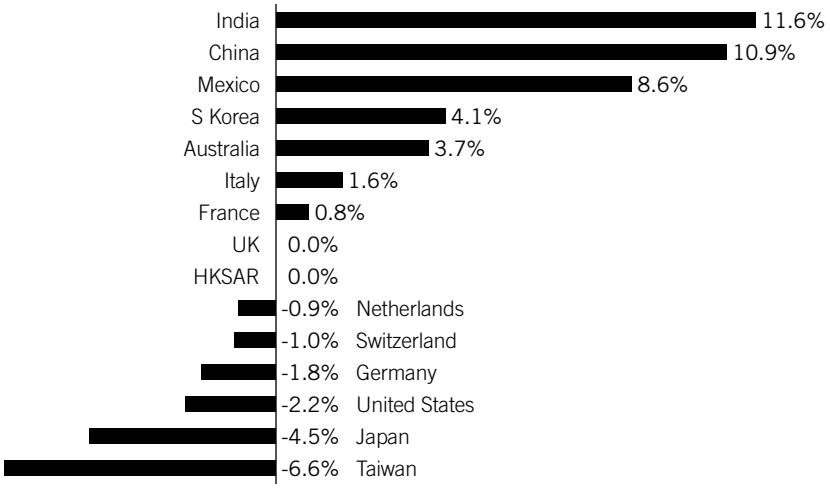
Trips to Canada from the PRC each year grew at an average rate of 11 percent year-on-year between 2000 and 2008, rising from a total of 74,000 to 159,000. (The exception was in 2003, when the outbreak of Severe Acute Respiratory Syndrome or SARS curtailed much international travel.) In 2008, the 159,000 visitors from China represented 1 percent of all international arrivals in Canada from a list of 15 source countries, up from the 0.4 percent recorded in 2000. China and India had the highest growth in travellers to Canada between 2000 and 2008, followed by Mexico, South Korea, Australia, Italy and France. By contrast, traditional sources of travelers to Canada, such as Japan, the U.S. and some European countries, posted negative growth.

Figure 3: Travelers to Canada from PRC (2000–2008)



Source: Statistics Canada, "Travelers to Canada by Country of Origin, Top 15 Countries of Origin."

Figure 4: Average Growth of Travelers to Canada by Top Source Countries of Origin (2000–2008)

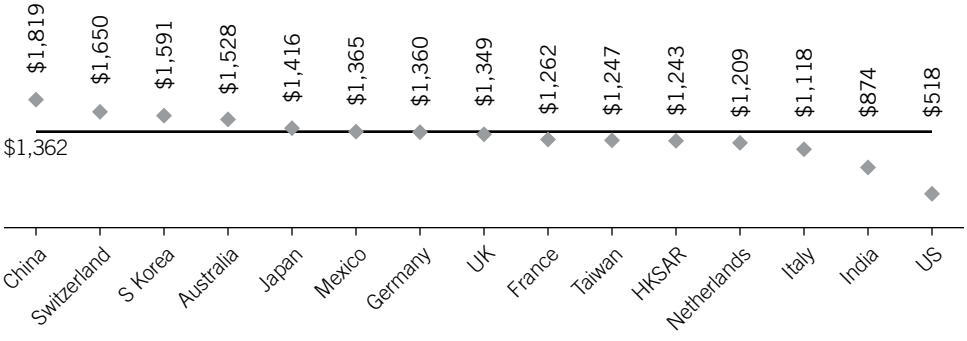


Source: Statistics Canada, "Travelers to Canada by Country of Origin, Top 15 Countries of Origin."

The number of arrivals from China has risen steadily, despite the fact that Canada just concluded an agreement with China for Approved Destination Status (ADS) in December 2009.[9]

From 2000 to 2008, Chinese travelers spent an average of $1,819[10] during the time they were in Canada, the highest among all travelers from the top 15 source countries. In 2008, the overall spending of Chinese travelers in Canada reached $263 million, up from $120 million in 2000. The total spending by Chinese travelers to Canada represented 2.3 percent of the total that travelers from the top 15 source countries spent in the country.

Figure 5: Travelers' Spending in Canada per Trip by Top Source Countries of Origin (2000–2008)



Source: Statistics Canada, "Travelers to Canada by Country of Origin, Top 15 Countries of Origin."

It is widely expected that the ADS will boost the number of visitors to Canada from China by up to 50 percent by 2015. This will translate into up to 50,000 more Chinese arrivals per year in Canada and add $100 million a year in increased revenue for the Canadian tourism industry.[11]

9 The ADS scheme is a bilateral tourism arrangement that facilitates travel by Chinese tour groups to other countries. In December 2009 when Prime Minister Stephen Harper visited China for the first time, Beijing granted Canada as a newly ADS country for Chinese tourists. To date, China has granted 135 countries and regions ADS had granted 95 countries or regions the ADS including the US and many EU and African countries.

10 Unless otherwise noted, all dollar amounts are assumed to be in Canadian dollars.

11 K. Zhang, "Why Gaining the ADS Is Just the beginning?" *China Business Magazine* Vol. 13 (January 2010): 20–22.

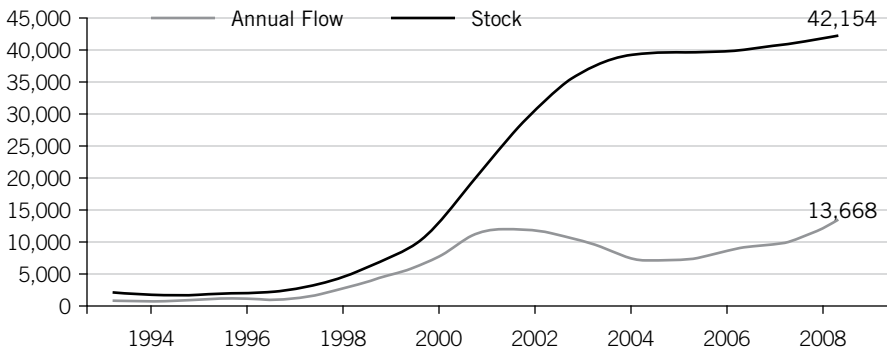
International Students

The number of Chinese students in Canada has grown significantly from just a few hundred a year in the mid-1990s to close to 10,000 a year in the last seven or eight years (see Figure 6). Currently, Chinese students represent 15 percent of Canada's annual intake of international students.

Since 2000, China has been the second largest source country of international students in Canada. In terms of the total number of international students studying in Canada, China has topped the list since 2001.

The stock of Chinese students in Canada has increased much faster than the flow. By December 2008, 42,154 Chinese students were studying in Canada, up from just a couple of thousand in the mid-1990s. Today, nearly one in four foreign students in Canada is from China.

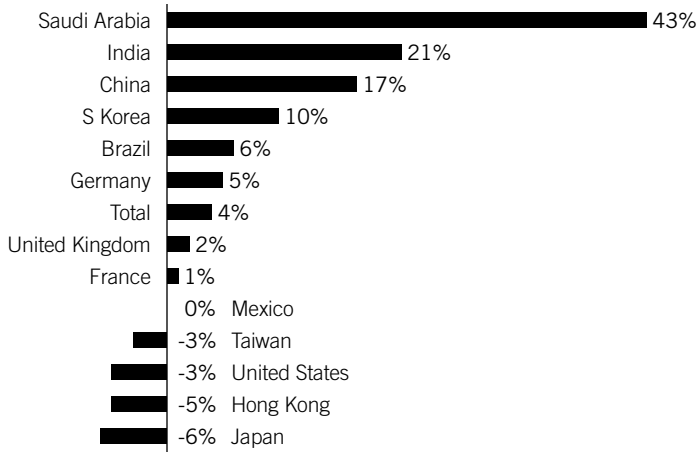
Figure 6: International Students to Canada from PRC (1994–2008)



Source: Citizenship and Immigration Canada, "Facts and Figures 2008: Immigration Overview." Various years.

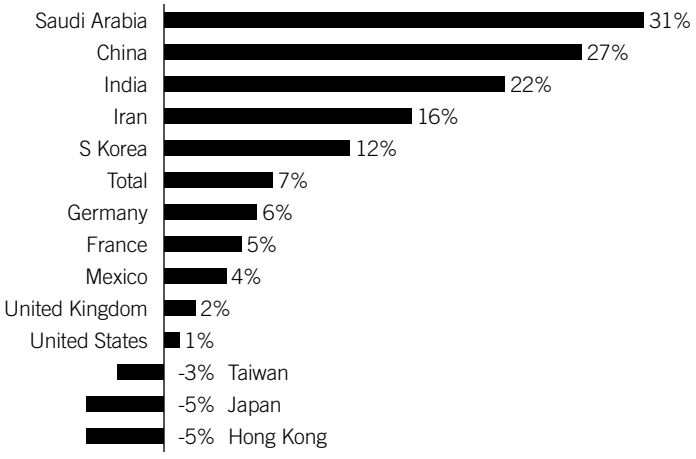
Student entries from China increased at a clip of about 17 percent a year from 1999 to 2008, ranking China third among Canada's top source countries. The total number of students studying in Canada grew even faster—at about 27 percent a year, ranking China second on the list of countries (see Figures 7 and 8).

Figure 7: Average Yearly Growth of Students Entries to Canada from Top Source Countries (1999–2008)



Source: Citizenship and Immigration Canada, "Facts and Figures 2008: Immigration Overview." Various years.

Figure 8: Average Yearly Growth of Students Stocks in Canada from Top Source Countries (1999–2008)



Source: Citizenship and Immigration Canada, "Facts and Figures 2008: Immigration Overview." Various years.

Table 1: Flows of People from China to Canada at the Turn of the 21st Century

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Immigrants											
Arrival	19,790	29,147	36,750	40,365	33,307	36,252	36,429	42,292	33,079	27,013	29,336
Share (%)	11.4	15.3	16.2	16.1	14.5	16.4	15.5	16.1	13.1	11.4	11.9
Rank	1	1	1	1	1	1	1	1	1	1	1
Tourists											
Visit (1,000)	n.a.	n.a.	74	82	95	77	95	113	139	151	159
Share of top 15 origins (%)	n.a.	n.a.	0.4	0.4	0.5	0.5	0.5	0.6	0.8	0.9	1.0
Rank	n.a.	n.a.	14	14	13	12	12	10	9	9	9
International Students											
Annual Entry	1,985	4,339	6,687	11,446	11,814	10,140	7,462	7,434	8,988	10,032	13,668
Share (%)	4.7	7.4	9.7	14.1	15.4	14.5	11.3	11.0	12.5	13.5	17.2
Rank	6	4	2	2	2	2	2	2	2	2	2
Stock	3,505	6,465	11,055	20,415	29,807	36,611	39,296	39,592	39,843	41,087	42,154
Share (%)	4.1	6.6	9.7	14.9	19.8	22.9	23.8	23.7	23.4	23.3	23.7
Rank	7	4	3	2	1	1	1	1	1	1	1
Foreign Workers											
Annual Entry	933	1,182	1,166	1,196	1,313	1,127	1,288	1,407	1,696	2,655	2,321
Share (%)	1.4	1.1	1.0	1.0	1.2	1.1	1.1	1.1	1.2	1.6	1.2
Rank	11	12	12	13	13	14	14	15	14	12	15
Stock	841	1,213	1,338	1,588	1,824	1,950	2,427	3,080	4,206	6,632	8,534
Share (%)	1.1	1.5	1.5	1.6	1.8	1.8	1.9	2.2	2.6	3.3	3.4
Rank	n.a.	14	14	14	13	13	13	13	13	13	9
1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998

Source: Citizenship and Immigration Canada, "Facts and Figures 2008: Immigration Overview." Various years; Statistics Canada, "Travelers to Canada by Country of Origin, Top 15 Countries of Origin."

On September 17, 2008, Canada introduced a new Canadian Experience Class (CEC),[12] which should make Canada more competitive in attracting and retaining individuals with the skills the country needs.

Foreign Workers

Historically Canada has brought in temporary workers from countries such as the U.S., the Philippines, France, Australia and the United Kingdom. China has not been among the top ten. But in 2008, 2,321 Chinese workers entered Canada as foreign temporary workers, which drove up the total stock of temporary workers from the PRC in Canada to 8,534, putting China in the ninth spot. Temporary workers from China represent just 1.2 percent of the total number of workers Canada brought into the country in 2008. In terms of the total stock of temporary workers in Canada, less than four in 100 are from China.

2 Changing the Direction of Mobility

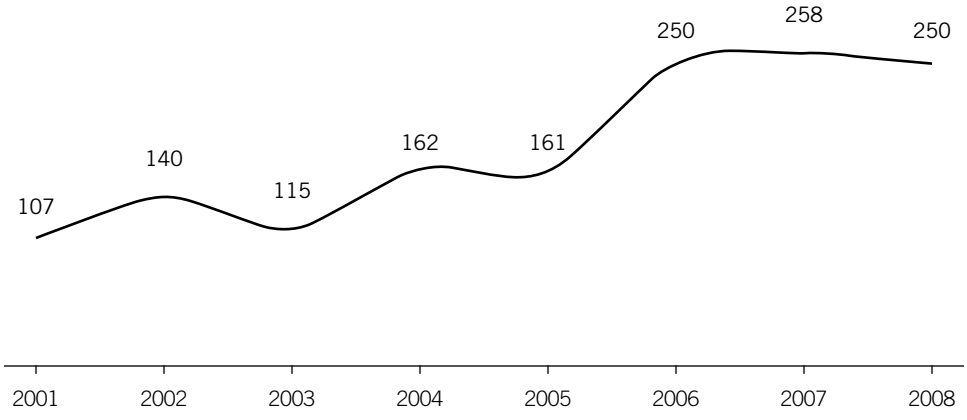
While Canada competes in the global marketplace for immigrants, China is becoming a magnet for skilled and well-educated immigrants from around the world—especially those of Chinese origin who have degrees from Western universities. Today the movement of people between Canada and China flows in both directions. More and more Canadians (both of Chinese and non-Chinese origin) are going to China to visit, work, study and live.

Tourists

China also has become an appealing destination for Canadian tourists. In the last three years, Canadians have made over 250,000 visits a year to China. But the number of visits annually remains quite low—less than 1 percent of the total number of trips Canadians make abroad.

The 1 percent share of visits to China suggests there is potential for growth. In the last nine years, the number of Canadians visiting China grew by about 16 percent annually, the third fastest growth among all destinations and the fastest growth in Asia.

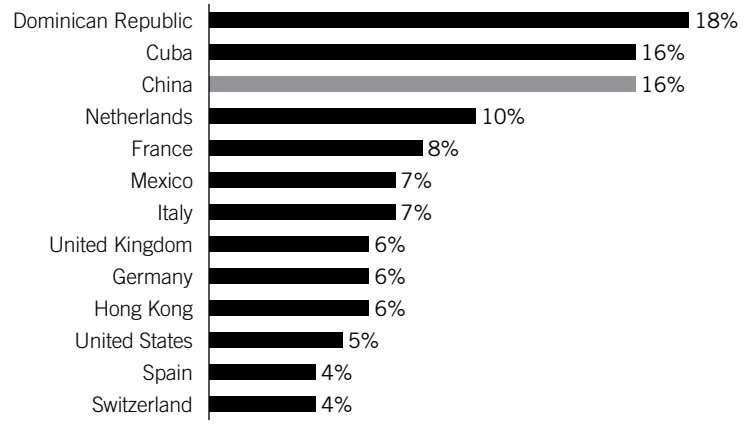
Figure 9: Visits by Canadians to China 2001–2008 (1,000)



Source: Statistics Canada, "Travel by Canadians to Foreign Countries, Top 15 Countries Visited."

12 The Canadian Experience Class is a new avenue of immigration for certain temporary foreign workers and foreign student graduates with professional, managerial and skilled work experience. Unlike other programs, the Canadian Experience Class allows an applicant's experience in Canada to be considered a key selection factor when immigrating to Canada. Citizenship and Immigration Canada, "Canadian Experience Class Now Open for Business," *News Release*, September 5, 2008, http://www.cic.gc.ca/english/department/media/releases/2008/2008-09-05c.asp (Accessed September. 23, 2009).

Figure 10: Average Annual Growth of Visits by Canadians to Top Foreign Destinations (2001–2008)



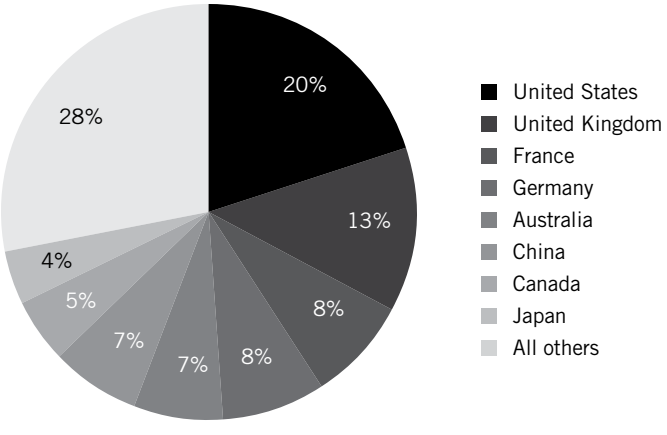
Source: Statistics Canada, "Travel by Canadians to Foreign Countries, Top 15 Countries Visited."

International Students

The PRC has grown into a major destination for international students over the last decade. According to China's Ministry of Education, there were more than 223,499 international students attending 592 Chinese universities or other educational institutions from 189 countries and regions in 2008.[13] That number represented a 14 percent increase over 2007.

China has surpassed Canada as one of the top destinations for post-secondary international students. In 2008, the U.S. was the top destination for students globally and attracted 20 percent of all the international students studying overseas. China was the sixth most popular destination with 7 percent of all international students, while Canada attracted 5 percent. [14]

Figure 11: Global Destinations for International Students at the Post-Secondary (Tertiary) Level, 2008



Source: Atlas of Student Mobility, "Global Destinations for International Students at the Post-Secondary (Tertiary) Level, 2001 and 2008."

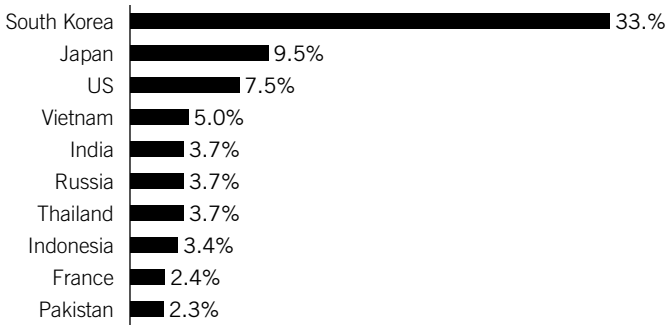
13 "2008 Niandu Lai Hua Liuxue Renshu Shouci Tupo 20 Wan," ("2008 School Year Sees the Number of Chinese Foreign Students Surpass 20,000 for the First Time,") Study in China, http://www.studyinchina.net.cn/publish/portal19/tab787/info9970.htm (Accessed on April 26, 2010).

14 "China, People's Republic (2008)," Atlas of Student Mobility, http://www.atlas.iienetwork.org/page/48027/ (Accessed April 23, 2010).

The exact number of Canadian students in China is unknown because China only provides figures for the top ten countries of origin, and Canada is not on that list. By some estimates, however, the number of Canadian students in China does not exceed 5,000.

This is likely to change, however, for several reasons. China is actively promoting itself as a major destination for international students. The Chinese government through its scholarship program (CGSP) is increasing the funds it makes available to foreign students. In 2008, 13,516 international students, or 6 percent of all international students in China, received Chinese government scholarships to study in China, an increase of 33 percent over 2007.

Figure 12: Top 10 sending places of origin and percentage of total internationl student enrollment in China



Source: Atlas of Student Mobility, "China, People's Republic (2008)."

Foreign Workers

Two years ago, a Washington Post story reported that a growing number of the world's emigrants are heading East, rather than West, in search of better opportunities.[15] Today, in the wake of the worst financial crisis since the Great Depression, "Go East" is a message that is gaining a lot of credibility among Asians and non-Asians in North America and Europe, who see brighter job prospects in a region that is expected to outperform the West economically. "If you're in London you're in the wrong place at the wrong time … You gotta move east."[16]

The gap between China and Canada's economic growth has only widened in the last ten years. While China has posted average growth rates of over 9 percent, Canada's economy has only grown an average of 3 percent a year over the same period. Canada's economy grew at 2.4 percent during the first quarter of 2009. By contrast, the Chinese economy grew at a rate of 6.1 percent.

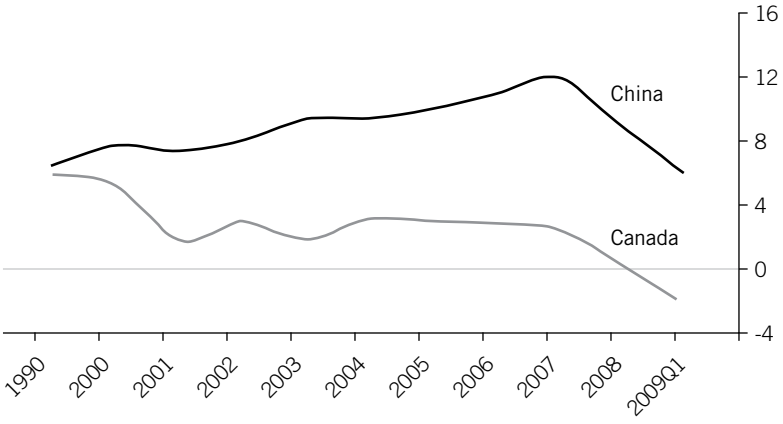
In Canada, the unemployment rate climbed to 8.4 percent in May 2009, its highest in 11 years. It is inevitable that more Canadian graduates will have to look for job opportunities elsewhere, including teaching English as a second language (ESL).[17]

15 Ariana Eunjung Cha, "Chasing the Chinese Dream," *Washington Post*, October 21, 2007, http://www.washingtonpost.com/wp-dyn/content/article/2007/10/20/AR2007102000530.html (Accessed July 27, 2009).

16 Eveline Danubrata, "Asians to Fill Talent Gap, Boost Innovation," *Vancouver Sun*, July 7, 2009. http://www.vancouversun.com/business/asia-pacific/Asians+fill+talent+boost+innovation/1766289/story.html (Accessed July 27, 2009); Hannah Seligson, "American Graduates Finding Jobs in China," *New York Times*, August 11, 2009, http://www.nytimes.com/2009/08/11/business/economy/11expats.html?_r=1 (Accessed August 31, 2009); "Fu Zhongguo Mi Zhi Jia Mei Wei Chengfeng," ("Going to China for Jobs Popular in Canada and the US.") *World Journal*, September 20, 2009, http://van.worldjournal.com/pages/full_van/push?article-%E8%B5%B4%E4%B8%AD%E5%9C%8B%E8%A6%93%E8%81%B7+%E5%8A%A0%E7%BE%8E%E8%94%9A%E6%88%90%E9%A2%A8%20&id=3663168&instance=bcnews (Accessed September 22, 2009).

17 Nina Lex, "More Canadians Seek Work Teaching English Overseas," *National Post*, June 26, 2009, http://www.nationalpost.com/news/canada/story.html?id=1736363 (Accessed July 27, 2009).

Figure 13: Annual GDP Growth Adjusted by Inflation (1999–2009)



Source: Trading Economics.

The Chinese economy is one of the most robust in the world, and brighter job prospects are attracting many people to move to the mainland.[18]

National, provincial and municipal governments are actively encouraging Chinese citizens who have trained overseas to return to China. In 2004, Beijing launched a "Green Card" system, for example, which allows qualified foreigners to work in China permanently.[19] By the end of 2005, more than 90,000 foreign workers in China held work permits. That number doubled to 180,000 in 2006 and climbed to 210,000 in 2007.[20] In Shanghai, a popular destination for economic migrants, foreign workers with legal work permits numbered 68,648 by the end of November 2008, nearly 30 percent of all legal foreign workers in the country. The number has increased roughly 13 times since the work permit registration system was initiated in 1996. The top ten source countries, including Canada (the seventh largest), represent 80 percent of all the foreign workers currently in Shanghai.[21]

Like many other nationals, Canadians are being lured by the economic opportunities available in Asia, particularly in China. Although the exact number and profile of Canadians working in China is unknown because there are no reliable statistics available, recent press reports and studies by the Asia Pacific Foundation of Canada (APF Canada) offer a few clues. For examples, according to a Chinese survey in 2008,[22] the composition of foreign workers in China has undergone a number of changes. Unlike in the past, younger people outnumber retirees; top-level talent has replaced mid-level talent and workers are staying longer. The survey also suggests that most foreign workers in China are highly skilled.

18 "Laowai Zai Zhongguo," ("Foreigners in China"), http://view.news.qq.com/zt/2007/laowai/index.htm (Accessed April 27, 2010)

19 Ministry of Foreign Affairs of the People's Republic of China, "Waiguoren Zai Zhongguo Yongjiu Juliu Shenpi Guanli Banfa," ("China's Permanent Resident Administrative Methods,") http://www.fmprc.gov.cn/chn/pds/fw/lsfw/fgzl/t267618.htm (Accessed July 15, 2009).

20 Ministry of Human Resources and Social Security of the People's Republic of China, "Tonji Gongbao," ("Statistical Communiqué,") Various years, circa 2007, http://w1.mohrss.gov.cn/gb/zwxx/ghytj.htm (Accessed July 27, 2009).

21 "Foreign Workers in Shanghai Increased 13 Times in 13 Years," *Oriental Morning Post*, December 31, 2008, http://www.lm.gov.cn/gb/employment/2008-12/30/content_271511.htm (Accessed July 27, 2009).

22 "Zai hua Waiguoren Fen Jieceng Diaocha," ("Survey of Stratifications of Foreigners in China,") *Xinhua*, February 21, 2008, http://news.xinhuanet.com/world/2008-02/21/content_7639618.htm (Accessed July 27, 2009).

A report commissioned by the APF Canada[23] found that Canadians in China are made up mainly of three groups: employees of Canadian or multinational corporations; Canadian students and teachers; and Chinese-Canadians who return for business or other reasons.

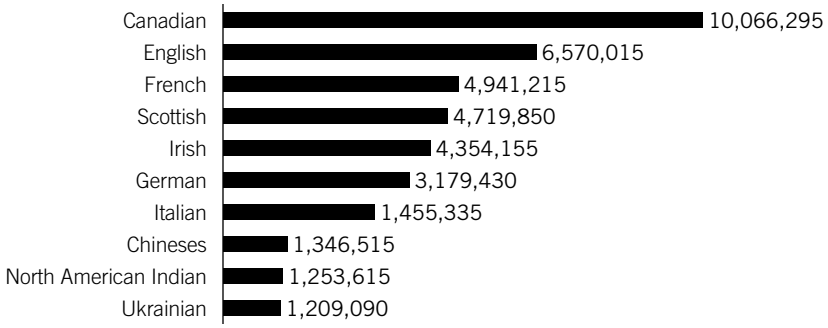
To sum up, China is no longer a country that just produces immigrants. It has become a magnet for professionals and students from around the world seeking better job opportunities and a good education. Perceptions several years ago that Chinese immigrants to Canada who return home have "failed" in some way, are out of date.

3 Redefining the Diaspora

Canada's Chinese communities

The Canadian census (2006) reported that over 1.3 million people in Canada claim their ethnic origin to be Chinese.[24] This makes the Chinese community the eighth largest in Canada in terms of ethnic origin, and the largest of Asian origin. From a linguistic perspective, Chinese languages (including Cantonese, Mandarin and other dialects) are the third largest mother tongue group in the country, after English and French. Three percent of the population reported that their mother tongue was one of the Chinese languages.[25]

Figure 14: Canada's Top Ten Communities by Ethnic Origin (2006)



Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

The Chinese community in Canada has changed, is changing and will continue changing in many ways that will ultimately have an impact on Canada-China relations. There is no longer a homogenous Chinese community in Canada. The community has become very heterogeneous despite common places of birth, mother tongues, educational background, citizenship and so on.

People of Chinese ethnic origin are not necessarily newcomers to Canada. Some of them were born in Canada and their families may have lived in Canada for more than two generations. Canadian-born Chinese (CBC) have become a significant phenomenon within the Chinese community. The 2006 Canadian census reported that 27.4 percent of respondents who claimed they were ethnic Chinese were born in Canada. Similarly, the census also reported that 14.3 percent were second generation and 2.3 percent were third generation or more. The majority, or 83.4 percent, however, was first generation Canadians.[26]

23 "Canadians in Guangzhou and Xiamen," Asia Pacific Foundation of Canada, Canadians Abroad Project, *Portrait Report*. (Forthcoming, 2010).

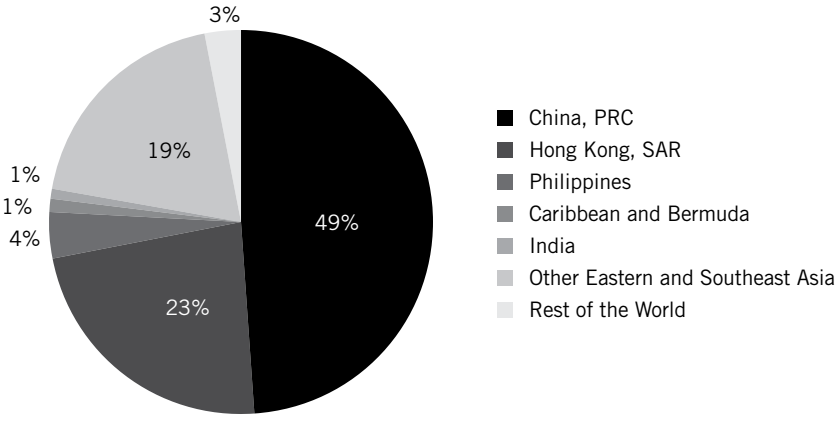
24 Statistics Canada, "2006 Census Data Products," http://www12.statcan.ca/census-recensement/2006/dp-pd/index-eng.cfm (Accessed July 27, 2009). Ethnic origin refers to the ethnic or cultural origin of the respondent's ancestors, as defined by the 2006 census. The 2006 census also reported 17,705 Taiwanese and 4,275 Tibetans.

25 Ibid.

26 Ibid. First generation refers to persons born outside of Canada. Second generation refers to persons born inside Canada with at least one parent born outside of Canada. Third generation refers to persons born inside Canada with both parents born inside Canada.

According to the same census, nearly half of the Chinese immigrants had arrived in Canada from the PRC (49 percent), and 23 percent come from Hong Kong. Others came from the Caribbean and Bermuda, the Philippines, India and other countries in Asia.

Figure 14: Origins of Chinese Immigrants Admitted to Canada



Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

Ethnic Chinese groups may have achieved different skill levels in Canada's two official languages. The census found that nearly 86 percent had some knowledge of English, French or both. Only 14 percent claimed they had no knowledge of English or French.

They may also speak different dialects. Nearly one in five ethnic Chinese reported English or French as their mother tongue. Seventy-nine percent indicated neither English nor French was their mother tongue. One-third reported they spoke English or French most often at home, with about 60 percent saying they spoke other languages most often at home.

Among those whose mother tongues are non-official languages, the number of respondents with a Chinese language as their mother tongue grew from less than 100,000 in 1971 to nearly 900,000 in 2001 and over one million in 2006 (see Table 2). However, the respondents who reported a Chinese language as their mother tongue may actually speak different dialects. In the 2006 census, 'Chinese languages' were broken down into seven major languages: Mandarin, Cantonese, Hakka, Taiwanese, Chaochow (Teochow), Fukien and Shanghainese, as well as a residual category (Chinese languages not otherwise specified).

Chinese immigrants may also be admitted to Canada under different entry categories. Canada's Immigration and Refugee Protection Act establishes three categories of permanent residents, which correspond to major program objectives. These are reuniting families, contributing to economic development and protecting refugees.[27]

Currently, two-thirds of all immigrants to Canada from the PRC are admitted as economic immigrants, including skilled workers, professionals, investors and entrepreneurs. Nearly a quarter of immigrants from China are gaining entry as relatives of family members who already live in Canada. By contrast, only a small margin is being admitted to Canada on humanitarian grounds. Less than 30 years ago, immigrants from the PRC were mainly relatives of people who had already emigrated to Canada, or

27 These three broad categories include 1) economic class, 2) family class, and 3) humanitarian class. In the first category, skilled workers and professionals are admitted on the basis of skills, education, language ability, and occupational background. Qualified immigrants must achieve a minimum score as required in the so-called Canadian Immigration Points System. Other groups of economic immigrants are selected with different criteria, including the amount of capital they have or if they bring entrepreneurial skills to start a business in Canada and either provide jobs for themselves or employ other Canadians. The second category includes immediate family members of Canadian citizens and landed immigrants. The third category includes refugees and all other groups that Canada's *Immigration and Refugee Protection Act* designed to protect.

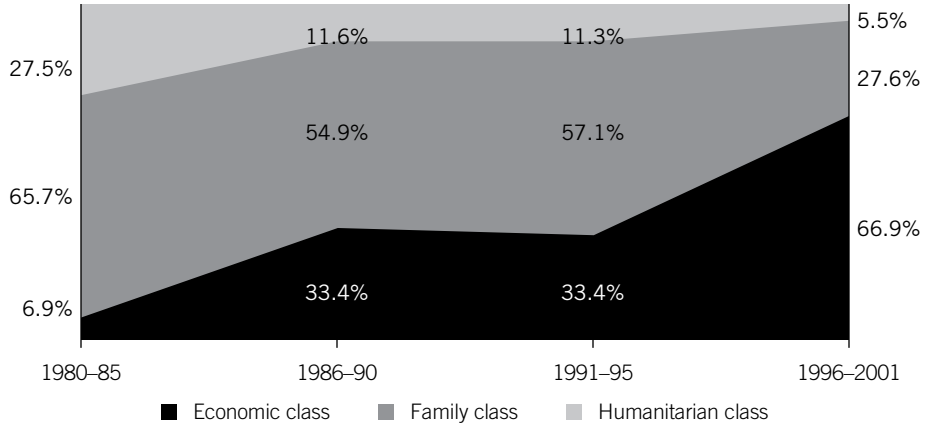
about two-thirds of the total. The humanitarian category was the second largest group, or about a quarter of the total, while economic immigrants made up just 7 percent.

Table 2: The Most Common Non-Official Mother Tongues, 1971, 2001 and 2006

Mother tongues	1971			2001			2006		
	Number	Percentage of non-official mother tongues	Percentage of all mother tongues	Number	Percentage of non-official mother tongues	Percentage of all mother tongues	Number	Percentage of non-official mother tongues	Percentage of all mother tongues
Chinese	**95,915**	**3.4**	**0.4**	**872,400**	**16.4**	**2.9**	**1,034,090**	**16.4**	**3.3**
Italian	538,765	19.2	2.5	493,985	9.3	1.7	476,905	7.6	1.5
German	558,965	19.9	2.6	455,540	8.5	1.5	466,650	7.4	1.5
Punjabi	..	..	..	284,750	5.3	1	382,585	6.1	1.2
Spanish	23,950	0.9	0.1	260,785	4.9	0.9	362,120	5.8	1.2
Arabic	28,520	1.0	0.1	220,535	4.1	0.7	286,785	4.6	0.9
Tagalog	..	..	..	199,770	3.7	0.7	266,440	4.2	0.9
Portuguese	85,845	3.1	0.4	222,855	4.2	0.8	229,280	3.6	0.7
Polish	136,540	4.9	0.6	215,010	4.0	0.7	217,605	3.5	0.7
Urdu	..	..	..	86,810	1.6	0.3	156,415	2.5	0.5
Ukrainian	309,890	11	1.4	157,385	3	0.5	141,805	2.3	0.5

Sources: Statistics Canada, "Table 2: The Most Common Non-Official Mother Tongues, 1971, 2001 and 2006."

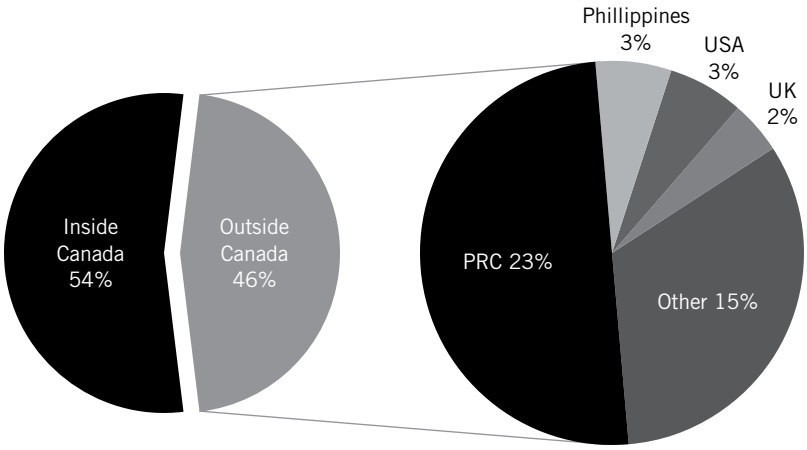
Figure 15: Chinese Immigrants to Canada by Entry Category, 1980–2001



Source: Guo and DeVoretz, "The Changing Face of Chinese Immigrants in Canada."

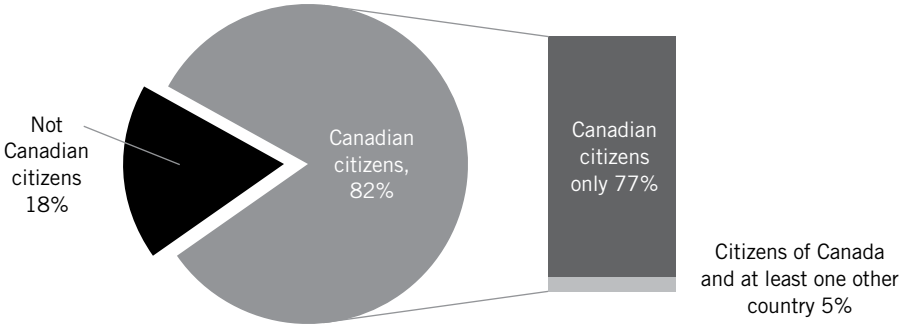
Differences in educational background and citizenship status have all contributed to the diversity of Canada's Chinese community. The 2006 census reported that 55 percent of the ethnic Chinese population 15 years of age and over has a post-secondary certificate, diploma or degree, compared to only 51 percent of all Canadians in the same age group. More significantly, nearly half of all Chinese, compared with 16 percent of all Canadians, received post-secondary education from outside Canada. In addition, 77 percent of the Chinese population holds Canadian citizenship only. Five percent possess both Canadian and at least one other citizenship, and another 18 percent had not yet become Canadian citizens.

Figure 16: Location of Study by Chinese Communities



Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

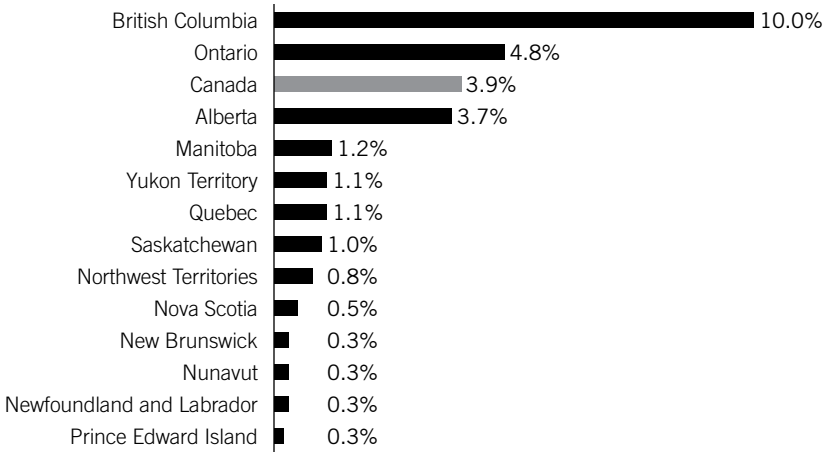
Figure 17: Citizenship of Chinese Community in Canada



Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

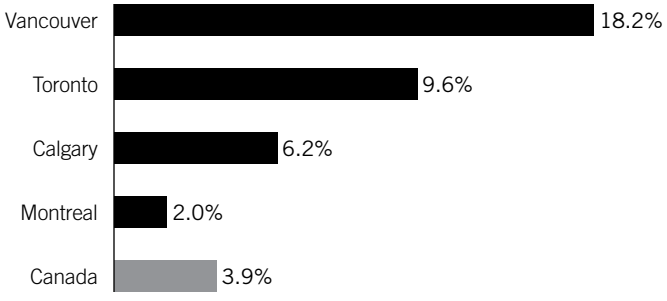
The visibility of the Chinese community varies considerably from province to province, from city to city and from federal election district to federal election district. Ethnic Chinese are most visible in the provinces of British Columbia (10 percent), Ontario (5 percent) and Alberta (4 percent). In other parts of Canada, the odds of seeing a Chinese person are close to or less than one in a hundred. Chinese are concentrated in major cities such as Toronto, Vancouver, Montreal and more recently, Calgary. Their visibility varies from nearly one in five in the census metropolitan area (CMA) of Vancouver, to one in ten in Toronto (CMA), one in twenty in Calgary (CMA) and one in fifty in Montreal (CMA).

Figure 18: Visibility of Chinese By Province (share in total population %)



Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

Figure 19: Visibility of Chinese by City (CMA)



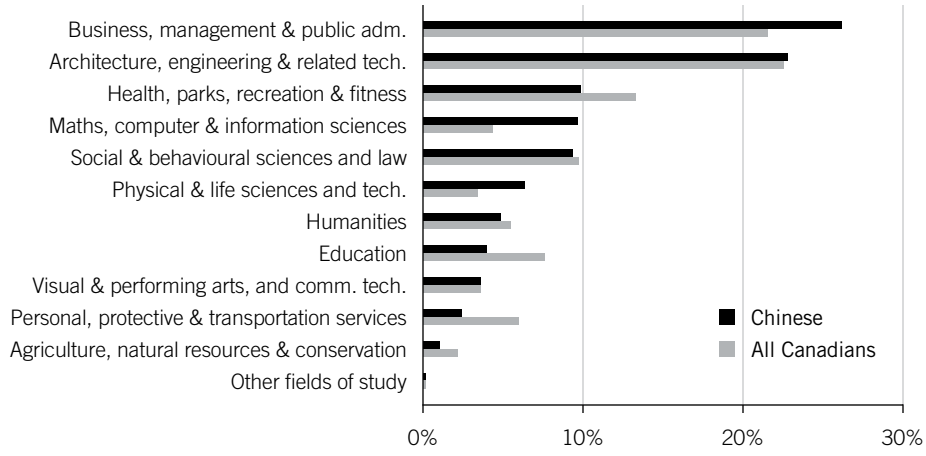
Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

The ethnic Chinese vote is important in some ridings but overall has little impact on Canada's Parliament. The percentage of ethnic Chinese in federal election districts varies considerably from as high as 50 percent in Richmond, BC, to 4 percent in Calgary, to just 0.2 percent in parts of Prince Edward Island.[28]

The visibility of ethnic Chinese also varies in schools and job markets. Like average Canadians, Chinese typically select four areas as their major fields of study in post-secondary education: business, management and public administration; architecture, engineering and related technologies; health, parks, recreation and fitness and social and behavioral sciences and law. But Chinese students are more visible than average Canadians in three applied science and business related areas: mathematics, computer and information sciences; business, management and public administration and physical and life sciences and technologies.

28 Statistics Canada, "Federal Electoral District (FED) Profile, 2006 Census," http://www12.statcan.gc.ca/census-recensement/2006/dp-pd/prof/92-595/p2c.cfm?TPL=INDX&LANG=E, (Accessed April 26, 2010).

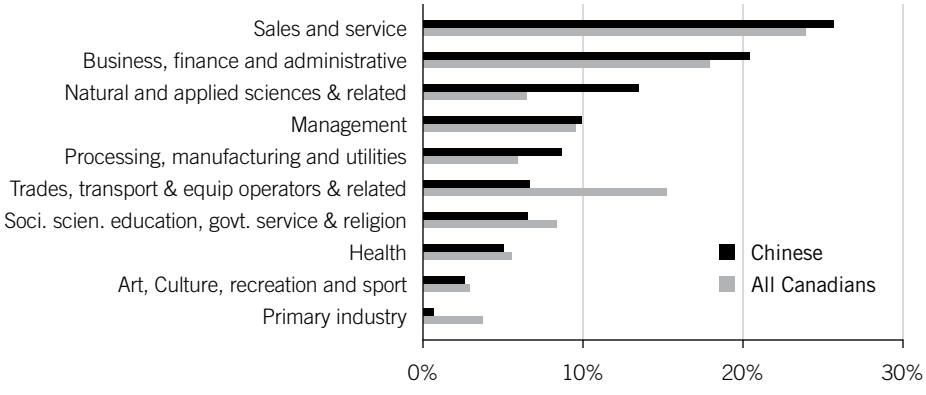
Figure 20: Visibility of Chinese by Major Field of Study in Postsecondary Education



Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

Chinese are more likely to work in occupations related to applied sciences and business, such as natural and applied sciences and related occupations; processing, manufacturing and utilities; business, finance and administrative occupations and sales and service. Chinese are under-represented in certain fields, including equipment operators and related occupations, primary industry, education and government services.

Figure 21: Visibility of Chinese by Occupation



Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

Perhaps not surprisingly, Chinese are more visible than average Canadians in accommodation and food services (restaurant jobs); professional, scientific and technical services (accountants and lawers); finance and insurance (bank jobs); manufacturing (general labour) and wholesale trade (import and export). However, Chinese are less likely than average Canadians to work in construction, agriculture, forestry, fishing and hunting; health care and social assistance and public administration.

Figure 22: Visibility of Chinese by Industry

Source: Statistics Canada, "Special Interest Profiles, 2006 Census—Catalogue No. 97-564-XWE2006007."

The image of Chinese Canadians today is vastly different than it was in the last two centuries when Chinese immigrants were stereotyped as railway coolies, laundrymen and waiters. Hollywood exaggerated the stereotype with movies about opium dens, celestials in pig-tails with knives hidden up their silk sleeves, slant-eyed beauties with bound feet and ancient love potions.[29] What the Chinese Canadian community looks like today is as diversified as Canadian society is as a whole.

Canadians in China

Canadians historically have traveled widely and today an estimated 2.8 million Canadians now live and work abroad.[30] There have always been large numbers of Canadians living outside the country for extended periods, especially in the U.S. There are also many Canadian expatriates working for multinational companies and international organizations around the world. More recently, there is evidence that many immigrants to Canada are returning to their countries of origin to pursue business and professional activities, especially in Greater China.

One of the prominent Canadian pioneers in China was Dr. Norman Bethune (1890–1939), whose spirit of service, courage and innovation continues to inspire Canada-China innovative partnerships today.[31] Nowadays, Canada's Mark Rowswell, known in China as Dashan, has been described as "the most famous foreigner in China," where he has worked as a performer, television host and cultural ambassador for over 20 years. Although relatively unknown in the West, it is hard to find anyone in China who does not know of Dashan.[32]

29 Wai-man Lee, *Portraits of a Challenge: An Illustrated History of the Chinese Canadians* (Toronto: The Council of Chinese Canadians in Ontario, 1984), 178.

30 Don DeVoretz, "Canada's Secret Province: 2.8 Million Canadians Abroad," Asia Pacific Foundation of Canada, *Project Paper Series* #09-5, October 29, 2009, http://www.asiapacific.ca/sites/default/files/filefield/PP_09_5_DD_estimate_0.pdf (Accessed April 30, 2010).

31 Government of Canada, "Norman Bethune (1890–1939)," http://www.canadainternational.gc.ca/china-chine/bilateral_relations_bilaterales/bethune.aspx?lang=eng (Accessed April 26, 2010).

32 "Who Is Dashan?" http://www.dashan.com/en/whois.htm (Accessed April 26, 2010).

The APF Canada has classified Canadians living in China into the following groups:

- Owners or employees of Canadian or multinational businesses
- Chinese-Canadians returnees, including first and second-plus generations
- ESL teachers
- Students and others

As China increasingly becomes a global economic powerhouse and the biggest recipient of foreign direct investment, more than 90 percent of the top 500 multinationals have set up in China, and 30 percent of those have established regional headquarters there.[33]

Canadian businesses are active in China, and there are increasing numbers of native-born and naturalized Canadian executives, engineers and other professionals and specialists working in China.

Migration takes place in two directions, and return migration occurs naturally. A recent study by the OECD found that depending on the country of destination and the time frame, 20 percent to 50 percent of immigrants return home or move to a third country within five years of their arrival.[34]

A recent report from Statistics Canada demonstrated that a significant number of male immigrants to Canada of working age, especially skilled workers and entrepreneurs, are highly mobile. This suggests that a substantial part of migration to Canada is temporary. The estimated out-migration rate 20 years after arrival is around 35 percent among young working age male immigrants. About six out of ten of those who leave do so within the first year of arrival, which suggests that many immigrants make their decisions within a relatively short period of time after arriving in Canada. Controlling for other characteristics, out-migration rates are higher among immigrants from source countries such as the U.S. and HKSAR.[35]

Despite these general conclusions, the return of Chinese Canadians to China remains under-documented. What we do know is that many are actually not returning to China forever, but are what we call transnational—often moving back and forth between the two countries at different periods in their life.

Transnational Parenting is not uncommon among young Chinese Canadian families. High child care costs, the lack of family support in Canada and a volatile job market have forced some families to send their children back to China so that grandparents or other relatives can look after them. A study in 2002 of Chinese immigrants in five prenatal programs discovered that 70 percent of the female respondents said they planned to send their children back to China to be raised by relatives.[36]

Transnational Schooling is also quite common. Many Chinese families who want their children to be bilingual and well-schooled in mathematics will send their children back to China for certain years of their education.

Transnational entrepreneurship plays a key role in connecting Canada and China. A report commissioned by the APF Canada in 2008, revealed that foreign-educated Chinese transnational entrepreneurs (CTEs) make up a distinct segment of the immigrant community.[37] Key characteristics distinguish them from classic middlemen traders, returnee entrepreneurs or those who have returned to

33 "Multinational Corporations Make China Home," China Radio International, September 28, 2008, http://english1.cri.cn/4026/2007/09/28/1361@278675.htm (Accessed July 27, 2009).

34 "Top 10 Migration Issues of 2008 Issue #6—Return Migration: Changing Directions?" Migration Policy Institute, December 2008, http://www.migrationinformation.org/Feature/display.cfm?id=707 (Accessed July 27, 2009).

35 A. Aydemir and Chris Robinson, "Return and Onward Migration among Working Age Men," *Analytical Studies—Research Paper Series*, Statistics Canada, Catalogue No. 11 F0019MIE, No. 273 (2006), http://www.statcan.gc.ca/pub/11f0019m/11f0019m2006273-eng.pdf (Accessed July 27, 2009).

36 Marina Jimenez, "Child Care So Costly Immigrants Sending Babies Back to China," *The Globe and Mail*, January 2, 2007, http://www.chineseinvancouver.ca/2007/01/transnational-parenting-separates-chinese-immigrants-kids/ (Accessed July 27, 2009); "'Transnational Parenting' Separates Chinese Immigrants, Kids," June 2, 2007, http://www.chineseinvancouver.ca/2007/01/transnational-parenting-separates-chinese-immigrants-kids/ (Accessed July 27, 2009).

37 Xiaohua Lin, J. Guan, and M. J. Nicholson, "Transnational Entrepreneurs as Agents of International Innovation Linkages," Asia Pacific Foundation of Canada, *Research Report*, December 19, 2008, http://www.asiapacific.ca/files/Analysis/2008/ImmigEntrepreneurs.pdf (Accessed July 27, 2009).

their home countries permanently. Instead, the characteristics of Canada-based CTEs include a greater likelihood of multinational experience; more established in their professions; more deeply entrenched in Canada and a stronger desire to engage Canada in cross-border entrepreneurial endeavours. The same report also identified a variety of mechanisms used by transnational entrepreneurs to link Canada and China at the innovation level.

Transnational retirement allows senior Chinese Canadians to enjoy the pleasure of two homes. Like many Canadian snowbirds in the U.S., these senior citizens are moving across the Pacific as the season changes.

Canadian ESL teachers are another significant group of Canadians in China. They are in high demand not only because of the importance of learning English as a second language, but also because Chinese students seem to prefer "Canadian" English to British, Australian or American English. The success story of Dashan has also helped raise the profile of Canadian English in China.

Canadian communities in China also include students and groups that stay there for other reasons.

The growing body of Canadians (Canadian-born or naturalized) living and working in China and the HKSAR suggest there is an emerging Canadian diaspora. What policy areas does the Canadian government need to develop to recognize this diaspora, maintain and enhance Canada's international ties and maximize the benefits of those ties to Canada? The size and importance of Canada's diaspora in China suggests that Canada should revisit its foreign policy toward China.

Growing Impact

The increasing two-way flow of people between Canada and China and the changing face of Chinese communities in Canada and Canadian communities in China, have broad foreign policy implications.

Visas

On July 13, 2009, Canada's decision to re-impose visa requirements on Mexican and Czech citizens[38] and the reaction to that decision from both countries offers a classic example of how visa measures controlling the flow of people can affect international relations.[39]

Visa requirements are often seen as one of the most controversial issues in the Canada-China relationship. As noted by the Asia Pacific Trade Council of British Colombia

> Canada's immigration system, under Citizenship and Immigration Canada (CIC), continues to function under an outdated paradigm that seeks to enforce the Immigration Act and its regulations rather than utilize the Act as a tool to facilitate the movement of persons. Service sectors, including education and tourism, are particularly impacted because they rely on the movement of people across borders to engage in commercial transactions.[40]

The Council pointed out that there is a perception in China that Canada's visa process is slow, expensive and opaque. The rejection rate is also believed to be quite high. This presents a major challenge.

As Tables 4 and 5 show, processing times for Canadian student visas and temporary worker visas in Beijing tend to be much slower than in the rest of the Asia Pacific region. However, processing times

38 Citizenship and Immigration Canada, "Canada Imposes a Visa on Mexico," *News Release*, July 13, 2009, http://www.cic.gc.ca/english/department/media/releases/2009/2009-07-13.asp (Accessed August 1, 2009); Citizenship and Immigration Canada, "Canada Imposes a Visa on the Czech Republic," *News Release*, July 13, 2009, http://www.cic.gc.ca/english/department/media/releases/2009/2009-07-13a.asp (Accessed August 1, 2009).

39 Michael Valpy, "Czech Republic Recalls Ambassador over New Visa Requirements," *The Globe and Mail*, July 14, 2009, http://www.theglobeandmail.com/news/politics/czech-republic-recalls-ambassador-over-new-canadian-visa-requirement/article1216887/ (Accessed July 27, 2009); Sheldon Alberts, "Mexico Retaliates in 'Visa War' with Canada," CanWest News Service, July 16, 2009, http://www.canada.com/news/Mexico+retaliates+visa+with+Canada/1797402/story.html (Accessed Aug. 1, 2009).

40 "Report of the China/Hong Kong Market Advisory Group June 2006," Asia Pacific Trade Council, June 2006, http://www.asiapacificfactradecouncil.ca/pdf/china_report.pdf (Accessed July 27, 2009).

in Beijing for Canadian permanent visas are faster than other locations, except for applications for parents and grandparents applying for the family class visa.

Table 4: Visa Processing Times: Temporary Visas (as of September 29, 2009)

	Percentage of Cases Processed at Canadian Visa Offices (%)			
Location of Visa Office	2 days or less	7 days or less	14 days or less	28 days or less
Visitor Visas				
All Regions	55	74	85	94
Asia and Pacific	52	74	84	92
Beijing	53	81	88	94
Hong Kong	70	81	87	93
Student Visas				
All Region	15	27	43	65
Asia and Pacific	10	23	40	62
Beijing	1	1	8	27
Hong Kong	14	19	29	64
Temporary Worker Visas				
All Region	17	30	43	59
Asia and Pacific	5	13	26	44
Beijing	1	2	13	37
Hong Kong	2	2	3	6

Source: Citizenship and Immigration Canada, "Applications Processed Outside of Canada—Applications for Temporary Residence."

Table 5: Visa Processing Times: Permanent Visas (as of September 29, 2009)

Application Class	Months Required to Finalize Applications (Month)			
	Beijing		Asia and Pacific	
	50% of cases finalized in:	80% of cases finalized in:	50% of cases finalized in:	80% of cases finalized in:
All applications for permanent residence excluding Federal Skilled Worker applications received after Feb. 26, 2008	8	27	13	55
Skilled worker applications received before Feb. 27, 2008 (Federal)*	29	43	59	72
Skilled workers (Quebec)	6	10	7	10
Entrepreneur class (Federal)	65	68	65	74
Self-Employed class (Federal)	59	64	66	70
Investors class (Federal)	27	30	28	34
Investors class (Quebec)	9	10	13	16
Provincial nominees	8	12	8	11
Family class: Spouses and partners	3	5	5	11
Family class: Dependent children	3	5	4	9
Family class: Parents and grandparents	24	26	16	23
Other members of the family class	1	1	6	23
Dependants of refugees	10	15	13	27

Note: *Skilled worker applications received after Feb. 26, 2008 (Federal) are not available
Source: Citizenship and Immigration Canada, "Applications Processed Outside of Canada—All Applications for Permanent Residents Received."

Nevertheless, visa stories are not always negative. On July 30, 2009, Canada announced a new Transit Without Visa (TWV) program that makes it easier for international travellers on their way to and from the U.S. to pass through Canadian airports. "Removing the requirement for a Canadian transit visa will make Canadian airports more attractive for international travellers going to and from the United States," Minister Kenney explained.[41]

In the meantime, in recognition of the importance of travel from China, a separate China Transit Trial has been put in place. This trial program will allow Chinese nationals holding valid U.S. visas to travel to and from the U.S. through Vancouver International Airport without obtaining a Canadian transit visa. To qualify, a person must travel on one of the pre-authorized air carriers in the TWV program and fly on direct, non-stop flights to Vancouver, originating from Beijing, the HKSAR, Shanghai, Guangzhou, Manila or Taipei. The trial will be in place for one year and then evaluated.

The TWV initiative is crucial for Canada, especially in the current economic downturn. As Trade Minister Stockwell Day pointed out: "We are embarked on a robust trade agenda to open doors for Canadian business in markets around the world. We are taking action here today to facilitate the flow of people and goods over the border so they can seek opportunities abroad and create jobs at home."[42]

Similar efforts have been undertaken in other visa categories, too. This year Canada stepped up efforts to attract affluent Chinese investors. Canada aims to take in 2,055 immigrant investors this year, a number consistent with recent years. Of the 2,055 immigrant investors targeted, 1,000 are allotted to the Hong Kong office, where 90 percent of the cases processed are from southern China, and 80 percent to the Beijing office. The two offices alone will take up 52 percent of the total applicants.[43]

Citizenship and Consular Issues

Citizenship and consular issues have become increasingly complex and important factors in Canada-China relations. Canada recognizes dual citizenship while China does not.[44] Under the Chinese Nationality Law, Hong Kong residents and former residents who are of Chinese descent and born on the mainland of China or in Hong Kong are Chinese citizens. They will not be entitled to consular protection in the HKSAR or the mainland, even though they hold foreign passports, including a Canadian passport. The estimated 150,000 to 250,000 Canadians residing in HKSAR therefore could be a huge challenge for Canada's consular service, which will have to navigate different classifications of citizenship including dual, de facto dual, and non-dual citizenship.[45]

Chinese Canadians who return to live in the PRC also face challenges if they choose to use their still-valid Chinese passports because China does not recognize dual citizenship. Nor will they be entitled to Canadian consular services. Under extreme circumstances this could cause tension between the two countries, such as in the case of Huseyincan Celil, who was accused of being a terrorist by a Chinese court. In that case, Ottawa lodged a diplomatic protest because it argued Celil was a Canadian citizen.[46]

41 Citizenship and Immigration Canada, "New Program to Facilitate Travel through Canada and Encourage Business at Canadian Airports," *News Release*, July 30, 2009, http://www.cic.gc.ca/english/department/media/releases/2009/2009-07-30.asp (Accessed Aug 1, 2009).

42 Ibid.

43 "Canada Eyes Rich Chinese Immigrant Investors," Chinese in Vancouver, March 18, 2009, http://www.chineseinvancouver.ca/2009/03/canada-eyes-rich-chinese-immigrant-investors/ (Accessed April 26, 2010).

44 Government of the Hong Kong Special Administrative Region Immigration Department, "Nationality Law of the People's Republic of China," http://www.immd.gov.hk/ehtml/chnnationality_1.htm (Accessed September 24, 2009).

45 K. Zhang, "Canadians in Hong Kong SAR," Asia Pacific Foundation of Canada, Canadians Abroad Project, *Portrait Report*, September 2009, http://www.asiapacific.ca/files/canadiansabroad/Portrait_Report/Portrait_HK_V3-ed.pdf (Accessed October 4, 2009).

46 Department of Foreign Affairs and International Trade, "Statement by Minister MacKay on Huseyincan Celil," *News Release* No. 59, April 19, 2007, http://w01.international.gc.ca/minpub/publication.aspx?publication_id=385070&docnum=59&lang=eng (Accessed July 27, 2009); Department of Foreign Affairs and International Trade, "Minister MacKay Responds to Chinese Superior Court Rejection of Huseyincan Celil Appeal," *News Releases* No. 91, July 10, 2007, http://news.gc.ca/web/article-eng.do?crtr.sj1D=&mthd=advSrch&crtr.mnthndVl=&nid=336959&crtr.dpt1D=&crtr.tp1D=&crtr.lc1D=&crtr.yrStrtVl=2008&crtr.kw=&crtr.dyStrtVl=26&crtr.aud1D=&crtr.mnthStrtVl=2&crtr.yrndVl=&crtr.dyndVl= (Accessed July, 2009).

In addition to consular issues, recent changes in Canadian citizenship rules will have a profound impact on Canadian communities living in China and on those Canadians who are considering moving to China or other parts of the world. On April 17, 2009, Canada passed a new Citizenship Act that limits citizenship by descent to one generation living outside Canada.[47] The rule change is likely to create many stateless people if they are born in China to first-generation Canadians.

Rachel Chandler was born in Beijing on June 5, 2009 and is likely to become the first stateless child under the new Citizenship Act. Rachel no longer qualifies for Canadian citizenship or for Chinese citizenship. Her father is a Canadian who was born in Libya and her mother is Chinese. Her grandparents are naturalized Canadian citizens. Without citizenship documents, Rachel is legally invisible. She has no rights and no government is willing to protect her. She is not eligible to attend school. Her family can't get health insurance since she doesn't officially exist and she won't be covered by state medicare in China. She can't travel anywhere outside Beijing except by car, since proof of citizenship is required to board even domestic flights. In China, where child abduction is rampant, she legally doesn't exist and is therefore not traceable.[48]

There are a number of other potential citizenship issues as well. When Ottawa granted the Dalai Lama honorary Canadian citizenship in June 2006, for example, the move caused serious tension between the two nations.

Chinese Fugitives

Another troublesome issue is Chinese fugitives living in Canada. China has repeatedly requested that Canada extradite Gao Shan,[49] Li Dongzhe and Li Donghu.[50] China's most-wanted fugitive in Canada is Lai Changxing, the alleged ringleader of a smuggling organization that evaded billions of dollars in taxes.

Lai fled to Canada in 1999, sought refugee status and has been fighting extradition ever since. After almost ten years in Canada, Lai was granted a work permit in January 2009. Beijing has repeatedly urged Ottawa to extradite him.[51] One problem is that Canada does not have an extradition agreement with China.

Delayed Approved Destination Status

Many believe that it is the Lai case that is stopping China from granting Canada Approved Destination Status (ADS). That is a problem because China will become one of the world's top three markets for outbound tourists by 2020, according to the World Tourism Organization. Canada has a tremendous opportunity to attract a significant number of visitors from China. The Canadian Chamber of Commerce, Tourism Industry Association of Canada and Canada China Business Council (CCBC), all view the ADS issue as key to capitalizing potential benefits for the Canadian economy and have repeatedly urged the Canadian government to conclude negotiations on ADS with the Chinese government as soon as possible.

47 Citizenship and Immigration Canada, "New Citizenship Rules," http://www.cic.gc.ca/english/citizenship/rules-citizenship.asp (Accessed August 4, 2009).

48 Daphne Bramham, "Citizenship Act Creates a 'Stateless' Child," *Vancouver Sun*, September 25, 2009, http://www2.canada.com/vancouversun/columnists/story.html?id=c3a5560d-5170-4d4a-a318-a8675e759171&p=1 (Accessed September 28, 2009).

49 Former manager of a Bank of China branch in northeastern China, who is accused of embezzling $150 million from the accounts of his customers.

50 Two fugitive brothers accused of embezzling millions of dollars from the Bank of China.

51 Embassy of the People's Republic of China in Canada, "Zhongguo Waijiaobu: Xiwang Jianada Jinkuai Jiang Lai Changxing Qianfanhui Zhongguo," ("China Foreign Affairs Department: Hopes Canada Will Quickly Repatriate Lai Changxing Back to China.") February 10, 2009, http://www.chinaembassycanada.org/chn/zjgx/t536149.htm (Accessed April 26, 2010).

Since 1999, the year Lai came to Canada, the Canadian Tourism Commission has been seeking ADS for Canada with China. As of May 13, 2009, there were 95 destinations that had been granted ADS and are listed on the website of China's National Tourism Administration. In January 2005, the then Liberal government of Paul Martin announced that it had reached an agreement with China on ADS,[52] but it was never confirmed by Chinese tourist authorities, nor implemented. After years of endless talks, Ottawa lost patience and threatened to file a complaint with the World Trade Organization (WTO).[53]

In December 2009, Prime Minister Harper's first trip to China secured the ADS, which Canada had been negotiating for such a designation with Beijing over the past nine years.

Full Apology for the Head Tax

From 1885–1923, only immigrants from China were subjected to a head tax. After decades of lobbying from Chinese communities in Canada, Prime Minister Stephen Harper, on June 22, 2006, apologized for the country's treatment of Chinese immigrants and offered them a redress package that included millions of dollars dedicated to anti-racism education. "On behalf of all Canadians and the government of Canada, we offer a full apology to Chinese-Canadians for the head tax and express our deepest sorrow for the subsequent exclusion of Chinese immigrants," Prime Minister Harper said.[54]

The full apology is an important milestone in Canadian history for many reasons. It recognizes the contributions Chinese immigrants have made to nation building and it recognizes the historical injustices that have prevented many in the community from seeing themselves as full Canadians. "We have the collective responsibility to build a country based firmly on the notion of equality of opportunity, regardless of one's race or ethnic origin," Harper said.[55]

The move was supported by all opposition parties in Canada, and welcomed by the Chinese Canadian and other ethnic communities. Even Beijing responded positively. "We welcome all efforts conducive to long-term survival and development of overseas Chinese, to help them to live in harmony with local people, and to integrate into the mainstream society," said the spokesperson of China's Ministry of Foreign Affairs.[56]

Passing Motion 291

The passage of Motion 291 is another example of how Chinese communities have had an impact on Canada's foreign policy.[57] On November 28, 2007, Canada's Parliament unanimously passed Motion 291 urging Japan to offer "formal and sincere" apologies to foreign women who had been forced into sexual servitude as "comfort women" during World War II. Researchers and historians estimate that as many as 200,000 women and girls were forced to become sex slaves for Japanese troops between 1937 and 1945. Most of the women came from countries invaded by Japan.

The motion passed by the House of Commons called on Japan to "take full responsibility for the involvement of the Japanese Imperial Forces in the system of forced prostitution, including through a formal and sincere apology to all of those who were victims."[58] Chinese and other Asian communities living in Canada hailed the motion.

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52 Industry Canada, "Canada Granted Approved Destination Status by Chinese Government," *News Release*, January 21, 2005, http://www.ic.gc.ca/eic/site/ic1.nsf/eng/ 02331.html (Accessed July 27, 2009).

53 Joanne Lee-Young, "Canada May Look to WTO to Gain Approved Destination Status in China," *Vancouver Sun*, January 7, 2008, http://www.canada.com/vancouversun/news/business/story.html?id=2c41099e-5eb0-4425-9e62-c53e132efab7&k=28213 (Accessed August 4, 2009).

54 Office of the Prime Minister of Canada, "Prime Minister Harper Offers Full Apology for the Chinese Head Tax," June 22, 2006, http://pm.gc.ca/eng/media.asp?id=1219 (Accessed July 27, 2009).

55 Ibid.

56 Ministry of Foreign Affairs of the People's Republic of China, "2006 Nian 6 Yue 27 Ri Waijiaobu Fayanren Mei Yu Zai Lixing Jizhehui Shang Da Jizhewen," ("June 27, 2006 Ministry of Foreign Affairs Spokesperson Jiang Yu Answers Reporters' Questions at Routine Press Conference.") June 27, 2006, http://www.fmprc.gov.cn/chn/pds/wjdt/fyrbt/t260229.htm (Accessed April 26, 2010).

57 "News Release and Event," Canada ALPHA, http://www.alpha-canada.org/index.htm (Accessed April 26, 2010); "Motion 291 'Comfort Women'," November 28, 2007, http://www.chineseinvancouver.ca/2007/11/motion-291-comfort-women/ (Accessed April 26, 2010).

58 "Canada MPs Demand Japan Apologize to WWII 'Comfort Women'," AFP, November 28, 2007, http://afp.google.com/article/ALeqM5g2W6b2AKn18yWn-ZEnS9YdknaDBg (Accessed July 27, 2009).

Political Participation

The growth of a middle class Chinese Canadian population has led to increased political participation. A number of influential politicians in Canada are of Chinese descent:[59]

- Douglas Jung of Vancouver became the first Chinese Canadian Member of Parliament in 1957;
- Bob Wong became the first Chinese Canadian cabinet minister when he served in the Ontario Liberal government in the late 1980s;
- David Lam was appointed Lieutenant Governor of British Columbia in 1988;
- Vivienne Poy became the first Chinese Canadian Senator in 1998 and
- Adrienne Clarkson was appointed Governor-General of Canada in 1999.

As voters, Chinese Canadians care what Canada does. They also care about relations between Canada and China. According to a Vancouver-based Chinese newspaper poll taken before the Federal election in 2008, 42 percent of Chinese respondents picked Canada-China relations as the most influential issue in their choice of party, followed by reducing income taxes (19 percent of respondents) and healthcare (16 percent).[60]

Pressure groups have also emerged, notably the Chinese Canadian National Council. The Toronto-based organization has spearheaded a campaign seeking redress from Ottawa for the Head Tax and the injustices that resulted from the 1923 Chinese Exclusion Act.

Due to the diversity of the Chinese community the voices of these groups are mixed, especially when it comes to Sino-Canada relations. Chinese communities are often just as critical as other Canadians of China on issues such as human rights, democracy, the rule of law and the environment. But many Chinese Canadians also believe that a healthy Canada-China relationship would help address many of these issues more effectively. Canadian policy makers must be careful not to believe that anti-Beijing groups or pro-Beijing groups represent the sentiments of the entire Chinese-Canadian community.

The "413" Protest

On the afternoon of April 13, 2008, more than 6,000 pro-China demonstrators took to Parliament Hill to show their support for the Beijing government following China's crackdown on Tibetan protests and ensuing calls for a boycott of the Beijing summer Olympics.[61] The demonstrators sang patriotic songs and waved flags of Canada and China to show support for China and its right to rule Tibet.

A Globe and Mail article commented on the protest

> The community's response to the negative portrayals has been to counter them with an unprecedented show of pro-China demonstrations which have unfolded across the country in ethnic media, online chat forums and most notably, with a protest in Ottawa in April, during which thousands of flag-bearing Chinese Canadians marched on Parliament Hill to rally support for their homeland. Companion protests were held across the country in other major cities, including Montreal and Toronto. Some who attended the Saturday protest in Ottawa—which received little coverage in English language media, including this paper—put numbers of attendees at close to 10,000.[62]

As China moves closer to superpower status, its overseas community is proud of that success. There is also a view prevalent among many Chinese living in Canada that China's achievements are not

59 "Indepth: China - Chinese Immigration," CBC, June 10, 2004, http://www.cbc.ca/news/background/china/chinese_immigration.html (Accessed July 27, 2009).

60 "Canada-China Relation Dominates Chinese Voters' Mind: Poll," Chinese in Vancouver, September 22, 2008, http://www.chineseinvancouver.ca/2008/09/canada-china-relation-dominates-chinese-voters-mind-poll/ (Accessed April 26, 2010).

61 "Thousands Protest to Show Support for China," *CTV*, April 13, 2008, http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20080413/OTT_chinese_protest_080413/20080413?hub=CTVNewsAt11 (Accessed April 27, 2010); Jack Jia, "Archive for fenlei: Wotaihua 413 jihui," ("Archive for Classification: Ottawa 413 Rally.") http://blog.jackjia.com/?cat=78 (Accessed April 26, 2010).

62 Jessic Leeder, "Chinese-Canadian Diaspora Fostering Bond," *The Globe and Mail*, March 31, 2009, http://www.theglobeandmail.com/archives/article704140.ece (Accessed July 27, 2009).

given much credit. Many Chinese immigrants believe that in Canada, the outdated perception of China continues to be that it is a dictatorship with a poor human rights record.[63]

Industrial Espionage

Accusations of industrial espionage have also soured Canada-China relations from time to time. In April 2006, just two months after the Conservative government was sworn into office, the then Foreign Affairs Minister, Peter Mackay, accused 1,000 Chinese spies of stealing industrial and high-technology secrets in Canada. "It's something that we want to signal we are prepared to address and continue to raise with the Chinese at the appropriate time," MacKay told CTV.[64]

Coincidently the accusation echoed similar claims made by two former Chinese officials who defected to Australia in February 2006.

China's Ambassador to Canada, Lu Shumin, retorted that Ottawa's accusation was baseless and not good for bilateral relations.[65] The incident unfortunately created a great deal of anxiety among the Chinese Canadian community, which felt as if it had come under suspicion.[66]

Policy Challenges

When Stephen Harper's Conservative government came into office in 2006, many people in Canada expected a new China policy that would take Sino-Canadian relations to a new level. But some China watchers in Canada believe that Ottawa actually does not have a China policy.[67]

So far Canada has emphasized four foreign policy goals on China:[68]

- To work with Beijing towards China's greater adherence to internationally accepted standards on human rights and the rule of law;
- To ensure that China's economic rise benefits Canada by increasing two-way trade and investment in goods and services;
- To work with China to advance shared interests such as health, the environment and regional peace and security and
- To position Canada as a preferred destination for Chinese immigrants, students and visitors.

Canada's four-pillar China policy appropriately reflects a multifaceted relationship between the two countries, and recognizes the importance of cooperation with China. But it has overlooked some of the complex trends that have emerged in the flow of people between the two countries. As a result, Harper's China policy faces a series of challenges.

Challenge 1: China as a Source and a Destination

It is easy for Canadians to see that China is a major source country for immigrants, students and visitors to Canada. While Canada is still in a position to promote itself as a preferred destination, the magnitude of China as a source country to Canada also needs to be better understood.

- China has become the leading source country of newcomers to Canada since 1998, particularly for economic migrants such as skilled workers and investors.
- China has become the second largest source country for annual arrivals of international students to Canada since 2000, and is currently the largest source of total student stock studying in Canada.

63 Ibid.

64 "Government Vows to Curb Chinese Spying on Canada," CanWest News Service, April 16, 2006, http://www.canada.com/montrealgazette/news/story.html?id=ca90416e-fe77-4b8d-ae59-a4e9f55b6441&k=26688 (Accessed July 27, 2009).

65 "Canada's Espionage Accusation Against China Baseless," *China Daily*, April 21, 2006, http://www.chinadaily.com.cn/china/2006-04/21/content_573700.htm (Accessed July 27, 2009).

66 "Jianada Zhongguo Jiandie Fengbo Kongzi Xueyuan Ye Cheng Jiandie Zuzhi," ("Canada-China Spy Storm, Confucius Institute Alleged Spy Organization.") *Singtao News*, June 19, 2007, http://www.stnn.cc:82/america/200706/t20070619_560041.html (Accessed August 5, 2009).

67 "Canada's China Policy," *Ottawa Citizen*, August 26, 2008, http://www.canada.com/topics/news/national/story.html?id=ae0a032b-7a10-484a-a839-440680e52617 (Accessed July 27, 2009).

68 Government of Canada, "Canada-China," December 2009, http://www.canadainternational.gc.ca/china-chine/bilateral_relations_bilaterales/china_canada_chine.aspx?lang=eng&menu_id=14&menu=L (Accessed April 26, 2010).

- China is currently the ninth major source country for overnight travelers to Canada with the highest average spending per trip in Canada of all international travelers.

  In addition to the importance of China as a source of inflows to Canada, it is equally important to realize that China is becoming an economic magnet for human capital. Although China is not a country of immigration, it is increasingly being seen as one of the few economies in the world with brighter job prospects.
- China has issued increasing numbers of work permits to foreign workers. In Shanghai alone, the number of work permits issued has increased 13 times over the last 13 years, and Canada is the seventh largest sending country for foreign workers in Shanghai.
- Currently, China is the tenth most visited international destination by Canadians.
- China has surpassed Canada as the sixth major destination for international students at the post-secondary level, and is likely to attract more Canadian students in the future.

Looking ahead, it is unrealistic to predict that the immigration flow from China to Canada will remain the same as it has in the last 10–15 years. This should not be regarded as less important for Canada, however, even if China is no longer the top source country of immigration.

In fact, many Chinese may still consider emigrating to Canada for lifestyle reasons rather than purely economic reasons.[69] Canada has to be prepared to leverage this new trend for Canada's economic and social benefit rather than just for the benefit of its labour market. With the possible conclusion of negotiations on ADS, more Chinese visitors are likely to come to Canada as tourists.

Furthermore, Canada is not only competing for international students with the U.S., UK, France, Germany and Australia but also has to compete with emerging education markets like China.

While China retains its importance as one of the major source countries for many types of human flows to Canada, perhaps more significant is that Beijing is increasingly seen as a destination for international human flows, including those from Canada. With efforts by Beijing to attract global talent and to promote Chinese culture and language globally, the interest in learning Chinese, visiting China and working and living there are on the rise for many Canadians with or without Chinese heritage.

Only if more Canadians understand the importance of China both as a source and a destination of flows of people between the two countries will policy be changed to reflect the importance of the two-way flow of people. Canada needs to position itself as a preferred destination for Chinese immigrants, students and visitors. Equally important, if not more so, is that Canada should also prepare more Canadians for "going east" to study and work. A broadened China policy could ensure that China's economic rise benefits Canada by increasing two-way trade and investment in goods and services, as well as by increasing two-way flows of people between the two countries.

Challenge 2: Chinese Communities in Canada

The importance of Chinese communities in Canada has been underestimated for a long time. As a country of immigrants, Canada has been accustomed to looking at immigrants from an economic perspective. Chinese immigrants, like all immigrants, have traditionally been seen as suppliers of needed manpower.

Too often when people try to measure the contribution of Chinese communities to Canada, they will talk about their higher unemployment numbers and lower earnings due to insufficient English-language skills or the fact that their foreign credentials are not recognized here. They also talk about the concentration of Chinese communities in cities like Vancouver and Toronto, or about the fact that they may not integrate fully into Canadian society.

69 Erin Anderssen, "PEI's Big Immigration Boom," *The Globe and Mail*, October 3, 2009, http://www.theglobeandmail.com/news/national/peis-big-immigration-boom/article1310394 (Accessed October 3, 2009).

When Beijing was gearing up for the 29th Summer Olympic Games, the first Olympic Games ever held in China, Chinese communities in Canada were questioned about their loyalty to Canada. According to a Vancouver Sun article

> Members of Vancouver's large overseas Chinese community will face a complex set of dual loyalties during the Beijing Summer Games, rooted in a simple quandary: whether to cheer for Chinese or Canadian athletes, or both.[70]

Questioning the loyalty of Chinese Canadians during such a major international sporting event is unjustified for a number of reasons. Firstly, about 27.4 percent of all ethnic Chinese in Canada were actually born in Canada and 16.6 percent are second generation or more. Their education, experience and the degree to which they are Canadian is likely no different than any other citizens born in Canada.

Secondly, 77 percent of all ethnic Chinese in Canada hold Canadian citizenship only. In other words, nearly half of all ethnic Chinese in Canada are naturalized citizens. Their Canadian identity and value have been created and shaped during the process of immigration and naturalization. Canadian citizenship to these individuals is a formal recognition that Canada has accepted them as Canadians. Naturalized Chinese Canadians should be treated equally with other naturalized citizens.

Thirdly, more than half of all Chinese immigrants in Canada come from countries other than the PRC. In other words, nearly half of all Chinese immigrants in Canada are likely to have nothing to do with the PRC in terms of their country of origin.

Finally, cheering for Chinese or Canadian athletes has nothing to do with one's loyalty. Similarly, when a Chinese team led by Canadian coach Dan Raphael defeated its opponents, including a Canadian team, and claimed the gold at the World's Women's Curling Championships in 2009,[71] should Canadians have questioned the Quebec native's loyalty to Canada? When Raphael brought his Chinese team to the Vancouver Winter Olympics in 2010, should this still be an issue in our minds?

Statistical evidence has demonstrated more meaningful measures with which to judge the loyalty to Canada of Chinese communities.[72] According to the Ethnic Diversity Survey, the majority of Canadians of Chinese origin feels a strong sense of belonging to Canada. In 2002, 76 percent of those who reported Chinese origins said they had a strong sense of belonging to Canada. At the same time, 58 percent said they had a strong sense of belonging to their ethnic or cultural group.

Canadians of Chinese origin are also active in Canadian society. For example, 64 percent of those who were eligible to vote reported doing so in the 2000 federal election, while 60 percent said they voted in the last provincial election. In addition, about 35 percent reported that they had participated in an organization such as a sports team or community association in the 12 months preceding the 2002 Ethnic Diversity survey.

At the same time, though, over one-third (34 percent) of Canadians of Chinese origin reported that they had experienced discrimination or unfair treatment based on their ethnicity, race, religion, language or accent in the past five years or since their arrival in Canada. A majority (63 percent) of those who had experienced discrimination said that they felt it was based on their race or skin colour, while 42 percent said that the discrimination took place at work or when applying for a job or promotion.

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70 Joanne Lee-Young, "Chinese-Canadians Face a Test of Patriotism," *Vancouver Sun*, August 6, 2008, http://www.canada.com/vancouversun/news/westcoastnews/story.html?id=4b676251-297f-4212-9c3c-9dcbda94ca3a&p=2 (Accessed July 27, 2009).

71 "China Makes History—Claims Women's World Curling Gold," World Curling Federation, March 29, 2009, http://www.worldcurling.org/2009-stories/2009-Mar29-WWCC-China-Gold.html (Accessed April 26, 2010).

72 Colin Lindsay, "The Chinese Community in Canada," Statistics Canada—Catalogue No. 89-621-XIE, 2001, http://www.statcan.gc.ca/pub/89-621-x/89-621-x2006001-eng.pdf (Accessed July 27, 2009).

Major-General Victor G. Odlum (1880–1971), who during his career served as Canada's ambassador to China, once called for the day when Chinese Canadians would "not be distinguished from other Canadians." That wish remains as relevant today as it was during Odlum's lifetime.[73]

Challenge 3: Canadian Communities in China

Canadian communities in China are growing for many reasons. Although the exact number remains unknown, the best estimate puts the number of Canadians in China (Mainland and HKSAR) at 250,000–300,000, roughly the size of the population of Saskatoon or Windsor.[74]

Canada cannot afford to ignore the fact that so many Canadians live in China. How Canada can turn its diaspora in China into an advantage remains a huge challenge.

First, how should Canadians living in China or other parts of the world be recognized as part of Canada rather than as foreigners who hold Canadian passports? Canadians have to change their mindset to accept the fact that the flow of people moves in two directions. Canada must learn to respect the fact that Canadians, native-born or naturalized, are more internationally mobile than ever before and many wish to live abroad. When they settle down in Beijing or in another city, Canada must learn to treat them the same as any other Canadian in terms of their rights and obligations.

Second, how should Canada encourage the political and civic participation of its citizens abroad? For one thing, Ottawa should consider changing the current election rule that does not allow overseas citizens to vote in Canadian elections after they have lived abroad for five years. Canada should also consider creating political mechanisms that would represent overseas citizens at the federal and provincial levels. This would significantly encourage political and civic participation by all Canadians, including citizens residing abroad. The views of Canadian communities in China should also be taken into account in Sino-Canadian policy making.

Third, how can Canada better communicate with its overseas communities? Canada must develop a consultation and communication process with Canadians living overseas to keep them involved and informed of any changes in citizenship laws or rules regulating their movement across borders, and to listen to their needs including those of consular protection and other services. This would also ensure that any risks associated with Canadians abroad are properly assessed and addressed.

Fourth, how should Canada better leverage its expatriate communities in China to enhance opportunities for trade, investment and business between the two countries? Traditionally, diaspora communities have contributed significantly to their home countries through remittances (India, Mexico and Philippines), trade and investment (China and South Korea) and technology transfer (Taiwan, South Korea and China). This is a new task for Canadian policy makers and members of the business community.

Finally, in pursuing such policy agendas and addressing the new challenges, a major effort must be made to bring together interests from across a range of government departments and organizations (including those at the provincial level).

Conclusion

The turn of the 21st century witnessed growing multi-stream flows of people from China to Canada. Greater freedom of movement in and out of China and the growing affluence of Chinese citizens is rapidly changing the pattern of flows of people and broadening them to include tourists, students and professional workers.

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73 Wai-man Lee, *Portraits of a Challenge: An Illustrated History of the Chinese Canadians* (Toronto: The Council of Chinese Canadians in Ontario, 1984), 169.

74 A rough estimate based on K. Zhang, "Canadians in Hong Kong SAR," Asia Pacific Foundation of Canada, Canadians Abroad Project, *Portrait Report*, September 2009, http://www.asiapacific.ca/files/canadiansabroad/Portrait_Report/Portrait_HK_V3-ed.pdf (Accessed October 4, 2009) and Shibao Guo, "Canadians in Beijing," Asia Pacific Foundation of Canada, Canadians Abroad Project, *Portrait Report*, August 2009, http://www.asiapacific.ca/sites/default/files/filefield/Portrait_Report_Beijing.pdf (Accessed April 26, 2010).

The flow of people between the two countries has also become a two-way flow. The same economic forces that have transformed China's place in global production, trade and finance have also affected human resources. China is no longer an exporter of labour but has become a magnet in attracting foreign talent. The popular perception that immigrants to Canada who return to their native countries have "failed" or are "opportunist" is misguided.

The Chinese community in Canada has changed, is changing and will continue to change in many aspects that will ultimately have profound impacts on Canada-China relations. What the Chinese Canadian community looks like today is as diversified within the group as the diversity in Canadian society as a whole. Chinese Canadians are more visible in certain locations, schools, occupations and industries. This poses new challenges for Canada and all Canadians in terms of understanding Chinese communities as part of Canada's multicultural society and not as a distinctive group.

Nor can Canada afford to ignore a growing body of Canadians, native-born or naturalized, who choose to live in China, an emerging global powerhouse. More fundamentally, Canadian communities in China can play an important role and potentially be of great benefit to Canada.

Canada-China people flows will increasingly be characterized by two-way movements and by transnational citizens with personal, business and emotional attachments on both sides of the Pacific. While there are many challenges that arise from diaspora-like populations at home and abroad, the phenomenon of international labour mobility—especially of the most talented (and sometimes the most notorious)—is here to stay. The challenge for policy is to take a holistic and multi-generational view of transnational citizens, rather than to treat international mobility as a problem.

Of all the reasons for Canada to have a robust and forward-looking China policy, people-to-people linkages is arguably the most fundamental. Currently the flow of people between Canada and China is unmatched by any other OECD country.

Seen in this light, the Canada-China human capital nexus is a unique focal point for relations between Ottawa and Beijing. While other countries are lining up to sign trade and investment deals with China, Canada can go a step further and investigate the possibility of an agreement on human capital. Such an agreement could encompass issues such as citizenship, visa, education and training, professional accreditation, social security, taxation and even extradition. Given the large number of Canadians and Chinese with deep connections across the Pacific, it is a certainty that these bilateral issues will become bigger policy challenges for Beijing and Ottawa in the years ahead. There is an opportunity now to address these issues in a comprehensive fashion and to turn potential problems into a competitive advantage for the bilateral relationship.

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12

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BENCHMARKING CANADA-CHINA ECONOMIC RELATIONS

Abstract
This paper benchmarks Canada's bilateral economic ties with China and compares them with those of other G7 member countries, plus Australia. It uses a gravity model of economic flows to compare actual import, export and investment levels to those predicted by the model. This shows that, in the period 2003–2006, Canada was under-performing in terms of all bilateral economic flows except its outward foreign direct investment to China. In comparison with other G7 countries and Australia, Canada has under-weighed China as an international partner except in its imports from that country. The predicted values for all bilateral economic variables suggest that China should be Canada's second most important partner in terms of all bilateral economic flows, except for those with the United States.

The purpose of this paper is to benchmark Canada-China bilateral economic relations by comparing their 2003-2006 performance with those of 103 major economies, with particular focus on G7 members plus Australia. I utilize the *gravity model* in international economics to predict Canada and other nations' bilateral economic flows with China, and to calculate the extent to which each nation's actual flows deviate from their predicted values. Consequently, I can benchmark and rank Canada-China bilateral economic relations based on the deviations from predicted bilateral economic flows compared to other nations. The gravity model in international economics predicts bilateral economic flows based on the economic size of, and distance between, two partners. The model was first used by Walter Isard in 1954, and has been extensively used to explain and predict bilateral flows of exports, imports and foreign direct investments (FDI).

The gravity model relates bilateral economic flows positively with two partners' economic size, often measured as real gross domestic product (GDP), and distance between them as calculated in formula (1).

$$V_{i,j,t} = \theta \cdot \frac{GDP_{i,t}^{\beta 3} \cdot GDP_{j,t}^{\beta 1}}{Dis_{i,j}^{\beta 2}} \quad (1)$$

Where $V_{i,j,t}$ denotes predicted bilateral economic flows (exports, imports, inward FDI and outward FDI) between partner i and partner j in time period t; β_1 and β_3 suggest positive parameters for the impact of partners' economic sizes on predicted bilateral economic flow; β_2 suggests the impact of distance between two partners on bilateral economic flow; θ is a constant term, which is neither related to either partner's economic size, nor related to distance between them. All parameters are usually assumed to stay unchanged in the short run.

It is usual to assign value 1 to β_3 if country i is treated as the only polar, as is the case in this paper in which China is treated as the only polar. Namely, I compare bilateral economic flows between Canada and China with those between other countries and China. Consequently, the basic gravity model becomes

$$V_{i,j,t} = \theta \cdot \frac{GDP_{i,t} \cdot GDP_{j,t}^{\beta 1}}{Dis_{i,j}^{\beta 2}}$$

which can be further transformed to

$$\frac{V_{i,j,t}}{GDP_{i,t}} = \theta \cdot \frac{GDP_{j,t}^{\beta 1}}{Dis_{i,j}^{\beta 2}}$$

or a logarithm-logarithm form as

$$\ln(\frac{V_{i,j,t}}{GDP_{i,t}}) = \ln(\theta) + \beta_1 \cdot \ln(GDP_{j,t}) - \beta_2 \cdot \ln(Dis_{i,j}) \quad (2)$$

Therefore, if I know the values of the constant term parameter and parameters for economic size and distance, I can calculate the predicted value of bilateral economic flows between partner *i* and partner *j* in time period *t*, and thus can calculate the extent to which actual values deviate from what is predicted. By comparing the difference between actual and predicted values of each country's bilateral economic flows with China, I can rank Canada's performance.

To get the values for all parameters, my strategy is to regress model (2) using the most recent historical data of a sufficiently large sample. Given that each country's measurement for reporting statistics of bilateral economic relations may differ, and thus may be inconsistent for making a comparison, I have collected all data from a single country's official statistics. As China is the polar for our comparison, I collected data on China's bilateral economic flows, including exports, imports, inward FDI and outward FDI, with all other countries in the world between the years 2003 and 2006 from the National Bureau of Statistics of the People's Republic of China (Stat China). The major reason for picking this time period is that 2003 is the first year and 2006 is the most recent year available when data was publicly released for all of the needed bilateral economic flows. I collected real GDP data (measured as GDP in purchasing power parity (PPP)) from the World Bank and distance measures from Centre D'études Prospectives et D'informations Internationales of France. Distance is measured as a distance index between two partners' most populous cities weighted by each city's population density. To compare Canada with only those above a certain level of economic development, I remove countries with GDP per capita below US$1,000. I also remove Taiwan and Hong Kong and Macau special administrative regions (SAR), which are outliers in the sample due to their unique cultural and administrative ties with mainland China. Consequently, my sample is a country-year panel, covering 103 countries and four years in total. Table 1 lists the 103 countries.

As there are a sizable number of zero values for, I adopt a panel Tobit regression model, with left censorship to zero as shown below

$$\ln(\frac{V_{i,j,t}}{GDP_{i,t}} + 1)^* = \beta_0 + \beta_1 \ln(GDP_{j,t}) + \beta_2 \ln(Dis_{i,j}) + \varepsilon_{j,t} \quad (3)$$

Where $\ln(\frac{V_{i,j,t}}{GDP_{i,t}} + 1)^*$ is a latent variable calculated as

$$\ln(\frac{V_{i,j,t}}{GDP_{i,t}} + 1)^* = \begin{cases} \ln(\frac{V_{i,j,t}}{GDP_{i,t}} + 1) & if \quad V_{i,j,t} > 0 \\ \ln(1) = 0 & if \quad V_{i,j,t} \le 0 \end{cases}$$

Table 1: List of 103 Countries in the Sample

Albania	Cyprus	Jordan	Romania
Algeria	Denmark	Kazakhstan	Samoa
Angola	Dominican Republic	Korea Republic	Saudi Arabia
Antigua and Barbuda	Ecuador	Kuwait	Seychelles
Argentina	Egypt	Latvia	Singapore
Armenia	El Salvador	Lebanon	Slovenia
Aruba	Estonia	Libya	South Africa
Australia	Fiji	Lithuania	Spain
Austria	Finland	Luxembourg	Sri Lanka
Azerbaijan	France	Malaysia	Suriname
Bahrain	Gabon	Maldives	Swaziland
Belgium	Georgia	Malta	Sweden
Belize	Germany	Mauritius	Switzerland
Bhutan	Greece	Mexico	Thailand
Bolivia	Grenada	Morocco	Tonga
Bosnia and Herzegovina	Guatemala	Namibia	Trinidad and Tobago
Botswana	Guyana	Netherlands	Tunisia
Brazil	Honduras	New Zealand	Turkey
Brunei	Hungary	Norway	Ukraine
Bulgaria	Iceland	Oman	United Arab Emirates
Canada	Iran	Panama	United Kingdom
Cape Verde	Ireland	Paraguay	United States
Chile	Israel	Peru	Uruguay
Colombia	Italy	Philippines	Vanuatu
Costa Rica	Jamaica	Poland	Venezuela
Croatia	Japan	Portugal	

Residual term $\varepsilon_{j,t}$ suggests that I use a random effect Tobit panel regression. There are two reasons why I do not use a fixed effect to control country-specific residuals: First, fixed effect may not work in a non-linear model such as Tobit and second, a fixed effect may drop time-invariant variables, such as geographic distance. The regression results are reported in Table 2.

Table 2. Gravity Model Panel Tobit Regression Results

Variable	**China's Exports**	**China's Imports**	**China's Outward FDI**	**China's Inward FDI**
ln(GDP)	2.04***	2.39***	3.51***	2.44***
ln(DIS)	-0.50***	-0.77**	-0.94	-1.29**
Constant	-6.24***	-8.00***	-18.18**	-4.77
Sigma_u	0.91***	1.41***	4.34***	2.79***
Sigma_e	0.34***	0.43***	3.37***	1.32***
Statistics				
Number of obs.	384	386	386	386
Number of groups	103	103	103	103
Number of left-censored obs.	8	21	180	76
Chi square	666.20	389.48	60.17	107.11
p-value	0.00	0.00	0.00	0.00

*p<.1, **p<.05, ***p<.01

Now based on the estimated values for all parameters, I can calculate predicted bilateral economic flows for each country, and calculate the differences between the predicted and actual values. If a predicted value is larger than the actual level, the country is under-performing in comparison to if a predicted value is smaller than the actual level, the country is over-performing in comparison to what it is predicted to be. Also, I can compare the extent to which each country's actual values of bilateral economic flows deviate from its predicted values, and rank Canada's performance.

Ranking Canada in G7 plus One

With particular focus on the world's major industrialized countries, I compare Canada with other G7 members (United States, Japan, Germany, United Kingdom, France and Italy) plus Australia. Table 3 reports average actual values over 2003–2006 of real GDP, China's exports to, China's imports from, China's received FDI from, China's outward FDI to the eight countries and their weighted distances to China. There are numerous good reasons for which I add Australia to the comparison group: First, Australia and Canada are highly similar in their economic dependence on natural resources and international trade; second, both countries share similarities in British colonial history and cultures; third, both countries are among the top recipients of Chinese immigrants and fourth, Canada's average real GDP over 2003–2006 is about 70 percent larger than that of Australia, whereas Canada's weighted distance to China is 25 percent farther than that of Australia.

Table 3: 2003–2005 Average Values for Model Variables for G7 plus One

Country	GDP(PPP) US$*	China's Exports US$	China's Imports US$	China's Outward FDI, US$	China's Received FDI, US$	Distance 1,000 KM
Australia	46.50	0.0995	0.1359	1.0900	0.0552	8.35
Canada	81.00	0.1024	0.0673	0.1808	0.0514	10.43
France	142.75	0.1069	0.0851	0.0561	0.0565	8.74
Germany	196.00	0.2851	0.3081	0.6451	0.1356	8.03
Italy	113.75	0.1088	0.0676	0.0462	0.0317	8.47
Japan	492.50	0.7713	0.9614	0.1983	0.5408	1.97
United Kingdom	161.25	0.1723	0.0509	0.2285	0.0807	8.54
United States	1080.00	1.4594	0.4659	1.5379	0.3516	11.18

*Millions.

The first way to look at these eight economies' performance is to show their actual values versus predicted values in one diagram for exports, imports, inward FDI and outward FDI respectively. Because the gaps among those eight countries' level of bilateral economic flows are too large to show in one diagram, I show logarithmic values of the ratio of their bilateral economic flows to Chinese real GDP in the current year, i.e.

$$\ln\left(\frac{V_{i,j,t}}{GDP_{i,t}}\right)$$

in formula (2). As a logarithm is a monotonous function, it does not change the ranks of all countries. Figures 1 to 4 show actual log-values versus predicted log-values for China's exports to, China's imports from, China's received inward FDI from and China's outward FDI to each member of the G7 plus Australia.

Figure 1: China's Exports to G7 plus One

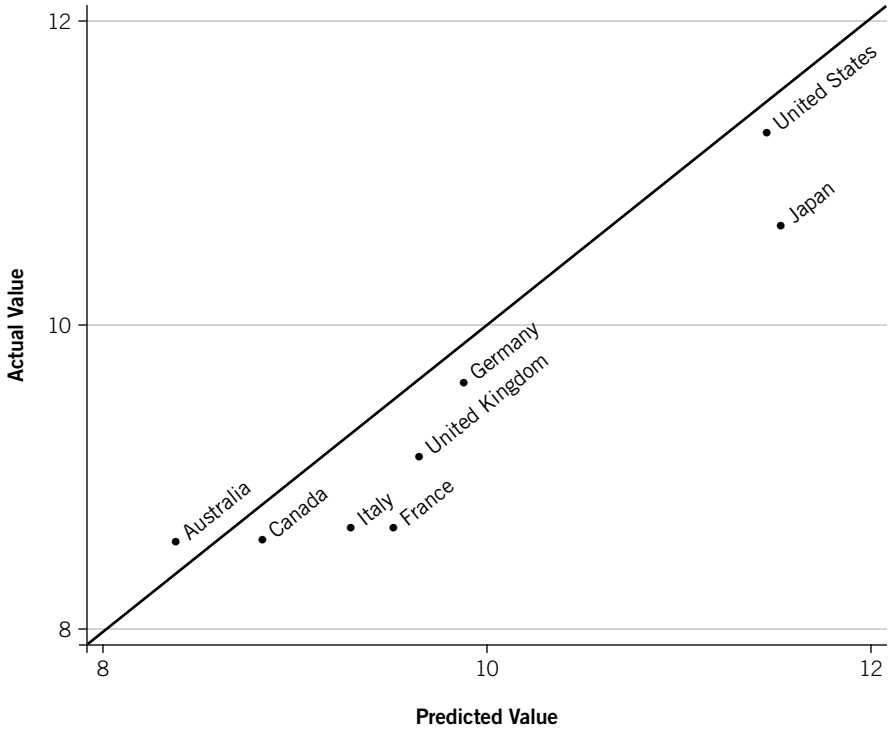


Figure 2: China's Imports from G7 plus One

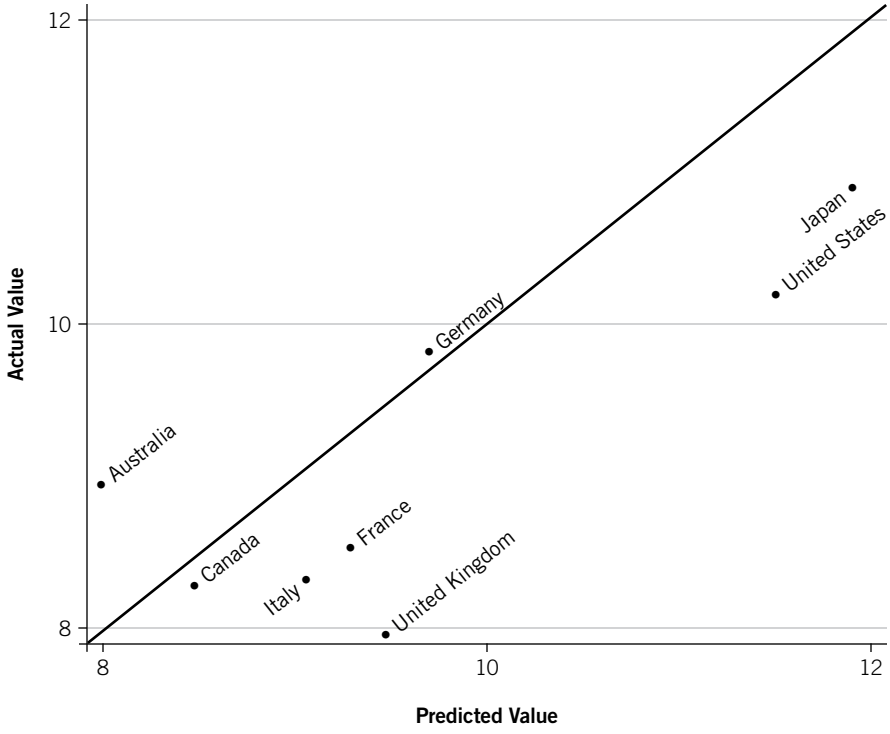


Figure 3: China's Received FDI from G7 plus One

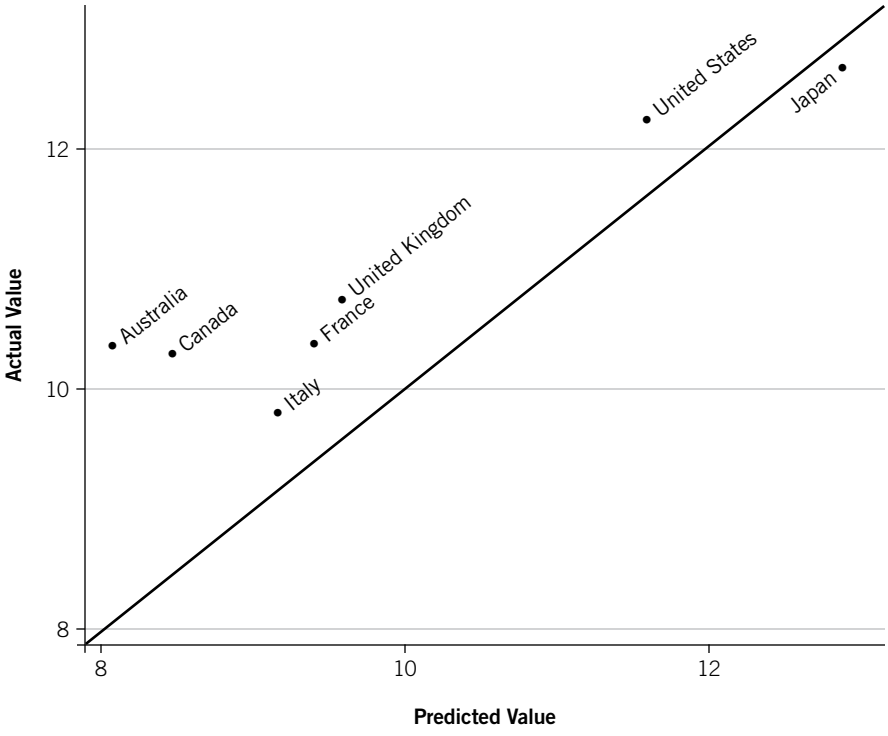
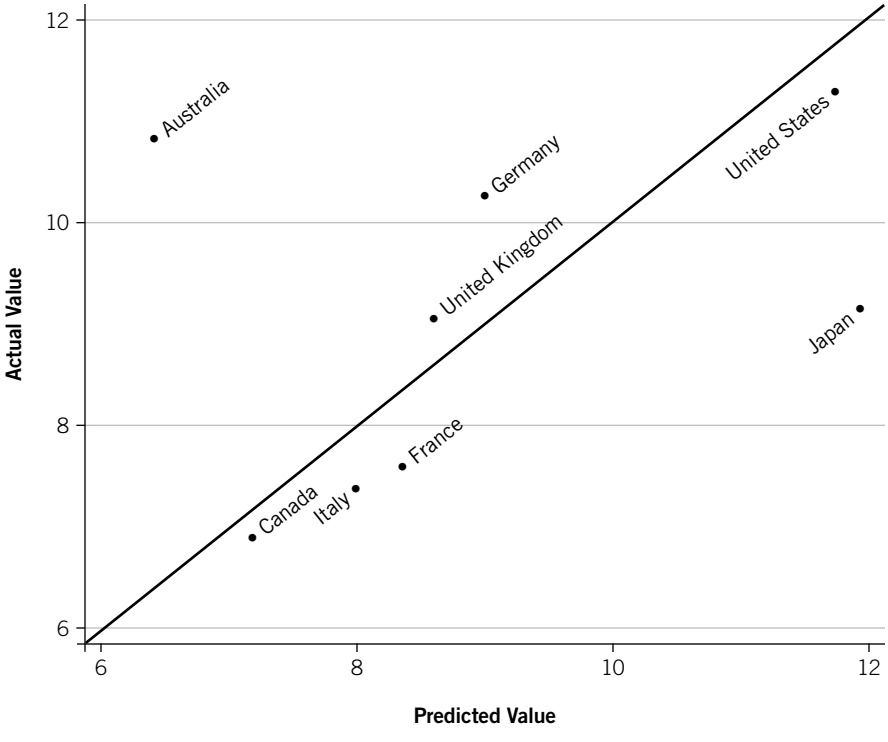


Figure 4: China's Outward FDI to G7 plus One



The red diagonal line in each diagram is a 45 degree radium line, showing equivalence between actual and predicted values if any points fall on it. If a point falls below the red line, the country was under-performing; if a point falls above the red line, the country was over-performing. The vertical distance between a point and the red line shows the extent to which a country's actual value deviates from its predicted level.

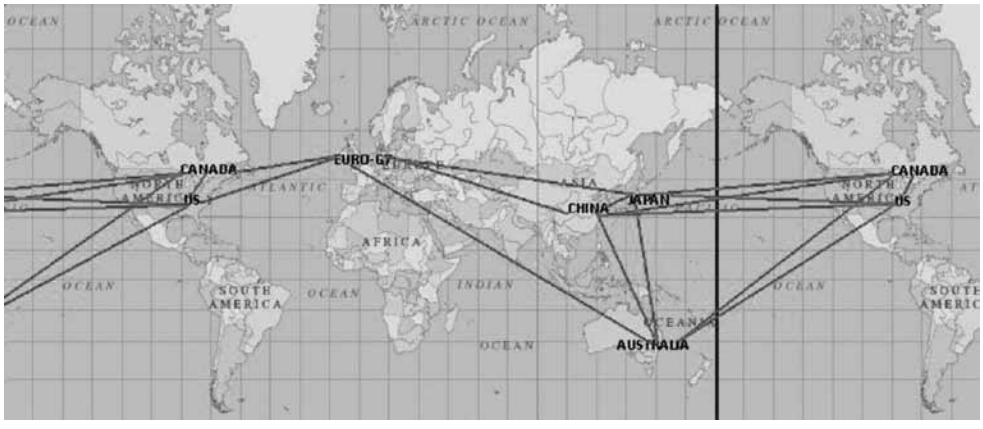
By studying the four diagrams in depth, I found that the eight countries can be classified into three tiers: (1) United States and Japan, which were by far leading the other countries in predicted values due to their considerably larger economic size; (2) European industrialized states (Germany, United Kingdom, France and Italy), whose predicted values lay in the middle of the diagrams and (3) Canada and Australia, which fell behind all others in predicted values due to their relatively smaller economic sizes. I use gray dotted lines to show those three classifications in each diagram.

Given the small sizes of economies and their distances to China, Canada and Australia are predicted to be ranked as the bottom two countries among the G7 plus One. However, actual levels of some of Australia's measures passed the second and even first tiers. For example, Australia is the only country that was over-performing in terms of imports from China, and one of the only two countries that were over-performing in terms of exports to China (the other one is Germany). In addition, though Australia is predicted to receive the lowest amount of Chinese outward FDI, its actual value outperformed all others as shown in Figure 4. Conversely, Canada was under-performing in terms of all bilateral economic flows except its outward FDI to China (or China's received FDI from Canada). However, it should be noted that most Canadian investors in China were in fact Chinese by ethnicity. Namely, they were return immigrants from Canada to China (the same is true for Australia).

Understanding the Geographic Economy of Canada versus Australia

From an economic geography perspective, the reason Australia out-performed Canada may not be too surprising. Figure 5 shows the gravity relations among the eight countries and China on the world map with some extension to the right. It shows clearly that Australia's distance to China and other parts of Asia is less compared to its distance to Europe and North America, which positions Australia within a broad definition of Asia-Pacific. Conversely, Canada is pulled by gravity from two major bilateral economic partners, United States and Europe, rather than China; those two partners may have a larger gravity effect than China on Canada due to their closer distances in geography, history and culture.

Figure 5: Gravity Relations among China and G7 plus One



Understanding the Diversifiability of Canada's International Economy

The conventional gravity model uses distance between two countries' capital cities, or an index of distances between two countries' most populous cities weighted by their population density. In either case, Canada's gravity centre is located in the country's southeast as labelled in Figure 5. However, major British Columbian ports such as Prince Rupert and Vancouver have the shortest distance to major Chinese ports such as Tianjin and Shanghai, which positions Canada as a major Asia-Pacific player. Imagine if Vancouver positions itself as one of Canada's gravity centres: the distance between Canada and China may be shortened by as much as 18 percent or from 10,430 km to 8,570 km to China's Tianjin port, which has been officially positioned as China's new major Asia-Pacific gateway. Note that this adjusted distance is very close to that between Australia and China, i.e., 8,340 km. A 70 percent larger economy suggests that, *ceteris paribus*, Canada may have much greater gravity on China compared to Australia. The adjusted distance between Canada and China becomes even shorter than that between major U.S. ports or European ports and China: for example, it is 10,100 km between Tianjin and Los Angeles, and 8,600 km on average from major European cities to Chongqing, China's closest offshore port to Europe. Although Canada's economic size is smaller compared to other G7 members, its unique economic structure, such as high concentration on natural resources and high technology, has very strong competitiveness in attracting businesses from China, the world's largest factory eager to satisfy its huge appetite for resources and technology.

The strong competitiveness to win China's businesses does not mean that Canada should be less North American or less Atlantic-oriented, but rather suggests that Canada should take advantage of its greater diversifiability in building its international economy. One may look at how the gravity model predicts the distribution of Canada's international economic flows with other G7 countries and China based on their economic sizes and their distances to Canada. To calculate that, I first list data for all regions' average real GDP over the period 2003–2006 and their distances to Canada in Table 4. Real GDP data are retrieved from the World Bank's World Development Indicator Database;[1] weighted distance data are retrieved from Centre D'études Prospectives et D'informations Internationales of France's Weighted Distances Database.[2] Based on the estimated parameters for gravity models, I calculate and report predicted values for all bilateral economic flows between Canada and each of the other G7 countries and China.

Table 4: Economic Sizes and Distance to Canada for G7 Countries and China

Country	GDP (PPP) US$*	Weighted Distance** 1,000 km
China	5.13	8.57
France	1.84	6.45
Germany	2.51	6.54
Italy	1.63	7.27
Japan	3.83	7.57
United Kingdom	1.87	5.85
United States	12.18	2.08

* Trillions. ** Canada's distances to China and Japan are adjusted to distances from Vancouver to Tianjin and Tokyo respectively.

Now I calculate the distribution of Canada's predicted bilateral economic flows with each of those countries based on the estimated parameters in Table 2, and then report and compare results with their actual values in Table 5. Data for actual levels of Canada's exports and imports are retrieved

1 "World Development Indicators 2009," The World Bank, http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:21725423~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html (accessed December 14, 2009).

2 "Distances," CEPII, http://www.cepii.fr/anglaisgraph/bdd/distances.htm (accessed December 14, 2009).

from Trade Data Online of Industry Canada;[3] data for actual levels of Canada's inward and outward FDI are retrieved from CANSIM of Statistics Canada.[4] Results show that Canada has under-weighed China as an international partner except in its imports from China. Notably, the current actual level of two-way FDI between the two countries is much below the predicted values. The predicted values for all bilateral economic variables suggest that China should be Canada's second most important partner in terms of all bilateral economic flows, following the United States. Derived from Table 5, China's share should be 122 percent higher than its current level in terms of Canada's total exports, 353 percent higher in terms of Canada's received FDI and 918 percent higher in terms of Canada's outward FDI. It is very interesting to find that the under-weighting of China is due to an over emphasis on Europe and Japan, because the actual values are still under their predicted counterparts for bilateral economic flows with the United States, given the country's huge economic size and close distance to Canada. However, if we take into consideration the increasing disparity of economic growth between China and the United States, particularly after the financial crisis, Canada could have been over-weighted by the United States as well.

Table 5: Predicted and Actual Distributions for Bilateral Economic Flows between Canada and other G7 Countries and China

Country	Exports (%)		Imports (%)		Inward FDI (%)		Outward FDI (%)	
	Actual	Predicted	Actual	Predicted	Actual	Predicted	Actual	Predicted
China	1.76	3.90	9.58	7.08	0.41	1.87	0.12	1.24
France	0.66	0.42	1.82	1.01	5.00	0.22	8.72	0.04
Germany	0.84	0.87	3.51	1.89	2.93	0.46	2.61	0.13
Italy	0.48	0.29	1.65	0.74	0.48	0.14	0.37	0.03
Japan	2.32	2.14	5.09	4.16	2.43	1.08	3.29	0.50
United Kingdom	2.14	0.47	3.56	1.10	17.30	0.26	9.16	0.05
United States	91.80	91.91	74.78	84.02	71.45	95.97	75.73	98.01

Conclusion

Using Gravity Model analysis, compared to other G7 countries and Australia in particular, Canada has been far behind the 'gold rush' among developed economies to catch up on opportunities in the Middle Kingdom, the world's most dynamic and growing market. The comparison between Canada and Australia is most interesting. With a much larger economic size and slightly closer adjusted distance to China (if using Vancouver as the gravity centre) compared to Australia, and accounting for similarities in natural resource endowment, attraction of Chinese immigrants, and culture, Canada is predicted to perform much better in terms of bilateral economic relations with China. However, the actual case is that Australia performs way above Canada, and most of other G7 members, which have much larger economic sizes.

In terms of policy, the results have many important implications. First, it is disproved that 'cold' political relations can maintain a 'hot' economic relations—simply comparing between Australia and Canada. Second, from a gravity model perspective, Canada is the most diversifiable international player among all major industrial countries, indicating that Canada should be able to win more of China's business without being less North American and Atlantic. Related to that, Canada should carry out effective policies to position its major Western cities such as Vancouver to play a larger role in attracting business from China.

3 "Trade Data Online," Industry Canada, http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home (accessed December 14, 2009).

4 "CANSIM," Statistics Canada, http://cansim2.statcan.ca/cgi-win/CNSMCGI.PGM?LANG=Eng&Dir-Rep=CII/&CNSM-Fi=CII/CII_1-eng.htm (accessed December 14, 2009).

Appendix

Summary Statistics

Table A1: Canada's Exports to Top 10 Countries*

Unit: C$ Billion

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
United States	269.91	308.08	359.29	351.75	345.37	326.70	348.14	365.80	359.25	355.95
	(84.76%)	(86.68%)	(86.95%)	(87.05%)	(87.13%)	(85.73%)	(84.44%)	(83.85%)	(81.60%)	(79.04%)
United Kingdom	4.41	4.83	5.75	5.06	4.43	6.09	7.74	8.25	10.13	12.80
	(1.39%)	(1.36%)	(1.39%)	(1.25%)	(1.12%)	(1.60%)	(1.88%)	(1.89%)	(2.30%)	(2.84%)
China	2.50	2.66	3.70	4.26	4.13	4.81	6.77	7.10	7.66	9.29
	(0.78%)	(0.75%)	(0.89%)	(1.06%)	(1.04%)	(1.26%)	(1.64%)	(1.63%)	(1.74%)	(2.06%)
Japan	8.64	8.57	9.28	8.34	8.36	8.19	8.56	9.17	9.42	9.22
	(2.71%)	(2.41%)	(2.25%)	(2.06%)	(2.11%)	(2.15%)	(2.08%)	(2.10%)	(2.14%)	(2.05%)
Mexico	1.47	1.61	2.03	2.75	2.42	2.21	3.10	3.37	4.37	4.96
	(0.46%)	(0.45%)	(0.49%)	(0.68%)	(0.61%)	(0.58%)	(0.75%)	(0.77%)	(0.99%)	(1.10%)
Netherlands	1.87	1.56	1.43	1.56	1.77	1.62	1.93	2.19	3.06	4.04
	(0.59%)	(0.44%)	(0.35%)	(0.39%)	(0.45%)	(0.43%)	(0.47%)	(0.50%)	(0.70%)	(0.90%)
Germany	2.71	2.42	3.15	2.93	2.96	2.91	2.68	3.24	3.95	3.88
	(0.85%)	(0.68%)	(0.76%)	(0.73%)	(0.75%)	(0.76%)	(0.65%)	(0.74%)	(0.90%)	(0.86%)
Norway	0.86	0.74	0.85	0.98	0.98	0.98	1.55	1.55	1.89	3.68
	(0.27%)	(0.21%)	(0.20%)	(0.24%)	(0.25%)	(0.26%)	(0.38%)	(0.36%)	(0.43%)	(0.82%)
France	1.69	1.89	1.90	2.17	2.00	2.19	2.38	2.54	2.88	3.13
	(0.53%)	(0.53%)	(0.46%)	(0.54%)	(0.51%)	(0.57%)	(0.58%)	(0.58%)	(0.65%)	(0.69%)
South Korea	1.82	1.99	2.34	2.02	2.02	2.00	2.27	2.82	3.27	3.01
	(0.57%)	(0.56%)	(0.57%)	(0.50%)	(0.51%)	(0.52%)	(0.55%)	(0.65%)	(0.74%)	(0.67%)
Sub-Total	295.88	334.34	389.72	381.83	374.43	357.71	385.13	406.03	405.89	409.97
Others	22.57	21.08	23.49	22.26	21.95	23.36	27.16	30.22	34.37	40.40
Total (All Countries)	318.44	355.42	413.21	404.09	396.38	381.07	412.29	436.26	440.27	450.37

*Percentages of total exports are in brackets (author's calculation).

Source: "Trade Data Online," Industry Canada, http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home (accessed December 14, 2009).

Table A2: Canada's Imports from Top 10 Importing Countries*

Unit: C$ Billion

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
United States	203.58	215.57	229.66	218.29	218.50	203.82	208.99	215.20	217.64	220.56
	(68.23%)	(67.28%)	(64.33%)	(63.62%)	(62.61%)	(60.64%)	(58.72%)	(56.50%)	(54.87%)	(54.21%)
China	7.65	8.95	11.29	12.72	16.00	18.58	24.10	29.51	34.49	38.30
	(2.56%)	(2.79%)	(3.16%)	(3.71%)	(4.59%)	(5.53%)	(6.77%)	(7.75%)	(8.70%)	(9.41%)
Mexico	7.68	9.54	12.06	12.12	12.74	12.19	13.44	14.60	16.01	17.18
	(2.57%)	(2.98%)	(3.38%)	(3.53%)	(3.65%)	(3.63%)	(3.78%)	(3.83%)	(4.04%)	(4.22%)
Japan	14.01	15.04	16.61	14.64	15.43	13.82	13.51	14.80	15.33	15.46
	(4.70%)	(4.69%)	(4.65%)	(4.27%)	(4.42%)	(4.11%)	(3.80%)	(3.89%)	(3.86%)	(3.80%)
Germany	6.08	6.95	7.77	8.00	8.29	8.65	9.43	10.27	11.13	11.53
	(2.04%)	(2.17%)	(2.18%)	(2.33%)	(2.38%)	(2.57%)	(2.65%)	(2.70%)	(2.81%)	(2.83%)
United Kingdom	6.31	8.11	13.03	11.72	9.74	9.22	9.66	10.42	10.86	11.46
	(2.12%)	(2.53%)	(3.65%)	(3.42%)	(2.79%)	(2.74%)	(2.71%)	(2.74%)	(2.74%)	(2.82%)
South Korea	3.31	3.57	5.28	4.60	4.86	5.11	5.83	5.38	5.76	5.36
	(1.11%)	(1.11%)	(1.48%)	(1.34%)	(1.39%)	(1.52%)	(1.64%)	(1.41%)	(1.45%)	(1.32%)
Norway	2.53	2.55	4.37	3.50	3.93	4.31	4.96	6.06	5.44	5.36
	(0.85%)	(0.80%)	(1.22%)	(1.02%)	(1.13%)	(1.28%)	(1.39%)	(1.59%)	(1.37%)	(1.32%)
France	4.88	5.32	4.16	5.51	5.86	5.07	5.34	4.99	5.19	5.09
	(1.64%)	(1.66%)	(1.17%)	(1.61%)	(1.68%)	(1.51%)	(1.50%)	(1.31%)	(1.31%)	(1.25%)
Algeria	0.54	0.65	1.25	1.15	1.72	2.40	3.11	4.17	4.95	5.07
	(0.18%)	(0.20%)	(0.35%)	(0.33%)	(0.49%)	(0.71%)	(0.87%)	(1.10%)	(1.25%)	(1.25%)
Sub-Total	256.58	276.25	305.48	292.26	297.08	283.18	298.35	315.40	326.80	335.38
Others	41.80	44.16	51.51	50.85	51.87	52.96	57.53	65.46	69.84	71.50
Total (All Countries)	298.39	320.41	356.99	343.11	348.96	336.14	355.89	380.86	396.65	406.89

*Percentages of total imports are in brackets (author's calculation).

Source: "Trade Data Online," Industry Canada, http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home (accessed December 14, 2009).

Table A3: Canada's Outward FDI to Selected Asian Countries

Unit: C$ Billion

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	3.74	3.23	3.10	5.57	8.61	8.14	8.18	7.98	6.94	8.89
Hong Kong SAR	3.43	3.62	3.74	3.02	2.64	3.04	3.09	3.36	4.99	4.52
Japan	3.27	3.85	5.61	7.03	9.71	8.44	8.37	6.43	3.99	3.57
Singapore	3.01	2.95	3.17	4.49	4.23	3.70	3.58	3.53	3.57	3.35
Indonesia	2.03	2.12	2.41	2.52	4.19	3.44	3.24	2.61	2.24	2.08
China	0.45	0.71	0.57	0.70	0.72	0.84	1.08	1.13	1.57	1.80
Thailand	0.59	0.64	0.98	1.11	0.92	0.53	0.61	0.80	0.83	0.93
Malaysia	0.24	0.22	0.51	0.64	0.72	0.44	0.56	0.49	0.76	0.77
New Zealand	1.88	1.53	0.61	0.38	0.21	0.23	0.48	0.42	0.36	0.65
Philippines	0.39	0.27	0.39	0.41	0.15	0.12	0.12	0.11	0.36	0.39
South Korea	0.54	1.23	0.76	0.73	0.75	0.70	1.36	0.35	0.41	0.21
India	0.17	0.25	0.13	0.15	0.22	0.20	0.21	0.31	0.50	0.21
Asia/Oceania	22.28	23.02	24.01	28.62	35.74	33.18	33.70	30.47	30.46	32.48
Total (All Countries)	262.91	290.73	356.51	399.25	435.49	412.22	448.55	455.21	529.97	514.54

Source: "Canada's International Investment Position," Statistics Canada, http://www40.statcan.ca/l01/cst01/econ08-eng.htm (accessed December 14, 2009

TABLE A4: Canada's Inward FDI from Selected Asian Countries

Unit: C$ million

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Hong Kong	2957	2296	3374	3931	4135	4689	5316	6174	*	*
Japan	8393	8270	8041	7864	9305	9892	9939	10495	12944	13410
Australia	1135	1504	1711	1941	1541	1758	2225	2312	2654	3302
South Korea	142	168	232	269	274	336	353	397	842	950
China	226	214	192	219	196	216	113	928	*	616
India	*	18	*	29	31	59	92	146	222	446
Singapore	195	176	146	131	77	47	45	28	118	340
Malaysia	133	71	118	120	119	119	118	140	168	151
Taiwan	107	115	97	104	108	111	115	111	91	114
New Zealand	*	1516	101	99	99	48	43	47	54	62
Thailand	*	*	1	1	3	2	1	1	4	13
Indonesia	*	*	*	*	*	*	*	*	*	10
Philippines	*	2	2	1	1	1	1	3	2	7
Asia/Oceania	14758	14405	14401	15390	16545	17872	18954	21358	27740	32712
Total (All Countries)	219389	252563	319116	340429	356819	373685	379450	395238	437801	500851

*Suppressed to meet the confidentiality requirements of the *Statistics Act.*

Source: "Canada's International Investment Position," Statistics Canada, http://www40.statcan.ca/l01/cst01/econ08-eng.htm (accessed December 14, 2009).

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IMMIGRANTS FROM CHINA TO CANADA: ISSUES OF SUPPLY AND DEMAND IN HUMAN CAPITAL

Abstract

This paper examines immigration from China to Canada since the 1990s. Between 1998 and 2007, Canada received on average of 227,911 immigrants per year from all regions, and the People's Republic of China (PRC) has topped the list of source countries. Between 1998 and 2007, new immigrants from PRC to Canada averaged 33,443 annually; most immigrants came to Canada with a university degree. The rise in university-educated immigrants can be explained by Canada's rising demand for skilled immigrants and China's increased supply of university graduates. Canada saved approximately $1.8 billion in educational expenses by accepting 53,480 immigrants from China with degrees between 1996 and 2000, but only about 59 percent of them are estimated to have been in Canada's 2001 labour market. However, there is a further discount of the value of human capital because a university degree held by PRC-born men and women is not rewarded at the same rate as a degree held by other Canadians. This paper provides several policy recommendations regarding how Canada can further benefit from immigration from China.

Introduction

Like other advanced industrial countries, Canada has been transformed by the emergence of the new economy, that is, a knowledge-based economy led by information and communication technologies, as well as science industries that rely heavily on advanced skills, research and development. A key component of the new economy is the technology sector. Throughout the 1990s in Canada, real gross domestic product (GDP) and employment in the information and technology sector grew by 96 percent and 44 percent respectively, compared to a growth of only 28 percent in real GDP and 24 percent in other sectors.[1] At the turn of the 21st century, the Organization for Economic Co-operation and Development (OECD) also concluded that those countries that have managed to increase their growth potential have been able to take advantage of the new economic environment by setting proper policies regarding information and communication technology, human capital, innovation and firm creation.[2] The future prosperity of nation states now depends on their ability to invest in the new economy and to recruit and retain highly-trained human capital. In this respect, international migration becomes a key factor in allowing advanced industrial countries like Canada to procure highly-trained workers and professionals, especially in view of the fertility rate of many countries falling below the population replacement level.

Historically, immigration has been a key component in the building of Canada as a nation. Today, the population of Canada is made up of aboriginal peoples (3.8 percent), first-generation immigrants (19.8 percent) and native-born Canadians who are decedents of immigrants (76.4 percent).[3] Given Canada's low fertility rate, the country now relies heavily on international migration as a main source of growth of the population and labour force.[4] Between 2001 and 2006, Canada's population grew by 5.2 percent, two-thirds of which was due to international migration.[5]

1 Desmond Beckstead and Guy Gellatly, "The Canadian Economy in Transition: The Growth and Development of New Economy Industries," Statistics Canada Research Paper, Catalogue No. 11-622-MIE-No. 002, 2003.

2 OECD, *The New Economy: Beyond the Hype: Final Report of the OECD Growth Project.* (Paris: OECD Publications Service, 2001).

3 Statistics Canada, *The Daily,* December 4, 2007 and January 15, 2008.

4 Canada's total fertility rate, or the average number of children per woman, has been below the replacement level of 2.1 since the 1970s. See Peter S. Li, *The Making of Post-War Canada* (Toronto: Oxford University Press, 1996), 59–75. In 2006, the total fertility rate was 1.59. See Statistics Canada, *The Daily,* September 26, 2008.

5 Statistics Canada, *Canada Year Book Overview, 2008*, Population and Demography, January 20, 2009.

This paper examines immigration from China to Canada since the 1990s with a view to understand the future and to develop policy recommendations regarding how international human capital can be better utilized. Canada admits a large number of immigrants every year. Between 1998 and 2007, Canada received on average 227,911 immigrants per year from all countries and regions around the world. The People's Republic of China (PRC) has topped the list of countries from which the largest number of immigrants arrived every year. Between 1998 and 2007, new immigrants from the PRC to Canada averaged 33,443 annually, with a large proportion coming with a university degree.[6] Prior to the late 1990s, most immigrants of Chinese origin emigrated from Hong Kong to Canada and few directly from PRC.[7] What are the factors that explain this new surge of immigration from mainland China to Canada? What is the value of human capital brought by immigrants from PRC, and how is this being valued in the Canadian labour market? What are the policy implications for Canada?

Overview of Immigration from PRC to Canada[8]

In the period after the Second World War until the mid-1990s, Hong Kong was the primary source from which ethnic Chinese immigrated to Canada. During the 1950s and 1960s, the Cold War and the lack of formal diplomatic relationship between Canada and China deterred direct immigration from mainland China.[9] Canada and China established formal diplomatic relations in 1971. However, immigration from China to Canada remained small in the 1970s and 1980s. Between 1968 and 1976, immigrants from Hong Kong to Canada accounted for over two-thirds of immigrants from Hong Kong, Taiwan and mainland China to Canada combined.[10]

Between 1980 and 1986, arrivals from Hong Kong and mainland China never exceeded 8,000 a year from either source.[11] From 1986 onwards, annual immigration from Hong Kong increased, reaching 44,000 in 1994, and then declined. After 2000, less than 2,000 immigrants arrived in Canada from Hong Kong every year.[12] In contrast, immigration from mainland China did not begin to increase until 1989, the year of the Tiananmen Square incident when Canada allowed Chinese students with visas studying at Canadian universities to remain in Canada as permanent residents. Within two years, the number of landed immigrants from China rose to 14,203 in 1991 before dropping to 9,485 in 1993. After 1993, annual immigration from China continued to rise, reaching almost 20,000 in 1998, and over 40,000 in 2001, before pulling back to 33,231 in 2002. The number exceeded 36,000 for 2003 and 2004, and was over 42,000 for 2005 (Figure 1).

As the number of PRC immigrants increased during the 1990s, so did the percentage of those admitted under the economic class, that is, those selected based on a point system which emphasizes human capital, financial capital and work experience.[13] Economic immigrants from the PRC in the late 1980s made up about one quarter to one third of the total annual number of immigrants from China to Canada. However, this reached 57 percent in 1990 and 63 percent in 1991. Economic class immigrants fell in percentage in the early 1990s but increased again after 1994. By 1998, they accounted for 67 percent of the immigrants from China, and by 2000, over 80 percent.[14]

6 Compiled from Citizenship and Immigration Canada, *Facts and Figures 2007* (Ottawa: Minister of Public Works and Government Service, 2008), 30.

7 Peter S. Li, "The Rise and Fall of Chinese Immigration to Canada: Newcomers from Hong Kong Special Administrative Region of China and Mainland China, 1980–2000," *International Migration* 43, No. 3 (2005): 9–32.

8 Materials in this section are drawn upon Peter S Li, "Immigration from China to Canada in the Age of Globalization: Issues of Brain Gain and Brain Loss," *Pacific Affairs* 81, No. 2 (2008): 217–239. However, the data in Figures 1 and 2 have been extended to include 2003 to 2005.

9 Canada and China signed an agreement in October 1970 which stated that the two countries would establish diplomatic missions within six months. On October 25, 1971, the General Assembly of the United Nations passed Resolution 2758 recognizing the People's Republic of China as the sole legitimate government of China and withdrawing such recognition given to Republic of China (Taiwan) up to that point.

10 Peter S. Li, *The Chinese in Canada*, 2nd ed. (Toronto: Oxford University Press, 1998), 99.

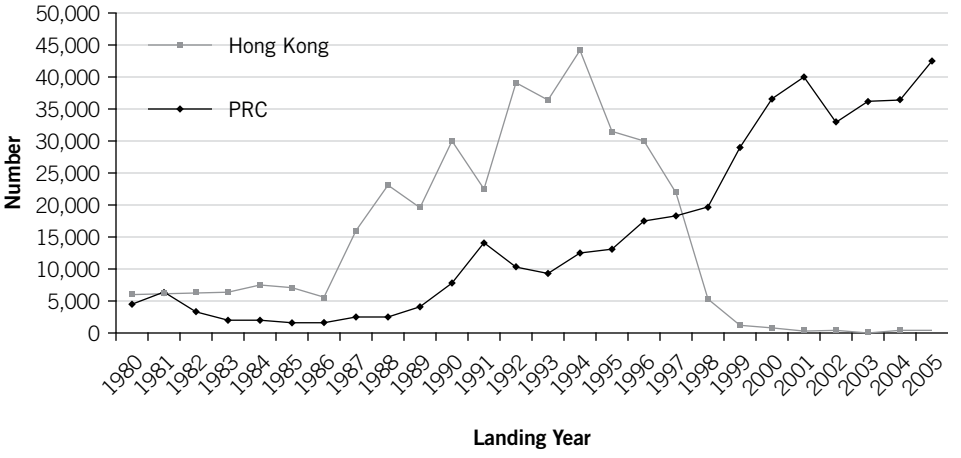
11 The Landed Immigrant Data System provided by Citizenship and Immigration Canada contains data pertaining to both "country of birth" and "country of last permanent residence" of immigrant arrivals. Statistics on country of origin in this paper are based on country of last permanent residence.

12 Li, "Immigration from China to Canada in the Age of Globalization: Issues of Brain Gain and Brain Loss."

13 Immigrants to Canada are admitted under three broad categories: the family class, the economic class and the refugee class. See Statutes of Canada, *An Act Respecting Immigration to Canada and the Granting of Refugee Protection to Persons Who are Displaced, Persecuted or in Danger,* 2001, c. 27, s. 12. Admissions under the family class are usually restricted to close family members of a resident or a citizen of Canada, such as a spouse, common-law partner, child, parent, or other prescribed family member. Economic class admission is selected on the basis of education, financial or investment capacity or labour market skills. Refugees are admitted based on the United Nations criteria or on humanitarian grounds.

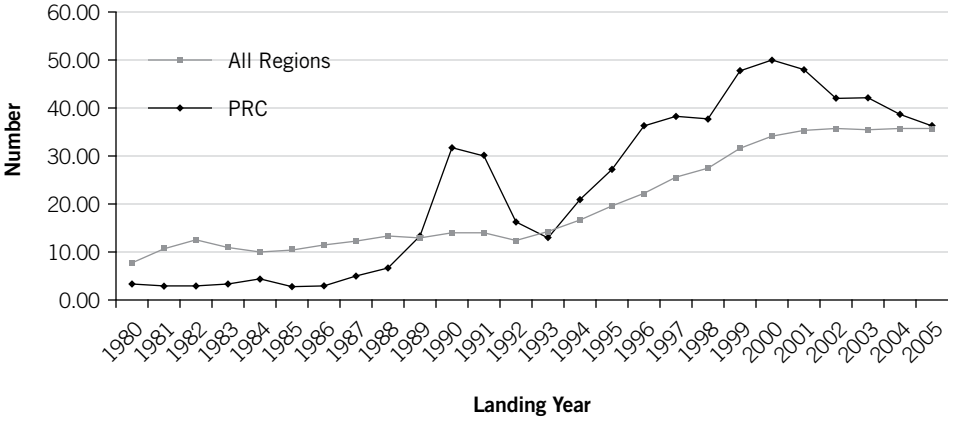
14 Li, "Immigration from China to Canada in the Age of Globalization: Issues of Brain Gain and Brain Loss."

Figure 1: Landed Immigrants in Canada by Year from PRC and Hong Kong, 1980–2005



Source: Compiled from Landed Immigrant Data System, 1980–2005, Citizenship and Immigration Canada.

Figure 2: Percent Immigrants with a University Degree from PRC and All Regions Admitted Annually to Canada by Landing Year, 1980-2005



Source: Compiled from Landed Immigrant Data System, 1980–2005, Citizenship and Immigration Canada.

The rise in the number of immigrants from China to Canada since the mid-1990s has been largely sustained by well-educated immigrants. Except for the two years following 1989, the proportion of the PRC immigrants with a degree was relatively low prior to 1994 (Figure 2). After 1994, the proportion of immigrants from China with a degree rose drastically, from 27 percent in 1995 to 39 percent in 1997, to nearly 50 percent in 1999, 2000 and 2001. From 2002 to 2005, immigrants with a degree continued to make up about 40 percent of all immigrants from the PRC annually.

It is clear that the overall proportion of university-educated immigrants to Canada has risen since the mid-1990s. However, the rate of immigrants with degrees from China to Canada tends to be higher than other source countries. For example, Canada accepted 41,413 immigrants with a degree from all regions in 1995; by 2000, the number rose to 77,430 or 187 percent higher. In contrast, Canada accepted 3,636 immigrants with a degree from China in 1995, and 18,522 in 2000, an increase of 509 percent. For the four years between 1999 and 2005, immigrants with a degree from China

accounted for 20 percent of all immigrants with a degree entering Canada, compared to 13 percent for the preceding four years. But the number of immigrants from China to Canada only accounted for 16 percent of the total number of immigrants admitted between 1999 and 2005, and 8 percent between 1995 and 1998. In short, the rise in immigration from China to Canada has been driven largely by the immigration of those with university education.

Salient Issues Influencing Flow of China-Born Immigrants

The rise in university-educated immigrants from China to Canada can be explained by Canada's demand for skilled immigrants and China's supply of university graduates. The emergence of the new economy has exacerbated the demand for skilled workers in Canada. Virtually all jobs created in Canada in the 1990s were related to knowledge-based occupations.[15] Canada responded to this rising demand by investing heavily in higher education; by 1996, Canada possessed what Zhao called the "most educated population" among industrialized countries in having the largest proportion of its population with a post-secondary degree.[16]

Throughout the 1990s, Canada also faced the problem of out-migration of skilled workers to the U.S.[17] However, Canada manages to bring in an even larger number of immigrants with a degree to offset this loss, in the magnitude of four immigrants coming to Canada to one migrating from Canada to the U.S.[18] Thus, admitting university-educated immigrants allows Canada to recuperate its loss of human capital, and to sustain labour growth in knowledge-based sectors. These conditions facilitate university-educated immigrants from China and elsewhere immigrating to Canada.

The emergence of the knowledge economy also prompted Canada to revamp the immigration system and strengthen the admission of economic-class immigrants. Both the Immigration and Refugee Protection Act of 2001 and the revised immigration regulations of 2002 reinforce immigrant selection based on educational qualifications and work experiences.[19] Canada's new "point system" used to assess prospective immigrants allots up to 70 of the 100 possible points to education, official languages capacity and work experience, as opposed to 39 points in the previous system.[20] Since the late 1990s and prior to the adoption of the new system, Canada, had already been increasing the intake of economic-class immigrants. Before 1995, economic-class immigrants constituted less than half of total immigrants to Canada; after 1995, these immigrants rose to over 50 percent and then to 60 percent or more in various years between 2001 and 2007.[21]

There are also factors that influence the supply of university-educated immigrants from China. The flow of the highly-educated from China is in part influenced by the oversupply of university graduates. Despite China's 1978 economic reform and its subsequent rapid growth, efforts to modernize its higher education system only began in the 1990s. China's educational reform has several components, including direct state investment, decentralization of financing to allocate more power to local governments, diversification of financing that allows universities to generate revenue and cost sharing that shifts a large share of educational costs to students and parents.[22] Along with changes in university financing, the state also discontinued the policies of free university education and government job assignment for graduates in 1997. In sum, China has used market principles to overhaul higher education, emphasizing economic incentives, cost effectiveness and efficiency, and decentralizing university management.

15 John Zhao, "Brain Drain and Brain Gain: The Migration of Knowledge Workers from and to Canada," *Education Quarterly Review* 6, No. 3 (2000): 8–35.

16 In 1996, the percentage of population aged 25 to 64 with a university or other post-secondary education was 48 percent in Canada, 34 in the US and 22 percent in the UK. See Zhao, "Brain Drain and Brain Gain."

17 It is difficult to estimate the origins of Canadians migrating to the US since such data are neither reported in Canada or the US.

18 Zhao, "Brain Drain and Brain Gain."

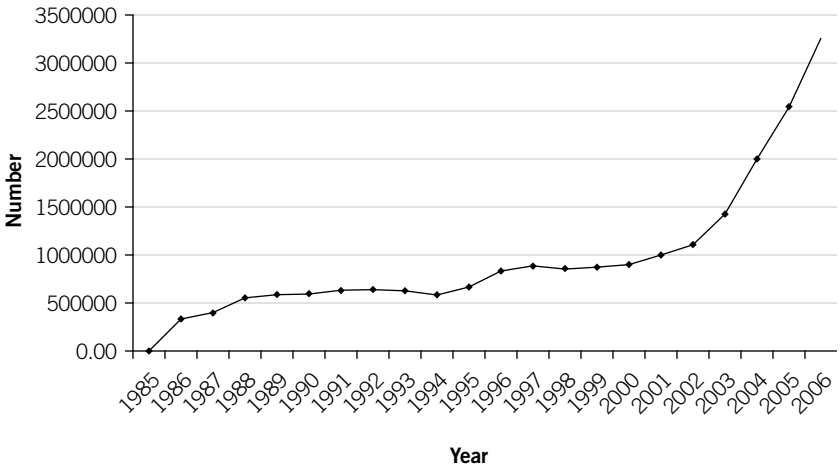
19 Statutes of Canada, *An Act Respecting Immigration to Canada and the Granting of Refugee Protection to Persons Who are Displaced, Persecuted or in Danger*; *Immigration and Refugee Protection Regulations SOR/2002-227* cited in *Canada Gazette* Vol. 136, No. 9, Part II (June 14, 2002): 177–360.

20 Li, *Destination Canada: Immigration Debates and Issues* (Toronto: University of Oxford Press, 2003), 41.

21 Citizenship and Immigration Canada, *Facts and Figures 2007*.

22 Peter S Li, Liming Li and Li Zong, "Postgraduate Educational Aspiration and Policy Implications: A Case Study of University Students in Western China," *Journal of Higher Education Policy and Management* 29, No. 2 (2007): 143–158; X. Wang, "A policy Analysis of the Financing of Higher Education in China: Two Decades Reviewed," *Journal of Higher Education Policy and Management* 23, No. 2 (2001): 205–217.

Figure 3: Number of Students Graduated from Undergraduate and Post-graduate Levels of Institutes of Higher Education, PRC



Source: China Statistics Yearbook (2008), Chapter 20, Science and Technology, National Bureau of Statistics, China Statistics Press.

The result of China's educational reform is most evident in increases in university enrolment. The opportunities for secondary school graduates to attend universities have improved, from a participation rate of 4 percent in 1998 to 17 per cent in 2003,[23] but household burden of financing higher education has also increased.[24] Data on China's higher education indicate that in 1993 there were approximately 600,000 university students who graduated from undergraduate and postgraduate programs; by 1999, the number increased 50 percent to 902,670, and by 2001, it increased to 1.1 million (Figure 3). More recent statistics indicate that approximately 1.4 million students graduated from university programs in 2002, 2 million in 2003, 2.5 million in 2004 and 3.3 million in 2005.

The changes have resulted in an abundant supply of fresh university graduates every year. Even before the 2007 global financial crisis, fresh undergraduate degree holders in more recent years had to face a highly competitive market. Several studies point out that employers' demand for new graduates has only increased marginally while the supply has skyrocketed.[25] For example, in 2003, about 70 percent of university graduates managed to find employment shortly after graduation.[26] The global financial crisis of 2007 had a further impact, albeit modest. Several surveys indicate that the employment rate of fresh university graduates was about 2 percent lower in 2008 than in 2007, while starting salaries for fresh university graduates declined about 11 percent in 2009 compared to 2008.[27] Thus, prevailing market pressures compel many university students to consider further studies at home or abroad to avoid competing in an adverse job market.[28]

At the same time, the number of students from China going abroad to study has also increased. In the mid-1990s, there were about 20,000 students going abroad annually, but by 2001, the number had reached 84,000, and by 2005, 119,000. In contrast, the number of students returning to the PRC annually has risen at a much slower rate (Figure 4). These numbers indicate the annual flow of

23 D.Y. Chen, "China's Mass Higher Education: Problem, Analysis, and Solutions," *Asia Pacific Education Review* 5, No. 1 (2004): 23–33.

24 X. Ding, "A Study on Household Higher Education Expenditure and Substitutions Effect," *Peking University Education Review* 1, No. 1 (2003): 95–98.

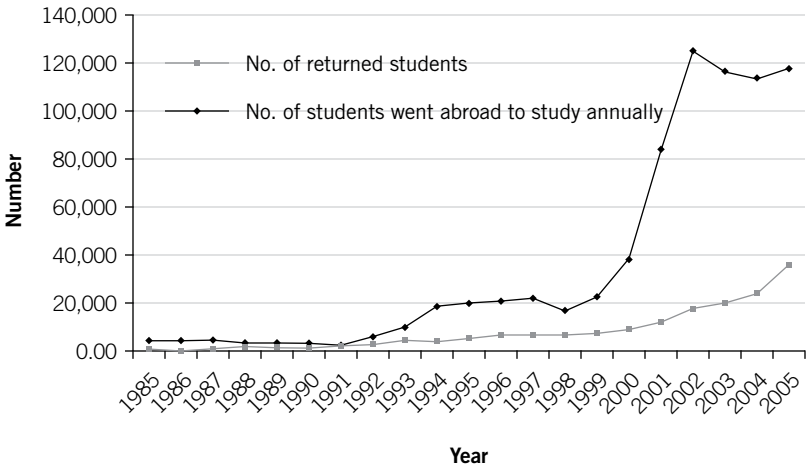
25 Chen, "China's Mass Higher Education: Problem, Analysis, and Solutions,"; X. Ding, "The Challenges Faced by Chinese Higher Education as it Expands in Scale," *Chinese Education and Society* 37, No. 1 (2004).

26 Chen, "China's Mass Higher Education: Problem, Analysis, and Solutions."

27 MYCOS, *2009 Zhongguo Daxuesheng Jiuye Baogao* ("2009 Chinese College Graduates' Employment Annual Report") (Beijing: Social Sciences Academic Press, 2009); Chinese Education News Network, "2009 Nian Daxue Biyesheng Qixin Yousuo Xiajiang," ("2009 Decline of Starting Salary of University Graduates") www.jyb.cn (accessed August 18, 2009).

28 Li, Li, and Zong, "Postgraduate Educational Aspiration and Policy Implications."

Figure 4; Number of PRC Students Who Went Abroad to Study & Number Returned Annually, 1985-2005



Source: China Statistics Yearbook, Science and Technology, National Bureau of Statistics, (China Statistics Press, 2008), Chapter 20.

students going abroad and returning. Thus, the disparity between the two graphs in Figure 4 shows an increasing stock of students remaining abroad.

The foregoing statistics suggest that the pool of fresh university graduates expanded throughout the 1990s, and the stock of PRC students studying abroad has grown. The surplus of university graduates, both in China and from China remaining abroad, has produced a potential pool of immigrants for Canada seeking skilled workers with high educational credentials. The combination of Canada's demand for human capital and China's annual surplus of university graduates has created the recent favourable conditions for immigration from China to Canada. In other words, difficulties in finding jobs at home and Canada's quest for human capital have encouraged many university graduates from China to seek immigration to Canada.

Data on the annual flow of PRC immigrants with a degree show a rising trend since the late 1990s. In 1989, about 14 percent of PRC immigrants had a university degree; by 1995, it increased to just below 27 percent (Figure 3). It further rose to almost 50 percent between 1999 and 2001 before falling back to about 40 percent for the period between 2002 and 2004.

Canada's Valuation of Human Capital Brought by PRC Immigrants

What is the value of the human capital transferred to Canada as a result of PRC university-educated immigrants migrating to Canada? How has Canada utilized such human capital? A recent study estimates the economic value of human capital embodied in new immigrants to Canada in two ways.[29] First, it is expressed in terms of the total number of university degrees granted in Canada in the same year; second, it is calculated as the equivalent cost Canadian students would have to incur if they were to acquire the same number of degrees in Canada in a given year, taking into account the average cumulated cost in four years that Canadian students paid in university tuition, compulsory fees and accommodation and food across Canada.

29 Li, "Immigration from China to Canada in the Age of Globalization."

The findings indicate that immigrants to Canada in the 1990s brought an additional pool of university graduates in the range of about one quarter to one-half of what Canadian universities produced every year.[30] PRC immigrants with a degree between 1991 and 1995 amounted to only 1 to 3 percent of all degrees granted in Canada each year, but after 1996, the proportional weight increased. PRC immigrants with a degree were equivalent to about 4 percent of all the degrees granted in Canada in 1996, 12 percent in 2000 and 10 percent in 2003.

Using the average cumulated cost to Canadian students in acquiring a four-year degree, the study further estimated that between 1991 and 1995, the human capital brought by immigrants from all source regions amounted to an equivalent of 24 percent of all the degrees granted in Canada during this period, or a value of $5.2 billion in acquisition cost, of which $391 million or 8 percent were attributed to immigrants from China. For the second half of the 1990s, the human capital of new immigrants was equivalent to 38 percent of all the degrees granted in Canada during this period, or a value of $9.9 billion, of which $1.8 billion or 19 percent were contributed by immigrants from the PRC.

In sum, between 1991 and 1995, 13,593 university-educated immigrants immigrated from the PRC to Canada. If the university degrees of immigrants from China were to be acquired in Canada, it would have cost Canadian families an equivalent of $390 million in 2001 constant dollars to acquire them. Between 1996 and 2000, 53,480 university-educated immigrants from China immigrated to Canada, bringing with their human capital an educational savings that amounts to $1.8 billion (2001 constant dollars), and accounting for 19 percent of all university degree holders immigrating to Canada during this period.[31]

How much of such human capital value is realized in the Canadian labour market? Using the 2001 Canadian census data, the participation rate and income returns of immigrants from the PRC to Canada between 1996 and 2000 can be estimated. The findings indicate that although Canada saved some $1.8 billion in educational expenses by accepting 53,480 immigrants from China with university degrees between 1996 and 2000, only about 59 percent of them were estimated to be in Canada's labour market earning employment income in the 2001 census.[32] In monetary terms, only about $1.09 billion of human capital worth were applied to Canada's labour market. However, there is a further discount of the value of human capital because university degrees held by PRC-born men and women are not rewarded at the same rate as degrees held by Canada-born white men and women, despite adjusting for intergroup variations in field of study, industry of work, number of degrees earned, full-time or part-time status, weeks worked and foreign and Canadian work experiences. In short, in terms of average discounted net earnings for a university degree, the loss in productivity or brain loss is $7,788 to $14,670 a year for each China-born male immigrant to Canada, and $6,435 to $6,709 a year for the female counterpart.

In 2001, Canada lost between $226 and $354 million from not realizing the full productivity of PRC-born university-educated immigrants. When this loss is taken into account along with the fact that only about 59 percent of those who came from China to Canada with a degree between 1996 and 2000 participated in the labour market, Canada only managed to retain about 39 to 46 percent of the $1.8 billion in educational savings transferred by immigrants from China during this period.

It is difficult to specifically pinpoint whether foreign credentials are devaluated in Canada because of racial factors or quality of education. However, another recent study shows that not all foreign credentials of immigrants are devaluated in Canada; in fact, foreign credentials held by immigrants of European origin enjoy an earnings premium compared to their counterparts with Canadian credentials. Only immigrant men and women of visible minority background suffer an earnings penalty.[33] Other studies have indicated that foreign accent, visible minority status and foreign credentials are often

30 *Ibid.*
31 *Ibid.*
32 *Ibid.*
33 Peter S. Li, "The Role of Foreign Credentials and Ethnic Ties in Immigrants' Economic Performance," *Canadian Journal of Sociology* 33, No. 2 (2008): 291–310.

grounds for earnings devaluation.[34] It appears that foreign credentials of immigrants are "racialized" in that the market value of foreign credentials depends in part on the racial features of the credentials holders and in part on how such features are evaluated in the Canadian market by employers.

Future Trends

Several trends are clear. First, there is no sign that Canada's fertility rate will improve, and population aging will continue like other advanced industrial countries. Second, the future prosperity and well-being of highly industrialized countries like Canada will continue to depend on the growth of the new knowledge-based economy. Third, Canada will increasingly depend on international migration to sustain its future growth in labour force and population. Fourth, the demand for highly-educated immigrants with technological and professional expertise will continue for Canada as well as for other industrialized countries, resulting in more severe international competition for such a form of specialized labour. Fifth, as long as China can maintain a large surplus of university graduates beyond what its growing market can absorb, it will be able to generate a highly-trained labour pool from which Canada can select desirable immigrants with substantial human capital.

Since the late 1990s, China has been a major contributor in furnishing Canada with a large number of immigrants with substantial human capital content. The above trends suggest that immigration from China will continue to play a key role in the future growth of Canada. Thus far, Canada has benefited from a surplus of university graduates from the PRC which produces a large pool of potential immigrants with high educational qualifications. This oversupply of university graduates occurred in part because China increased the capacity of the higher educational system to a point beyond what its market growth can sustain. This oversupply will continue in the short-term, especially in light of the global financial crisis and the time it takes China and the rest of the world to recuperate from it. However, as the world economy recovers and the growth of China continues and opportunities improve, some immigrants originally from the PRC will be attracted to return in order to better realize the returns to their educational credentials. When that happens, Canada may not be able to continue to benefit from an abundant supply of university-educated immigrant workers from the PRC. The case of emigration from Hong Kong to Canada in the late 1980s and early 1990s, followed by a subsequent return of many Hong Kong immigrants to Hong Kong in the late 1990s, well illustrates the dilemma facing an immigrant-receiving country like Canada.

Canada has benefited from the injection of human and financial capital brought by middle-class immigrants from Hong Kong in the 1980s and 1990s. However, the economic success of many Hong Kong immigrants that enabled them to fulfill the immigration requirements of Canada in the 1990s also gave them the option to move back to Hong Kong once Hong Kong's economic and political climate improved.[35] Thus, while Canada's policy of admitting immigrants well-endowed in human and financial capital meets the country's labour needs, such a policy also brings potentially mobile immigrants who have the capacity to move away once the opportunities elsewhere become more attractive. It can be expected that some immigrants from the PRC with substantial human capital will be drawn back to China once employment opportunities and remuneration levels for professional and technical workers become competitive with those offered in Canada.

Thus far, the discussion in this paper has focused on the value of human capital transferred by PRC immigrants to Canada and the savings for Canada in educational costs. There are other developments that suggest that new immigrants from PRC with advanced education will be able to make an even greater contribution to Canada beyond what is captured in the worth of the human capital they bring with them.

34 Jeffery G. Reitz, "Immigrant Skill Utilization in the Canadian Labour Market: Implications of Human Capital Research," *Journal of International Migration and Integration* 2, No. 3 (2001): 347–378.; Jeffery G. Reitz, "Immigrant Success in the Knowledge Economy: Institutional Change and the Immigrant Experience in Canada, 1970–1995," *Journal of Social Issues* 57, No. 3 (2001): 579–613.; Peter S. Li, "The Market Worth of Immigrants' Educational Credentials," *Canadian Public Policy* 27, No. 1 (2001): 1–16.

35 Li, "The Rise and Fall of Chinese Immigration to Canada."

As China's economy continues to grow, it can be expected that China will assume greater economic influence in the world, in terms of the size of its GDP, share of world trade and control of foreign assets and international monetary reserves. In the course of the financial crisis that began in 2007, there have been signs that suggest China will continue to play a key role in helping the world economy to recuperate by devising its national policy to stimulate domestic consumption, investing in the energy and other sectors in the world, making decisions about its large monetary reserves, and supporting its national corporations to diversify in the ownership of international firms. In view of the growing international financial influence of China, Canada and many countries of the European Union are beginning to redefine their relationships with China, in the hope of diversifying some of their economic ties to the growing market of Asia, and in light of the faltering economy of the U.S. The continuous rise of financial and economic importance of China means that international firms and nation states interested in maintaining closer economic ties with China will be looking for professionals and experts who not only have financial and technical knowledge but also the social capital to be able to operate in the China market. Highly-educated PRC immigrants in Canada will make up the rich human resources that can greatly benefit Canada as it expands its trade and economic undertakings in China. In turn, they can also contribute to the future growth of China by taking advantage of their cultural capital, language skills, international contacts and professional expertise.

There are also suggestions that return migrants to China contribute to the technological and economic development in China, and that human capital circulation in international migration benefits both sending and receiving countries. But some studies have questioned the capacity of return migrants to do so, based on findings that indicate that China's state control of knowledge assets in terms of venture capital and research development constrain the capacity of return migrants to develop technological ventures.[36] However, there is also a vast literature that suggests overseas Chinese have been instrumental in building a Chinese diaspora capitalism that stresses social ties and trust, and such a unique form of capitalism has been partly responsible for the economic prosperity in the coastal regions of mainland China since the 1980s.[37] Accordingly, overseas Chinese are able to develop strong financial ties in mainland China in part because of language advantage, cultural affinity and social ties. These arguments suggest that PRC immigrants with financial and technical expertise may be able to contribute to both Canada and China not only in terms of their professional specialties, but also their cultural and social capital as part of the Chinese diaspora.

Policy Implications for Canada

Canada has succeeded thus far in being able to save substantial educational costs in admitting immigrants with university education from PRC and other parts of the world. Both the new immigration act of 2001 and the revised immigration regulations of 2002 have further facilitated the selection of skilled immigrants based on educational qualifications and work experience.[38] The changes were in part a reaction to the previous system of economic immigrant selection that relied heavily on specific occupational demands based on a priority occupational list. But the list often became out-dated by the time it was used to select immigrants, and even more so when immigrants actually arrived in Canada. The revised immigration system is premised on the belief that immigrants with substantial educational credentials and qualifications also possess generic skills suitable to Canada's knowledge economy. In reality, the emphasis on selecting economic immigrants with substantial educational credentials creates a large cohort of arriving immigrants with a university degree but at the same time contributes to the mounting pressure for well-qualified immigrants with credentials not being able to find jobs that match their credentials.

36 David Zweig, Siu Fung Chung, and Wilfried Vanhonacker, "Rewards of technology: Explaining China's Reverse Migration," *Journal of International Migration and Integration* 7, No. 4 (2006): 449–471.; Yun-Chung Chen, "The Limits of Brain Circulation: Chinese Returnees and Technological Development in Beijing," *Pacific Affairs* 81, No. 2 (2008): 195–215.

37 Constance Lever-Tracy, David Ip, and Noel Tracy, *The Chinese Diaspora and Mainland China: An Emerging Economic Synergy.* (London: MacMillan Press, 1996); *Chinese Business and the Asian Crisis,* ed. David Ip, Constance Lever-Tracy, and Noel Tracy (Aldershot, UK: Gower Publishing, 2000).

38 Statutes of Canada, *An Act Respecting Immigration to Canada and the Granting of Refugee Protection to Persons Who are Displaced, Persecuted or in Danger 2002-997* (2001) c. 27; *Immigration and Refugee Protection Regulations SOR/2002-227* cited in *Canada Gazette* Vol. 136, No. 9, Part II (June 14, 2002): 177–360.

The relatively low labour force participation rate for PRC immigrants and the serious undervaluation of foreign credentials for those in the Canadian labour market mean that only a portion of the initial benefit of human capital transferred by PRC immigrants to Canada is realized. An important policy consideration would focus not only on the selection of immigrants with educational credentials, but also the integration of such immigrants into the Canadian labour market. One aspect of economic integration is to develop employment agencies that would help Canadian employers to identity immigrants with the proper credentials to fit job requirements, as well as to help immigrants to apply for jobs that better suit their experience and training. Some immigrant-serving agencies have established internship programs for newcomers to Canada and these programs seem to have produced successes in landing immigrants with jobs that fit their credentials.[39] Another aspect of economic integration would establish clear procedures for recognizing foreign credentials at the provincial level so that immigrants coming to Canada with educational credentials can have their credentials properly assessed for equivalence.

Thus far, Canada has not paid sufficient attention to the potential resources immigrants from China can offer in establishing closer trade and business relations with China. One reason is that both the government and major businesses have identified the U.S. market as the key component of the Canadian economy, and it is only recently that Canada has begun to change its interest in diversifying to China and other Asian countries. Besides educational credentials, immigrants from China also have the language skills, social connections and cultural ties that would give them an advantage to be successful in economic ventures in China. Canadian companies interested in the Asian market should take advantage of this type of human resources in Canada. Many banks have opened specialized branches in Canada to capitalize on the growing Asian immigrant market. These branches have profited from hiring employees who speak the language of the community they serve while also offering banking programs geared towards the needs of immigrant customers.[40] The success of Asian banking in Canada reflects the contribution of social and cultural capital in opening new business markets.

In the long-run, highly-qualified immigrants will have options to go to whichever country can offer them the highest remuneration rate and quality of life. Canada should position itself in a future global market for highly-trained immigrants. The competition for skilled immigrants in the world market is likely to increase as developing countries raise their economic output and reduce the disparity with developed countries, and as demographic pressures increase in the advanced industrialized world. Under this scenario, countries which can maintain a competitive level of remuneration as well as an enlightened policy of multiculturalism and immigrant integration will be in a better position to attract and to retain skilled immigrants. Immigrant receiving countries like the U.S., Canada, Australia, New Zealand and the UK will continue to facilitate the admission of well-educated professionals and skilled workers. There is no doubt that international migration under economic globalization represents a form of brain drain from less developed to more developed regions of the world. But as the shortage of skilled immigrants increases, brain drain may become multidirectional as immigrants well endowed in human capital may be able to circulate in various regions of the world market subject to competitive market prices for their labour. At the moment, there is no agreement in the international community to support a universal policy of international migration, in the same way that free trade has been supported and regulated under the World Trade Organization. Canada plays a leadership role in creating an international forum aimed at developing a universal framework of international migration under which the supply and demand of various types of skilled labour may be properly regulated.

39 Gordon Nixon and Dominic D'Alessandro, "Skilled Immigrants are Key to Business Success," *The Globe and Mail,* September 11, 2009, A11.

40 Wei Li, Alex Oberle, and Gary Dymski, "Gobal Banking and Financial Services to Immigrants in Canada and the US," *Journal of International Migration and Integration* 10, No. 1 (2009): 1–29.

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14

CATHERINE CÔTÉ

ASIA PACIFIC FOUNDATION OF CANADA FONDATION ASIE PACIFIQUE DU CANADA
25TH ANNIVERSARY 25IÈME ANNIVERSAIRE

ENSURING CANADIANS SAFE ACCESS TO PHARMACEUTICAL PRODUCTS THROUGH CANADA-CHINA COOPERATION

Abstract

Canada has a large pharmaceutical industry which is regulated extensively by provincial and federal governments. Yet, the tight regulation of Canada's pharmaceutical industry does not automatically protect citizens from the potential global health threat arising from the entry of pharmaceuticals on the world market from less-well regulated environments, such as China. This paper focuses specifically upon the burgeoning Chinese pharmaceutical industry and the implications for entry and distribution of Chinese products within Canada. It is argued that, as China assumes a more important role in international relations and trade, Canada should look to collaborate more closely with the Chinese government and members of the pharmaceutical industry to ensure Canadians safe access to Chinese pharmaceutical products. Cooperation in the short run on specific projects and confidence-building measures could develop into more comprehensive cooperation in the long run. Collaboration, in particular, should focus upon increasing the quality and safety of Traditional Chinese Medicine as well as combating counterfeiting. More generally, Canada should assist China in its efforts to establish a publicly funded healthcare system.

Introduction

As China assumes a more important role in international relations and trade, Canada should look to collaborate more closely with the Chinese government and members of the pharmaceutical industry to ensure Canadians safe access to Chinese pharmaceutical products. Cooperation in the short run on specific projects and confidence building measures could develop into more comprehensive cooperation in the long run.

Canada's pharmaceutical industry ranks eighth in the world today, accounting for two percent of total market sales.[1] Canada has the fourth fastest growing pharmaceutical industry in the world, just behind that of China, the U.S. and Spain. The pharmaceutical industry is also one of the most profitable for the Canadian economy. Although considered to be a risky business, pharmaceutical companies' profits are constantly increasing.[2] Provincial and federal governments play an important regulatory role. The Therapeutics Products Program, a division of Health Canada, reviews the safety and efficacy data for each new drug submission. Every drug has to be tested and approved by Health Canada before it can be prescribed or dispensed by pharmacies countrywide.[3] However, the tight regulation of Canada's pharmaceutical industry does not automatically protect citizens from the potential global health threat arising from the entry of pharmaceuticals on the world market from less tightly regulated environments, such as China.

This paper focuses specifically upon the burgeoning Chinese pharmaceutical industry and the implications for entry and distribution of Chinese products within Canada. It first provides a short description of the Chinese pharmaceutical industry and its regulatory body, the China State Food and Drug Administration (SFDA). Next, this paper examines the changes that have affected the Chinese industry in the past few years, especially since Beijing's accession to the World Trade Organization (WTO), paying particular attention to counterfeit and/or substandard drugs. Then, this paper explores

1 "Canada Pharmaceutical Industry," Aruvian Research (March 2009).

2 Ibid.

3 Aslam H. Anis, "Pharmaceutical Policies in Canada: Another Example of Federal-Provincial Discord," *CMAJ* 162, No. 4 (2000): 524.

the potential health risks associated with greater world consumption of pharmaceutical products manufactured in China. This paper then turns to the Canadian perspective, focusing mainly on the need for the Canadian government and industry leaders to collaborate with the relevant Chinese authorities to strengthen SFDA's laws and regulations and enforcement mechanisms in order to better prevent the spread of diseases. Two issues are of major interest to Canadians: the presence of counterfeit/substandard drugs in international and Canadian markets and the resulting risks that this could pose including those of infectious disease and, in the extreme, of a global pandemic. These are not simply hypothetical concerns; it is already established that large scale consumption of counterfeit/substandard drugs contributes to the development of resistant forms of infectious agents. Such "super bugs" in turn are transmitted to populations in developed countries through migration and travel.

Background

Overview of the Chinese Pharmaceutical Industry

China's pharmaceutical market has been described as one of the world's most exciting.[4] In recent years, a growing population and an increased use of western medicine have made China the fastest growing pharmaceutical market. By 2050 it could be the world's largest.[5] These market characteristics present some unusual possibilities and challenges to pharmaceutical companies. China's pharmaceutical market has maintained production and sales at a double-digit annual growth (some figures suggest an average growth of 10 percent, while others have indicated 28 percent in recent years) since the mid-1980s.[6] There are over 5000 drug wholesalers, but as Susan Ward states: "mergers and acquisitions (M&As) have become an important means for companies to grow in size, extend into new markets and obtain know-how in the Chinese pharmaceutical industry."[7] It is also an industry unique in the world by its composition: split almost in half between chemical and biotech products at 60 percent and Traditional Chinese Medicine (TCM) products at 40 percent.[8] TCM has been developed over thousands of years. Modern manufacturing methods and technologies now permit the production of large quantities. The rest of the world is also more receptive to TCM.

"Traditional Chinese Medicine, with its peculiar way of observing life and disease, has the greatest potential for original innovations among all the other academic disciplines in the country," explained Liu Yanhua, vice-minister of Science and Technology.[9] In fact, the Chinese government believes that the future of China's pharmaceutical industry lies in the production and sale of TCM. To this effect, it has pledged to create several export-oriented TCM manufacturing giants in the near future. In 2008, TCM exports reached US$1.3 billion, up from US$720 million in 2003.[10]

Another feature of the Chinese pharmaceutical market is that it is split between domestic producers (most of them state-owned) and China-foreign joint ventures. Over the past decade or so, imported drugs have made up 40 percent of the market.[11] Chinese companies are small, with most producing a single product. Jiang, Wang and Yan noted that in 2001, "the annual sales of the largest of these companies was only about US$530 million, just equal to 1% of the annual sales of the U.S. pharma-giant Merck."[12] In addition, most of the facilities use outdated equipment and therefore, specialize in the production of raw products with low-tech added value. Furthermore, competition is fierce since many companies manufacture similar products.

China was the second largest producer of pharmaceutical products in 2001, but its industry lacked investment, innovative capacity and had few proprietary products. Although more recent statistics are not available, industry observers note that this is still true to a large extent today. Consequently,

4 Faiz Kermani, "China's Pharmaceutical Challenge," *B5*, (2005): 61.

5 Susan Ward, "Demographic Factors in the Chinese Health-Care Market," *Nature Reviews Drug Discovery* 7 (May 2008): 383.

6 Xiaofeng Shao and Jianhua Ji, "Reconfiguration of Pharmaceutical Logistics Operations in China: An Empirical Study," *Transportation Journal* (Fall 2006): 53.

7 Ibid., 53.

8 Yan Jiang, Yongfeng Wang and Xijun Yan, "Chinese Pharmaceutical Companies: An Emerging Industry," *DDT* 6, No. 12 (June 2001): 610.

9 Shanshan Wang, "TCM has 'World Potential'," *China Daily* (March 22, 2007).

10 Fang Yang, "China to Double Traditional Medicine Output in About Ten Years," *Xinhua* (July 1, 2009): 610.

11 Ibid., 610.

12 S. Yuan, "A Comparison of the Pharmaceutical Industry between China and US," *Med. Economic Inf.* 341 (2001): 25–26.

reliance on foreign pharmaceutical products is a necessity. However, the Chinese market is hard to penetrate, not because of tariffs, but due to the lengthy, complex and opaque registration process with government agencies at multiple levels required to set up operations in China. Companies have to invest significant amounts of time, patience and resources to develop the business network required to manoeuvre in the Chinese business environment. According to Minden and Dong, "the result is a reduced role for free market forces, greater inefficiency, and higher prices for Chinese consumers."[13] Prior to China's accession to the WTO, the government expressed fears over its incapacity to protect domestic pharmaceutical companies against international competitors. However today, by giving tax breaks and building facilities, the government is bending over backward to convince foreign companies to conduct research and manufacture in China.

In the past few years, terms and phrases such as 'R&D,' 'strengthen risk control and management,' 'enhance communication and cooperation,' 'standardization,' 'unification,' 'clarification, among others, have become code words to convince members of the pharmaceutical industry and foreign governments of the Chinese government's commitment to enhance the reliability of its products.[14] To this effect, it has embarked on a series of reforms of the country's drug regulatory agencies.

China's Drug Safety Supervision and Legal System

In July 2007, Zheng Xiaoyu, former head of the State Food and Drug Administration (SFDA), was executed. He was accused of taking some 6.5 million yuan, close to $1.1 million, in bribes to let medical companies circumvent the regulatory system.[15] Zheng's case is not unique, however, and although significant efforts are made to reform health regulatory agencies, there is still a long way to go before the SFDA can be considered on par with its North American or European counterparts.

The State Drug Administration was established in 1998 as the first Chinese institution in charge of regulating the pharmaceutical industry. In 2003, it was replaced by the SFDA in accordance with the restructuring plan of the State Council approved by the First Plenary Session of the 10th National Peoples' Congress and the "State Council Notice on Government Structuring" (No.8.2003.).[16] In many ways, this re-structuring came in response to China's entry into the World Trade Organization (WTO). According to Dr. Yin Hongzhang, from the SFDA Department of Drug Registration, "the regulatory system for new drug evaluation and registration in China was gradually developed for better alignment with international standards." Indeed, SFDA's structure mirrors that of the U.S. Federal Drug Administration (FDA).

The SFDA's mandate is to ensure the

> "[a]dministrative supervision and technical supervision over the research, production, distribution and use of drugs (including Chinese crude drugs, prepared slices of Chinese crude drugs, traditional Chinese medicine preparations, chemical drug substances and their preparations, antibiotics, biochemical drugs, radioactive pharmaceuticals, serum, vaccines, blood products and diagnostic agents) and medical devices."[17]

The SFDA falls under the direct supervision of the State Council and is headquartered in Beijing. Out of the ten SFDA departments, five deal exclusively with the drug industry.[18] The General Office (Department of Financial Planning) and the Department of Policy and Regulations are in charge of both the pharmaceutical and the food industries.

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13 Karen Minden and Jeffrey L. Dong, "Dancing with Wolves: Opening the Pharmaceutical Sector in China," in *China's Reforms and International Political Economy*, ed. David Zweig and Chen Zhimin (London and New York: Routledge, 2007), 175.

14 "What's New," State Food and Drug Administration, P.R. China, http://eng.sfda.gov.cn/eng/ (accessed April 24, 2009).

15 Chris Buckley, "China Calls Official's Execution a Warning Siren," *Reuters* (July 11, 2007).

16 "About SFDA," State Food and Drug Administration, P.R. China, http://eng.sfda.gov.cn/eng / (accessed April 24, 2009).

17 "Status Quo of Drug Supervision in China," Government of the People's Republic of China, Beijing (July 2008): 5.

18 Department of Drug Registration, Department of Medical Devices, Department of Drug Safety and Inspection, Department of Drug Market Compliance, Department of International Cooperation (Office for Administrative Protection of Pharmaceuticals). Source: "About SFDA—Organizational Chart," State Food and Drug Administration, P.R. China, http://eng.sfda.gov.cn/eng/ (accessed April 24, 2009).

In addition, according to the government, by the end of 2007, there were 2,692 drug regulatory departments in China, including 31 at the provincial level, 339 at the municipal (prefecture) level and 2,321 at the county level. The provincial regulatory agencies (provincial FDA, local FDA offices and officials) are subject to SFDA oversight. They are responsible for "carrying out field inspections for assessment of compliance and authenticity of the drug application dossier" and "for the collection of lot release testing samples."[19] Fifteen other organizations are also affiliated with the SFDA.[20] SFDA's provincial, municipal and county levels subsidiaries are all controlled through a vertical management system, concentrating power under the authority of the State Council.[21]

In short, Chinese institutions in charge of regulating the pharmaceutical industry are numerous, but their respective spheres of influence are not always well-defined. In theory and according to the Drug Administration Law of the Peoples' Republic of China, to be sold on the market, a new drug must be approved for clinical trials (phases I, II and III) and must receive a New Drug Certificate, a New Drug Registration Certificate, as well as a Drug Good Manufacturing Practice (GMP) Certificate. Expert panels review each stage and make recommendations to the SFDA, which then grants approvals.[22] However, in practice, many stages are not respected, are sometimes quickly glossed over, or worse, just ignored. The Chinese pharmaceutical industry has grown too fast for its regulatory framework. The institutional capacity of the SFDA and its subsidiaries remains limited and the legal system "is too weak and insufficiently legitimated to define jurisdictional boundaries in any coherent and consistent fashion."[23]

China's regulatory system is faced with four major problems. First, the sheer number of small manufacturing companies complicates the monitoring process. There are simply not enough SFDA personnel to ensure proper monitoring of every production facility. Second, the complexity of drug supply chains undercuts the transparency and traceability of pharmaceutical products.[24] Since the late 1980s, significant efforts were made to streamline drug supply chains, but the overall process remains complex. Most manufacturers are responsible for warehousing operations and for transporting pharmaceutical products to wholesalers. Nowadays, all enterprises—state, collective and private—are allowed to engage in the pharmaceutical wholesale business. Wholesalers are then charged with distributing drugs to retailers, hospitals and pharmacies. The longer the supply chain, the harder it is for regulatory agencies to ensure the final quality of the pharmaceutical products involved.[25]

Third, corruption is wide spread. National standards are high, but enforcement is left to local officials. These officials often have to operate under severe financial constraints. Therefore, local regulatory agencies are more focused on revenue-generation than drug safety. It is not uncommon for manufacturers to offer bribes in exchange for a good inspection report.[26] Observers argue that basic institutional supports for a successful regulatory system are not in place, that is to say, regulatory developments occur within what remains an authoritarian system. Although China has officially adopted an "independent regulatory commission" system, the SFDA's independence from the central government is not well established. Furthermore, it remains unclear whether Chinese courts can play an

19 Hongzhang Yin, "Regulations and Procedures for New Drug Evaluation and Approval in China," *Human Gene Therapy* 17 (October 2006): 970.

20 Organizations affiliated with the SFDA: the National Institute for the Control of Pharmaceutical and Biological Products, the Pharmacopeia Commission of the PRC, the Center for Drug Evaluation, the Drug Certification Center, the Center for Drug Re-evaluation, the National Committee on the Assessment of the Protected Traditional Chinese Medicinal Products, the Center for Medical Device Evaluation, the Information Center of SFDA, the Training Center of SFDA, the Center for Qualification of Licensed Pharmacist, the China Pharmaceutical News, the China Medico-Pharmaceutical Science & Technology Publishing House, the China Center for Pharmaceutical International Exchange, the SFDA Southern Medicine Economic Institute and the Chinese Pharmaceutical Association. Source: "About SFDA—Affiliated Organizations," State Food and Drug Administration, P.R. China, http://eng.sfda.gov.cn/eng/ (accessed April 24, 2009).

21 Ibid., 5. It is interesting to note, however, that Shanghai also has its own regulatory institution called the Shanghai Municipal Food and Drug Supervision Administration (SHFDA). Although still subject to the authority of the State Council, the SHFDA is entitled to "study and draw up the drafts of the local rules and regulations on the safety administration of food, health products and beauty products in light of the actual circumstances of this Municipality". Source: "Shanghai Municipal Food and Drug Supervision Administration," Shanghai China—Organizations Directly under the Shanghai Municipality, http://www.shanghai.gov.cn/shanghai/node17256/node17679/node17704/userobject22ai12433.html. (accessed April 24, 2009).

22 Op. Cit., Yin, 970–971.

23 Jeremy Paltiel, "The Chinese Domestic Context for Engagement with Canada—Scoping Paper," *Canadian International Council* (2008): 2.

24 Chris Ansell, "Holding China Accountable? Protecting Consumers in Global Markets," Prepared for the 8th Annual Travers Conferences on Ethics and Accountability in Government, University of California, Berkeley (10 October, 2008): 7.

25 Op. Cit., Shao and Ji, 53.

26 Op. Cit., Ansell, 12.

independent adjudicatory role. In short, the large number of manufacturing companies, the complexity of supply chains, corruption and lack of transparency all weaken China's drug regulatory system.

Pharmaceutical Industries and the Chinese Market

If the regulatory system is inadequate, why are pharmaceutical companies willing, eager even, to enter the Chinese pharmaceutical market? First, Mingwei Wang, director of China's National Center for Drug Screening, holds that "the combination of desperation outside China and promise within has convinced almost every big pharmaceutical player, including Roche, Novartis, GlaxoSmithKline, Eli Lilly and Pfizer, to collectively invest hundreds of millions of U.S. dollars into research operations there over the past few years."[27]

The Chinese market environment is distinctly attractive to these corporations for several reasons. There are a large number of patients in China, making the country the perfect destination to conduct clinical trials. According to Jean-François Carmier, chief executive officer of Transgene, a French pharmaceutical company, "due to its large population, the Chinese can recruit enough patients for a trial in a short time and can therefore generate statistically significant amounts of clinical data very rapidly."[28] In Europe or in North America, the same trial would last longer since recruitment of suitable patients is harder. In addition, due to the prevalence of diabetes, cardio-vascular diseases, tropical infections and degenerative disorders, China, along with India, is particularly attractive for companies looking to conduct trials.[29] In addition, companies are drawn by an increasing talent pool of scientists who trained overseas and are now returning to China.[30]

Second, what some might see as a problem is seen by others as an advantage. A relatively new system of laws and regulations coupled with a lack of enforcement means that foreign companies are able to employ semi-legal, semi-ethical practices in China as opposed to their own countries where they would be faced with costly lawsuits. In the case of clinical trials, some companies offer financial compensation which amounts to more than the participants' monthly income or provide medication worth more than their annual salary.[31]Yet the cost of compensation remains significantly lower than what it would normally be in the developed world, with strict regulations, elaborate safety measures and small populations.[32]

Issues of Concern

Up until now, few people have been worried about the potential impacts of the Chinese pharmaceutical industry's entry into the world market. Yet, the pharmaceutical industry is plagued with many of the same problems as the Chinese food industry while its dangers remain as potent. After all, the State Food and Drug Administration also regulates the food industry. There are two issues that necessitate particular global attention: the presence of counterfeit/substandard drugs on the international market and the health threat their consumption poses.

Counterfeit/Substandard Drugs

According to the World Health Organization's (WHO) definition, a counterfeit medicine

> is one that is deliberately and fraudulently mislabelled with respect to identity and source. Counterfeiting can apply to both branded and generic products, and counterfeit products may include products with correct ingredients, with wrong ingredients, without active ingredients, with incorrect quantity of the active ingredient, or with fake packaging.[33]

27 David Cyranoski, "Pharmaceutical Futures: Made in China?" *Nature* 455 (October 29, 2008): 1169.

28 Sue Pearson, Hepeng Jia, and Keiko Kandachi, "China Approves First Gene Therapy," *Nature Biotechnology* 22, No. 1 (January 2004): 3.

29 Samiran Nundy, M. Chir., and Chandra M. Gulhati, "A New Colonialism?—Conducting Clinical Trials in India," *New England Journal of Medicine* 352, No. 16 (April 21, 2005): 1634.

30 Op. Cit., Cyranoski, 1170.

31 Op. Cit., Nundy and al., 1634.

32 Ibid., 1634.

33 "Counterfeit Medicines," World Health Organization—Regional Office for the Western Pacific, http://www.wpro.who.int/health_topics/counterfeit_medicines/. (Accessed May 4, 2009).

In addition, the term "substandard medicines" refers to all counterfeit drugs, but also to "genuine drugs produced by legitimate manufacturers that do not meet the recognized quality and purity standards used by that manufacturer or the regulatory authorities."[34] There are at least four common sources of substandard drugs. First, there are batches of drugs that have failed testing, and consequently, should have been destroyed but instead end up in the hands of unscrupulous people who then sell them on the market. Second, there are drugs that have been improperly stored at elevated temperatures and humidity levels which accelerate the decay of active ingredients. Third, drugs are sometimes sold after their expiration date.[35] Finally, there are criminal organizations who intentionally manufacture fake medicine and then manage to infiltrate legal distribution channels.

Counterfeit/Substandard Drugs and China

China's pharmaceutical industry and market exhibits many of the characteristics of other developing countries. The SFDA's regulatory system is very recent and is not supported by a comprehensive health care system. Under such circumstances, it is difficult to develop an effective distribution network of drugs. Today in China, hospitals can buy drugs from drug wholesalers of various kinds including, pharmaceutical manufacturers, salespersons, and so on. These various means for acquiring drugs further increases the likelihood that fake or substandard drugs will find their way into the health care system. Accordingly, drug quality has become an important problem. Indeed, some hospitals consciously choose to purchase low quality drugs in order to earn more through resale. Another consequence has been the emergence of illegal drug collectors, "who collect drugs from families at a lower price and then sell them again to low level hospitals or drug retailers."[36]

There are recognized advantages to the new drug distribution system. It increases competition, which improves the availability of drugs and reduces costs. It also decreases the risk of short supply by diversifying sources. However, the new drug distribution system also negatively impacts the government's capacity to successfully regulate the production, distribution and marketing of drugs. First, some factories produce fake or low quality drugs. Second, some physicians under pressure by patients or in order to make more money, prescribe more drugs than necessary.[37]Although it is impossible to get exact statistics on counterfeiting, it has been estimated that 192,000 patients were killed by fake drugs in 2001. During the same year, "Chinese authorities closed 1,300 factories while investigating 480,000 cases of counterfeit drugs worth $57 million USD."[38] More recent estimates are not available, but despite the SFDA's restructuring and the promulgation of new laws, scientists still identify China as an important source of counterfeit/substandard drugs. In recent years, Chinese authorities collaborated with Interpol and the WHO to arrest large-scale counterfeiters, but there is no indication that the scale of the problem is diminishing. Counterfeit drugs do not only affect Chinese people, but are also distributed worldwide through an intricate network of drug distribution.

The Global Threat of Counterfeit/Substandard Drugs

Counterfeit drugs are by no means solely a problem of the developing world, or of those who obtain their drugs through unregulated channels. The growing size and sophistication of counterfeit drug rings has allowed them to penetrate the legitimate drug supplies of developed Western nations, even the United States, which has possibly the most secure drug supply in the world.[39]

In fact, even the U.S. FDA's most conservative numbers show that there is as much as a 1% chance that drugs purchased in a U.S. pharmacy are counterfeit. The WHO even suggests that 5 to 7 percent of all drugs in the U.S. do not meet manufacturing standards.[40] In a market where billions of pills are

34 Albert I Wertheimer and Jeremiah Norris, "Safeguarding Substandard/Counterfeit Drugs: Mitigating a Macroeconomic Pandemic," *Research in Social and Administrative Pharmacy* 5 (2009): 8.

35 Ibid., 8.

36 Hengjin Dong, Lennart Bogg, Clas Rehnberg, and Vinod Diwan, "Drug Policy in China: Pharmaceutical Distribution in Rural Areas," *Social Science & Medicine* 48 (1999): 783.

37 Ibid., 784.

38 Robert Cockburn, Paul Newton, E. Kyerematen Agyarko, Dora Akunyili and Nicholas J. White, "The Global Threat of Counterfeit Drugs: Why Industry and Governments Must Communicate the Dangers," *PLoS Medicine* 2, No. 4 (April 2005): 303.

39 Wyatt Yankus, "Counterfeit Drugs: Coming to a Pharmacy Near You (Condensed Version)," Prepared for the American Council on Science and Health (August 2006): 4.

40 Ibid., 4

consumed each year, 1 percent constitutes an impressive number.[41] Most counterfeit drugs are high volume and cost, especially injectable medication, treatments for immunodeficiency virus infection such as AIDS and psychiatric medications. Counterfeiters' methods are so sophisticated than even legitimate producers now have difficulty separating the real drug from the fake without conducting tests.[42] In addition to buying through legitimate pharmacies, counterfeit/substandard drugs can be easily purchased through the Internet at a lower price.

Although very little research has been done in Canada on the impact of counterfeit/substandard drugs, government authorities are aware of their presence. Over the last few years, Health Canada has posted a series of articles on its website on the risks associated with buying medicine online. It has also been warning consumers against "counterfeit and unapproved avian flu products."[43] One of the latest warnings concerning substandard drugs was posted on June 29, 2009, and concerns slimming products called Light Some, Paiyouji, Pearl White Slimming and Reducing Weight Easily. These products are manufactured by Shanghai Chongming Sitai Corporation and are promoted as herbal products used for weight loss. However, they contain undeclared pharmaceutical ingredients and excessive levels of heavy metals, all health damaging to health.[44]

Counterfeit/Substandard Drugs and "Super Bugs"

Potentially the most important threat of large-scale consumption of counterfeit/substandard drugs is the development of resistant forms of infectious agents, with the potential of affecting vast populations and developing into pandemics.

The Financial Times, quoting professors of medicine and pharmacology from the Stanford Medical School and Trinity College, stated: "Drug concentrations that are too low can cause the therapy to fail and, equally important, promote the emergence of resistant forms of infectious agent […] this failure can compromise the response of the patient to other medicines in the future."[45] Indeed, counterfeit/substandard drugs pose a threat to public health and can quickly become a strain on the health care system, among other ways through their promotion of the emergence of drug resistant diseases. As experts have noted

1) currently available, effective, and relatively cheap drugs will become ineffective, 2) the loss of such drugs will require new drug development, which will be more expensive and will further disadvantage patients in developing countries, 3) the selection of drug resistant pathogens will lead to increased morbidity, mortality and will become a significant burden on developing regions of the world.[46]

It is most alarming that resistance is developing among some of the world's deadliest infectious diseases, such as malaria, tuberculosis (TB) and HIV/AIDS. Drugs for these diseases are often targeted by counterfeiters because of their high market value. In 2004, a study found that "53% of anti-malarials sold in Southeast Asia contained incorrect levels of the active ingredient."[47] Earlier in December 2000, "Belgian customs seized 57,000 packs of fake GSK Halfan capsules […] en route from China to Nigeria."[48] In fact, if it had not been for the intervention of Belgium's custom agents, 43 tons of 17 brand name counterfeit drugs, from seven international pharmaceutical companies, would have been sold through legitimate channels.

41 Paul M. Rudolf and Ilisa B.G. Bernstein, "Counterfeit Drugs," *The New England Journal of Medicine* 350, No. 14 (April 1, 2004): 1385. Such brand names like Lipitor, Celebrex and Viagra, available in pharmacies everywhere, were found to be counterfeit.

42 Op. Cit., Rudolf and Bernstein, 1385.

43 "Health Canada Advises Consumers against Counterfeit and Unapproved Avian Flu Products," http://www.hc-sc.gc.ca/ahc-asc/media/advi-sories-avis/_2006/2006_12-eng.php. (Accessed May 4, 2009).

44 "'24' Ince, Light Some, Paiyouji, Pearl White Slimming, Reducing Weight Easily," *Health Canada Advisories*, http://www.hc-sc.gc.ca/ahc-asc/media/advisories-avis/_fpa-ape_2009/2009-110-eng.php. (Accessed May 4, 2009).

45 Op. Cit., Wertheimer and Norris, 5.

46 Ibid., 6.

47 Ibid., 7.

48 Op. Cit., Cockburn, 305. GSK Halfan capsules are antimalarial tablets.

China, however, is not only a source of counterfeit/substandard drugs, but also a consumer. Considering that HIV/AIDS is on the rise and that TB is also prevalent, the risks related to the emergence of drug resistant diseases is disturbing. In the past few years, the severe acute repertory syndrome (SARS) crisis, the avian flu and more recently, the swine flu, have shown how an epidemic outbreak in one country can quickly spread around the globe, causing major economic losses, in addition to endangering peoples' health.

Establishing Canada-China Partnerships to Increase Drugs Safety

In an age when a border is not a barrier, the globalized economy demands nothing less than heightened regulatory interoperability, information exchange, and cooperation, especially on product quality and enforcement matters.[49]

Over the past decade, the Chinese pharmaceutical industry has grown quickly at the same time as China's 2001 entry into the WTO opened its markets to foreign-owned companies. China's regulatory system is still in its infancy, and as such, is poorly equipped to ensure proper monitoring of these foreign entities. This rapid growth is seen by companies and governments worldwide as both a threat to peoples' health, and for some, an opportunity for collaboration. So far, the Canadian government, in contrast to that of the United States, has perceived the growth of China's pharmaceutical industry more as a threat to its own industry than as an opportunity for cooperation.

The Chinese Pharmaceutical Industry: A Threat from Outside

The link between globalization and the spread of infectious disease is well-known. With thousands of people travelling back and forth between China and Canada, the likelihood of contracting and spreading diseases increases. Migration from developing to developed countries facilitates the spread of 'non-classical' infectious diseases, which are divided into two categories. First, there are infectious diseases that are more prevalent among a particular immigrant community. The newcomer might unknowingly spread the disease to others. This is especially dangerous in the case of drug-resistant diseases, like TB. According to the WHO, "the increasing prevalence of this disease in many high-income countries over the past decade has occurred largely as a result of immigration; other examples are hepatitis B and C and Helicobacter pylori infection."[50]

The second problem likely to occur is the reappearance in the host country of diseases that had been eradicated or controlled following vaccination or other health prevention programs. The effects of re-introducing diseases can be disastrous since levels of immunity in the host country are often low or absent. Examples of these infections include measles and diphtheria.[51] Risks of contracting an infectious disease are especially high in confined spaces such as aircrafts. In recent years, "the emergence of MDR-TB and extensively drug-resistant TB (XDR-TB) has raised special concerns in relation to the international spread of particularly dangerous strains of Mycobacterium tuberculosis."[52] These examples show that epidemic outbreaks or development of drug resistant diseases in China inevitably have a negative impact not only on Canada, but on the rest of the world as well.

The Chinese Pharmaceutical Industry: A Threat from Inside

Chinese pharmaceutical imports are divided into two categories: drug products and TCM. To be sold in Canada, manufacturers "must present substantive scientific evidence of a product's safety,

49 "FDA Takes Next Step in Establishing Overseas Presence—Agency on Path to Establish Offices in China," *FDA News*, http://www.fda.gov/bbs/topics/NEWS/2008/NEW01806.html. (Accessed May 4, 2009).

50 Lance Saker, Kelley Lee, Barbara Cannito, Anna Gilmore, and Diarmid Capmbell-Lendrum, "Globalization and Infectious Diseases: A Review of the Linkages," *UNICEF/UNDP/World Bank/WHO Special Programme for Research & Training in Tropical Diseases (TDR)* (2004): 39. "Helicobacter pylori (H. pylori) is a bacterium that causes chronic inflammation of the inner lining of the stomach (gastritis) in humans. This bacterium also is the most common cause of ulcers worldwide. H. pylori infection is most likely acquired by ingesting contaminated food and water and through person to person contact." Dennis Lee, "Helicobacter Pylori," MedicineNet.com, http://www.medicinenet.com/helicobacter_pylori/article.htm. (Accessed July 31, 2009).

51 Ibid., 39.

52 "Tuberculosis and Air Travel: Guidelines for Prevention and Control," 3rd Ed., WHO (2008): V.

efficacy and quality" as required by the Food and Drugs Act Regulations and the Natural Health Products Regulations.[53] No statistics are available on the amount of pharmaceutical imports from China to Canada.

Nonetheless, it can be inferred that the quantity of drugs imported from China is minimal due to the lack of regulatory oversight on the Chinese side. However, the impact of the growing Chinese pharmaceutical industry on the Canadian market should not be overlooked for two major reasons. First, the percentage of counterfeit/substandard drugs entering the country illegally, but being sold through legitimate channels, is increasing. Second, the number of Canadians who are turning to natural health products, including TCM, is growing quickly.

The statements by the Canadian Generic Pharmaceutical Association (CGPA) are particularly interesting in this regard. On the one hand, the CGPA posted this statement on its website: "As Canada's Criminal Intelligence Agency has observed, our highly-regulated pharmaceutical system is largely affordable to most Canadians, which 'significantly lessens any potential market for illegitimate supplies of pharmaceuticals in Canada.'"[54] Yet, in the following sentence, the CGPA expresses concerns over the growing number of counterfeit generic drugs reaching Canadian consumer markets. As for any other illegal activity, reliable data on the scope of the problem is nonexistent. The WHO's International Medical Products Anti-Counterfeiting Taskforce (IMPACT), without providing any estimates, indicates that evidence "point[s] to an increase in the prevalence of counterfeit medicines even in developing countries," including Canada. One half of the medicine purchased online is counterfeit.[55]

Another undisclosed health threat is the consumption of substandard drugs, mainly associated with natural health products (NHP). Over 40,000 NHPs are available in Canada, including vitamins, herbal products, homeopathic medicines and TCM. In 2004, the federal government enacted the Natural Health Products Regulations (NHP Regulations) to oversee manufacturing, packaging, labelling, storing, importation for sale, distributing and selling of natural products, as well as clinical trials of these products involving humans. Manufacturers, whose products were already on the market, were given until 2010 to comply.[56]

Although the new regulations constitute an important step towards protecting Canadians' health, the system still presents significant problems. Several NHP manufacturers have not yet complied with the 2004 Regulations, while other manufacturers simply ignore them. Regulatory oversight is not as stringent with NHPs as it is with other prescription drugs. In addition, the regulations only apply to products destined for commercial sale. NHPs are available directly to Canadians without any prescription required or medical supervision. A Health Canada survey, conducted in 2005, showed that 71 percent of Canadians use on a regular basis or have used natural health products in the past. Furthermore, findings demonstrate that many consumers base their decisions on information provided by friends and family (28 percent) or found on the internet (19 percent).[57]

Without a strong commitment from their government to ensure pharmaceutical products' safety and quality, Canadians are at risks of consuming products detrimental to their health and that of others. Yet, there can only be significant improvements if the Canadian and Chinese governments work closely together.

53 "Drugs and Health Products," Health Canada, http://www.hc-sc.gc.ca/dhp-mps/prodpharma/index-eng.php. (Accessed July 30, 2009).

54 "Anti-Counterfeiting Trade Agreement (ACTA)," Canadian Generic Pharmaceutical Association—Advocacy, http://www.canadiangenerics.ca/en/advocacy/anti_counterfeiting_agreement_i.asp. (Accessed July 30, 2009).

55 "Counterfeit Medicines: An Update on Estimates, 15 November 2006," WHO IMPACT, http://www.who.int/medicines/services/counterfeit/impact/TheNewEstimatesCounterfeit.pdf (Accessed July 30, 2009).

56 Jennifer Farrell, Nola M. Ries, Natasha Kachan, and Heather Boon, "Foods and Natural Health Products: Gaps and Ambiguities in the Canadian Regulatory Regime," *Food Policy* 34 (2009): 388.

57 "Baseline Natural Health: Products Survey Among Consumers," Ipsos Reid (March 2005): 19.

Current Level of Canada-China Cooperation

In its July 2008 White Paper titled Status Quo of Drug Supervision in China, the Chinese State Council notes: "The Chinese government attaches great importance to and actively participates in various international drug safety activities, and constantly broadens the channels and scope of foreign exchanges and cooperation […]."[58] In the press releases published on the SFDA's website, certain phrases are used repeatedly, such as "drug safety has become an issue that crosses the borders of individual countries," "to enhance cooperation is the only choice" and "long-term and effective cooperation."[59] Indeed, the Chinese government is now involved in WHO projects and is adopting pharmaceutical laws and regulations in line with international guidelines. Since 2005, SFDA officials have met with delegates of the European Union, Singapore, Australia, and primarily with the United States.[60]

China's close collaboration with the U.S. has led to the opening in November 2008 of an FDA office in Beijing, followed by one in Guangzhou and Shanghai.[61] Among the FDA office's goals in China is "to allow greater access for inspections and greater interactions with manufacturers to help assure that products that are shipped to the United States meet U.S. standards for safety and manufacturing quality."[62] Their presence in China will also ensure inspectors from the HHS' FDA "better access to Chinese production facilities and on an expedited basis."[63] While Americans were negotiating with Chinese authorities to further cooperation in the pharmaceutical sector between their countries, Canada was implementing a new Plan of Action for Cooperation in Health. However, these efforts remained largely unknown by the public.

Canada-China Cooperation on Specific Issues

The government's apparent inactivity in regards to health issues can in part be explained by deterioration in Canada's relations with China since Stephen Harper became Prime Minister in early 2006. However, change is needed. Momentum may have been created by Chinese Foreign Minister Yang Jiechi's visit to Canada in June 2009. At a speech delivered to the Canada-China Business Council in Ottawa, Yang reiterated the importance of learning from each other. Harper visited China in December 2009.[64] These high-level meetings are significant and provide members of both governments with an opportunity to discuss common issues of concern and ways to tackle problems in a mutually beneficial fashion. Bilateral cooperation should focus on the Chinese healthcare system and TCM. Exchanges and cooperation on counterfeiting should be carried out through WHO's IMPACT.

China's Healthcare System

The Canadian government has an interest in assisting China to establish a public healthcare system. The Chinese Central Government has already committed itself to increase spending on public hospitals, and has cut pharmaceutical and treatment costs.[65] The establishment of a publicly funded healthcare system reduces patients' incentive to purchase and hospitals' incentive to sell counterfeit/substandard drugs. Although Canada and China are very different in terms of population size and economic development, both have vast landmasses. Canada has developed particular expertise in the delivery of healthcare services to people living in remote areas. In recent months, measures have been taken toward closer collaboration so that China could learn about such remote health care delivery systems.

In June 2009, Canada and China renewed their Plan of Action for Cooperation in Health for 2009–2011. The newly signed document builds on the 2005 to 2008 Plan of Action which promoted cooperation in several areas, such as timely sharing of information on emerging infectious diseases and a better understanding of regulatory frameworks in the area of therapeutic products and Natural Health

58 Op. Cit., White Paper, 14.

59 Op. Cit., "What's New?"

60 Op. Cit., "What's New?"

61 Deepti Ramesh, "U.S. FDA Opens Office in China; Chinese FDA Supports Efforts," *Chemical Week* 1, No. 8 (December 2008).

62 Op. Cit., "FDA News."

63 "Statement by Secretary Mike Leavitt, Secretary of Health and Human Services, On Signing Memoranda of Agreement between the Unites States and the Peoples' Republic of China to Improve the Safety of Food, Feed, Drugs and Medical Devices," *News Releases—U.S. Department of Health & Human Services*, http://www.hhs.gov/news/press/2007pres/12/pr20071211a.html (Accessed April 24, 2009).

64 Fred Edwards, "Back on Track: Chinese Foreign Minister Yang Jiechi's Visit to Canada Bodes Well for Improved China-Canada Relations," *Beijing Review* (July 9, 2009): 10.

65 Pliny Han, "Government to Boost Medical Services," *Xinhua* (January 9, 2009).

Products. The renewed plan "reinforces and broadens work in areas of common concern, such as emerging and re-emerging infectious diseases and food safety."[66] It is hoped that, through these initiatives, Canada will increase its visibility in the Chinese pharmaceutical market to a level similar to that of the United States, and at the same time, increase the number and frequency of Canada-China high-level meetings.

Traditional Chinese Medicine

Strengthening TCM regulatory oversight is a responsibility that both China and Canada should share. On the one hand, it is necessary to work with Chinese authorities to ensure compliance to good manufacturing practices in the manufacturing of TCM in China in order to increase product quality and safety.[67] On the other hand, Canadians have many things to learn about TCM's medicinal properties, benefits and usage. TCM constitutes the overwhelming majority of Canada's pharmaceutical imports from China. As mentioned above, Health Canada regulates the commercial sale of TCM. However, Canadian policymakers and medical professionals alike often lack the necessary expertise and knowledge to make enlightened decisions on what products to license. Professional exchanges and training programs are but one way in which Canadians and Chinese can learn from each other.

Counterfeiting

Drug counterfeiting is an international problem, and as such, it should be tackled mainly through IMPACT. Cooperation between countries, especially trading partners, should include "timely and appropriate exchange of information and the harmonization of measures to prevent the spread of counterfeit medicines."[68] Another aspect of IMPACT is to create public awareness about the scope of drug counterfeiting and its impact. In Canada, communication and advocacy is particularly important since Canadians are generally unaware of the impact the consumption of counterfeit/substandard medicine can have on their health.

Conclusion

[…] when used wisely, drugs are a material contribution to the quality of life, human dignity, and self-esteem of individuals, and when successfully used provide employment and a focus for a future orientation, instead of desperation, revolution, and strife.[69]

Although there have been significant improvements in the Chinese regulatory system since 2003, the SFDA's institutional capacity remains limited. In its present state, it is poorly equipped to ensure the proper monitoring of a rapidly growing pharmaceutical industry. Complex supply chains, corruption at the local government level and uncertainty over the SFDA's independence from the central government all contribute to the low quality and reliability of Chinese pharmaceutical products. These inefficiencies also facilitate the production of substandard/counterfeit drugs. Counterfeiters' sophistication eases the exportation of these products to surrounding countries and, in some cases, developed countries.

In turn, the consumption of substandard/counterfeit drugs promotes the emergence of drug resistant diseases in developing countries. Migration and travel can cause the reappearance of formerly-eradicated diseases in developed countries. The effects of re-introducing diseases can be disastrous since levels of immunity in the host country are often low or absent. The risks of a pandemic are thus increased. One way to prevent the spread of diseases is to further Canada-China cooperation.

In fact, as China assumes a more important role in international relations and trade, Canada should look to collaborate more closely with the Chinese government and members of the Chinese pharmaceutical industry to assure Canadians safe access to pharmaceutical products. Collaboration, in particular, should focus upon increasing the quality and safety of TCM, as well as combating counterfeiting.

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66 "Canada and China Renew Plan of Action for Cooperation in Health for 2009–2011," About Health Canada, http://www.hc-sc.gc.ca/ahc-asc/media/nr-cp/_2009/2009_94-eng.php. (Accessed August 3, 2009).

67 Lui Emk, "Traditional Chinese Medicine Products Research at Canadian Universities: Capacity and Challenge," Prepared for NHPRP, Health Canada (March 13, 2005): 4.

68 "IMPACT Activities," IMPACT! International Medical Products Anti-Counterfeiting Taskforce, http://www.who.int/impact/activities/en/. (Accessed August 3, 2009).

69 Op. Cit., Wertheimer and Norris, 14–15.

More generally, Canada should look to assisting China in its efforts to establish a publicly funded healthcare system.

The effects of government policies and national practices concerning the manufacture and distribution of drugs and medicines are no longer limited to a specific country, but now have global impact. Thus, Canada has significant interests in closer collaboration with China and accordingly should assume a more proactive stance than it has to date. A default strategy of waiting for the U.S. to take the lead and following on U.S.-China agreements should be avoided, in part because Canadian circumstances may require 'Canadian' solutions, and in part because building cooperative relations with China in the pharmaceutical and health care sectors should be an important component of building the overall Canada-China relationship. Cooperation in the short run on specific projects and confidence building measures could develop into more comprehensive cooperation in the long run. This, in turn, is likely to have a positive effect on both China and Canada's political and economic exchanges.

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ASIA PACIFIC FOUNDATION OF CANADA 25TH ANNIVERSARY
FONDATION ASIE PACIFIQUE DU CANADA 25IÈME ANNIVERSAIRE

CHINESE INDUSTRY AND FOREIGN ECONOMIC POLICY: LESSONS FOR CANADA

Abstract
This paper examines the transformation of the foreign policy process in China as a result of its changing political economy over the past three decades. The pluralisation of the policy process beyond the Chinese Communist Party hierarchy and the fragmentation of China's policy formation allows large corporations that are nominally subordinate to both the state and the Party to exercise autonomy in their economic operations and to have substantive input in, and impact on, the regulatory policies that shape their own activities. More specifically, the paper looks at the impact of China's "go-out" strategy for its enterprises in a globalized market economy on the making of China's foreign economic policy. Through substantive, factual and policy-oriented case studies, the paper dispels some myths about the business orientation and operations of China's key state-owned enterprises (SOEs). It argues that 30 years of reform and openness have significantly contributed to the separation of the Chinese state and SOEs, some of them being former government ministries.

Introduction
Over the past three decades, China has undergone large-scale economic, political and social changes. These changes have not only transformed China's domestic scene but also have profound implications for Chinese foreign policy, including the policies of the government and Chinese enterprises, many now engaged in overseas business operations. The pluralisation of the policy process beyond the Chinese Communist Party hierarchy and the ways in which the fragmentation of China's policy formation allow large corporations that are nominally subordinate to both the state and the Party to exercise autonomy in their economic operations and to have substantive input in, and impact on, the regulatory policies that shape their own activities.

This paper examines the transformation of the foreign policy process in China as a result of its changing political economy. The focus of the paper is on the impact of large enterprises, especially state-owned enterprises (SOEs), in the policy process, with a particular interest in the energy and resource sectors. More specifically, the paper looks at the impact of China's "go-out" strategy for its enterprises in a globalized market economy on the making of China's foreign economic policy. Through substantive, factual and policy-oriented case studies, the paper dispels some myths about the business orientation and operations of China's key SOEs. It argues that 30 years of reform and openness have significantly contributed to the separation of the Chinese state and SOEs, some of them being former government ministries.

The paper is not intended to address the entire corporate sector comprehensively or even the whole energy and resource sector. Rather, it selects three case studies, supported by the author's interviews and other materials, to examine the following:

- The changing structure of regulation and policy on the autonomy of SOEs;
- The tension between China's foreign policy goals and the operations of Chinese firms;
- The tension between state policy and corporate advocacy emerging into the public sphere and
- The influence of SOEs on the regulatory environment in which they operate.

The International Orientation of Chinese SOEs
The operation was code-named "Treasure Hunting Ship." The target was a major piece of U.S. energy real estate. The $18.5 billion cash offer was the largest corporate expansion ever in Chinese

history at the time. The strategy was to play the free market game with a lobbying effort worth several hundred million dollars.

This was the acquisition effort for the control of Unocal Corporation in the United States in 2005 by China National Offshore Oil Corporation (CNOOC), China's third-largest oil and gas company. In the takeover bid for Unocal, CNOOC was competing with Chevron, the second largest U.S. energy company, whose earlier cash-plus-stock offer of $16.4 billion was accepted by the Unocal board of directors and which received the necessary regulatory approval. The CNOOC bid came at a sensitive time in U.S.-China relations. Earlier in the year, members of the Bush administration repeatedly warned that the United States had previously underestimated the speed of the Chinese military's modernization drive. With the U.S. trade deficit going further into the red, Washington put more pressure on Beijing, calling for the appreciation of the Chinese *renminbi* (RMB). And the U.S. government had imposed duties on a range of Chinese textile products.

Therefore, we should not have been surprised that when CNOOC, a venture that is 71-percent controlled by the Chinese government, made a "friendly merger" offer to the ninth-ranked U.S. energy firm, Unocal, American politicians and the public, in general, reacted as if a "red storm" had touched down on U.S. shores. Subsequently, the U.S. Congress voted to demand that the Bush administration review the deal based on national security grounds, effectively killing the possibility of a CNOOC takeover. Clearly reflected in this case was the perception that CNOOC was an agent of the Chinese state, and that CNOOC's behaviour was equivalent to the behaviour of the Chinese central government.

However, an examination of the Chinese operational processes at the corporate level and of Chinese perspectives, both official and unofficial, reveals substantially different concerns and conclusions than those stirred up by the debate the bid generated in the United States. At the time, the public discourse in the United States was primarily focused on two dimensions: whether CNOOC's takeover attempt was the beginning of the Chinese takeover of U.S. energy and other corporate assets, and if the deal posed national security threats to the United States. But according to Fu Chengyu, chairman and CEO of CNOOC, the bid was simply a normal business activity based on the principles of the free market, nothing more.[1] But the considerations of the Chinese government was certainly more than just a "commercial transaction," as the spokesperson of China's Ministry of Foreign Affairs put it.[2]

This raises immediate questions as to whether the core leadership of CNOOC was coordinating with the Chinese government positions regarding this takeover bid. More importantly, we need to examine closely what drove CNOOC to undertake such an unprecedented, large-scale and high-profile acquisition.

Since early 2003, energy shortages have become a major obstacle for the continued growth of the Chinese economy. In the 10 years from 1994 to 2004, China's dependence on imported oil grew from 6 percent to 42.6 percent; Chinese demand for oil is projected to double in the next 10 years, from six million barrels a day (bpd) in 2005 to about 11.5 million bpd. Following such a trend, China is expected to import 60 percent of its oil supply by 2020. At the same time, the production of coal, which accounts for 67 percent of China's energy supply, cannot meet the increasing demand, nor can the transportation infrastructure keep up with the volume of shipments to other parts of the country. By the end of 2004, China's installed gross capacity of power generation had reached more than 440 million kilowatts (KW), over one-half of the U.S. capacity of 800 million KW. Yet China experienced a severe electricity shortage that year, and the prospect for 2005 was even worse.[3]

Alarmed by the so-called "coal-electricity-oil-transportation bottleneck," the Chinese leadership implemented a medium-to-long-term energy plan to secure China's energy supply, including the

1 Fu, "Why Is America Worried?" *The Wall Street Journal Asia*, July 6, 2005.

2 Office of the Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the Macao Special Administrative Region, "Foreign Ministry Spokesman Liu Jianchao's Press Conference on 28 June 2005," http://www.fmcoprc.gov.mo/eng/gsxwfb/lxjzzfh/t201684.htm.

3 The People's Republic of China State Council Information Office, "Comment on Hot Energy Problems of China," *China New Opportunity—Energy*, May 2005.

establishment of a strategic oil reserve. But the Chinese felt that their efforts to cope with the growing domestic energy crisis were hampered by a number of negative international factors.

First, China was paying a high penalty for the sharp increase in international oil prices, and as such saw it as "unfair" to blame the rise of oil prices on China. In 2004 alone, China spent an extra $7 billion of its foreign exchange on climbing oil prices, with payments totalling $43.16 billion, making crude oil and oil products China's largest single import category.

Second, Beijing was facing intensified geopolitical and geostrategic competition for access to global energy supplies. The U.S. occupation of Iraq, America's tension with Iran and the presence of U.S. military bases in Central Asian states were all interpreted by Beijing as part of Washington's designs to control oil and gas resources in the Middle East and Asia. Russia was playing China and Japan off each other on a potential oil pipeline in Siberia to maximize its own interests, thus making future Russian supply to China uncertain. Japan was taking a hard line in its dispute with China over the oil and gas fields in the East China Sea, with the potential for escalation into a military confrontation. Beijing's strategic planners had also interpreted a U.S.-Japan joint declaration early in 2005, treating Taiwan as a "common strategic objective," in the context of controlling the sea-lanes for energy shipments.

Third, the overseas search for energy supplies, as a part of China's "go-out" strategy by major Chinese energy companies, was just at its beginning stages, and these companies had not yet secured large-scale, overseas deals. The Chinese were keenly aware that they were often forced to pay higher than market prices for equity in energy exploration around the world, and that they had to operate in countries (such as Iran, Sudan and Venezuela) and regions (the Middle East and Africa) that are volatile and unstable.

These may well be the factors behind the decision that China must compete and cooperate with large U.S. energy companies head-on. There is little doubt that the motivation for CNOOC's Unocal bid was strategic, but it was more a reflection of Beijing's unease about an inability to secure adequate energy supplies for its domestic economy, rather than an ambition to take over Uncle Sam's property, one piece at a time.

CNOOC clearly had come to realize that it was no longer enough to dance around the fringe of the international energy business. But the implementation of its "go-out" strategy was not simply marching under the orders of the central government. Instead, the company took a very market-oriented approach to this takeover bid. Proud of being the most Westernized Chinese energy company, CNOOC familiarized itself with Western-style company-to-company takeover procedures, and went ahead with a textbook acquisition proposal of Unocal according to the textbook. It was revealed later that the central government had concerns about the deal itself, but it was not the government's concerns that stopped CNOOC senior executives in the earlier stages of the negotiations. The reason that CNOOC did not put in an early bid for Unocal was due to the objections of two foreign members on the CNOOC board of directors. Later on, when the internal discussions and debates resulted in a unanimous decision among the board members, CNOOC proceeded with its cash offer of $18.5 billion. People familiar with the case also noted that the government played a very minor role in the transaction, and the rejection by the U.S. Congress based on political reasons dumped cold water on CNOOC's enthusiastic approach to model itself after major Western oil companies.[4]

Puzzled by the strong and negative reaction of Congress, CNOOC executives questioned how U.S. politicians measure China's threat to U.S. national security. They did not seem to understand why CNOOC's merger with Unocal, which accounts for less than 10 percent of the total U.S. energy supply, could in any way endanger U.S. national security. Others pointed out that the U.S. Congress has not

4 Author's interviews in Beijing, summer 2006.

passed any bills limiting China's continuous subsidy of the U.S. government deficit by purchasing and holding some $230 billion of U.S. government treasury bonds at the time.[5]

Many in China accused the United States of hypocrisy and double standards. A popular perception was that over the years Western countries have lectured the Chinese a great deal about free markets, comparative advantage, non-intervention by the government and open competition. But the overwhelming opposition by both American politicians and the U.S. public demonstrated that these principles are only applicable to others for convenience. Many reports also complained that a potential block of the CNOOC takeover of Unocal, based on national security grounds, was further proof of U.S. intentions to contain China's rise as a global power. Critics claim that China is facing a long learning curve when it comes to playing the Great Power energy game on the world stage. The failed Unocal bid, they warned, showed that the "China threat" had leaped from the realm of perception to the realm of policy, and China should be prepared to live with that reality. Instead of taking a confrontational approach that is likely to be to China's disadvantage, many advocate that Beijing should get on the bandwagon with U.S. energy firms by creating a win-win environment, thereby easing the anxieties of the U.S. public. As such, China should ultimately pursue an energy strategy based on increasing its domestic supply, rather than paying tens of billions of dollars to continue a treasure hunt abroad. Meanwhile, critics say Beijing would be wise to spend the money on energy conservation and reduce the tremendous waste of energy at home.

As it turned out, the moves by the U.S. Congress to block the Unocal takeover, the general public discourse in China following the failed bid and an executive team that felt betrayed led CNOOC to re-think its investment strategies. The government's general strategy of "going-out" may coincide with CNOOC's venture into Africa and other regions, but the decisions at the company level are based more on the global energy business environment the company faced in the post CNOOC-Unocal period.

Around the time of CNOOC's high profile bid for Unocal, Chinese energy and resource firms were also eyeing Canada at the time. China Minmetals Corporation, a leading state-owned metal company, entered exclusive negotiations with Noranda Inc. in late 2004. As one of Canada's leading copper and nickel firms, which also has investments in fully-integrated zinc and aluminum, Noranda's potential alliance with a Chinese SOE led to a similar debate in Canada about Chinese intentions in buying Canadian resource companies. The negotiation eventually did not lead to a definitive agreement. But the suspicions and hostilities expressed in the Canadian public discourse had a similar impact on the Chinese perception of the North American market. As a result, Chinese businesses' initial enthusiasm of investing in the North American energy and resource sectors cooled off by late 2005, leading to several years of relatively low-key postures by Chinese firms. At the same time, China shifted the focus of its energy and resource extraction activities to the Middle East, Africa, Latin America and other developing countries. Additionally, whatever level of coordination among Chinese firms to target Canada's resource sectors may have existed, it ended with a wait-and-see attitude when Prime Minister Stephen Harper's Conservatives came to power in 2006.

The Market Orientation of Chinese Enterprises

After three decades of economic reform and opening itself up to the outside world, China's SOEs are often likely to function in conflict with the stated interests of the Chinese state. The CNOOC case demonstrates that even under circumstances when the state and the firm may seem to be pursuing similar goals, the rationale for each could still be different. But for many Chinese firms, large or small and state-owned or private, they act more and more according to what is best for their own self-defined interests rather than following the grand, proclaimed "national interests" of a given time as defined by the state.

Take the debate on the value of the RMB. There have been repeated calls in recent years by the United States and other Western countries for China to let the RMB appreciate. Critics cite China's

5 As of April 2010, the Chinese holding of US treasury bonds is approximately $800 billion.

growing trade surplus and its foreign reserve as hurting the economies of other countries. The U.S. Congress has been particularly vocal by threatening to pass legislations that will implement heavy tariffs if there is no action by the Chinese side on the issue. But Beijing has resisted such pressure, arguing that there is little correlation between China's trade surplus and the domestic economic conditions of the United States and other economies that run a trade deficit with China. Beijing also points out that between 2005 and 2008, the RMB gained 21 percent against the U.S. dollar, yet China's trade surplus with the United States increased substantially in the same period. During the latest global economic crisis, there have been renewed calls for China to appreciate the RMB, and there are clear signals that the U.S. Congress will soon take punitive actions through legislation. Yet, Beijing is holding its ground, insisting that millions of jobs are at stake, and if there is any movement of RMB upwards, it will be through gradual reform and adjustment rather than significant rate adjustment.

What is often overlooked in this heated debate is the internal dynamics among Chinese policy makers, academics and, more importantly, Chinese enterprises. It is in fact remarkable to survey a range of different opinions on the subject in the Chinese press and in cyberspace, where arguments and counter-arguments are no less intense, than the one that is going on between China and other countries.[6] As recently as the 2010 annual People's Congress in March, Chinese Premier Wen Jiabao laid out a clear argument that the RMB is not undervalued. He presented China's latest international trade statistics to show that it is moving towards an overall balanced trade structure. Wen also argued that between July 2008 and February 2009, the months when the world economy was hit hardest by the recession, the real exchange rate of the RMB had appreciated by 14.5 percent.[7] Wen made China's case at the high profile press conference of the People's Congress in front of the world media, and clearly stated that the value of a country's currency mechanism is determined by that country's economy, that excessive demand for China to change its currency rate is unfair and that Beijing had no intention of changing the current RMB managed floating system.

Yet Wen's position was immediately challenged by a group of high profile Chinese executives. China Eastern Airlines Corporation is the country's second largest carrier, and its President Ma Xulun said, five days after Wen's press conference, that for every 1-percent annual RMB gain because of its dollar debt, the company would increase profits by $41 million.[8] Yang Yuanqing, CEO of Lenovo Group Ltd. which bought IBM's personal laptop computer line, stated that RMB gains would boost consumers' purchasing power. Chen Daifu, Chairman of Hunan Lengshuijiang Iron & Steel Group Co., advocated that a strong RMB would cut import costs. And Lu Guanqiu, Chairman of Hangzhou-based Wanxiang Group Co., China's largest auto-parts maker, said the firm could cope with a gradual advance.[9]

Obviously, these senior business executives were speaking for their own companies' interests rather than following the standard government line, even if it was disseminated by Premier Wen himself. Such open defiance was unthinkable even a few years ago. But the Chinese economy has progressed and evolved to such an extent that the old-style party propaganda line can no longer effectively control dissident voices.

Contrary to the outspoken senior executives of these large companies that stand to gain from a stronger RMB, other Chinese firms speak against any upward adjustment. Ironically, this often happens as a fight against a perceived potential Chinese government policy. During a research trip, this author was confronted and challenged by an old friend, Mr. Zhang, on this particular subject. Being a high ranking official in charge of the textile industry in the Northeastern Heilongjiang Province, Mr. Zhang claimed that he had "Googled" me and found out that I was writing in favour of a rising

6 See for example, *Caijing*'s website, http://www.caijing.com.cn/; *Dongfang Caifu* website's special on the subject, http://topic.eastmoney.com/RMB/; and the author's frequent interviews in China on the subject over the past two years.

7 "Wen Jiabao Zongli Da Zhong-Wai Jizhe Wen: Renminbi De Bizhi Meiyou Digu," ("Premier Wen Jiabao Answers Foreign Correspondent's Question: The Renminbi Is Not Undervalued") *East Money,* March 15, 2010, http://finance.eastmoney.com/100315,1322887.html.

8 Cao and Chen, "Breaking Up a Bipolar Argument," *Bloomberg Businessweek*, March 25, 2010, http://www.businessweek.com/magazine/content/10_14/b4172038526024.htm?campaign_id=rss_topEmailedStories.

9 "China CEOs Join Obama in Supporting Appreciation (Update 2)," *Bloomberg Businessweek*, March 24, 2010, http://www.businessweek.com/news/2010-03-24/china-ceos-join-obama-in-supporting-yuan-appreciation-update1-.html.

RMB that would benefit China in the long run.[10] He then gave me a long lecture on how foreign academics write about Chinese currency without checking the reality on the ground, especially in the struggling manufacturing industries that depend on export markets. To hundreds of thousands of textile workers in Heilongjiang, Mr. Zhang emphasized, even a single percentage of RMB's rise would mean the loss of jobs on the factory floor. With competition so severe and a profit margin so thin, workers can barely survive. An appreciation of the RMB will send many people home under the conditions of *dibao*, or low-level unemployment benefit, with a monthly package of 500 RMB ($80). As most textile workers are female, their lost jobs would mean more hardship on the entire family. Mr. Zhang, a graduate from an elite university in China in the early 1980s, went on to observe that there might be good macroeconomic considerations of the overall RMB rates, but from a local perspective, he and his other colleagues in similar situations have no choice but to do everything to preserve the jobs in their respective industrial and manufacturing sectors, even it comes down to fighting the central government's decision to appreciate the RMB.[11]

It is true that the Chinese government would like the country to speak with one voice. But it is also true that business and economic issues are less sensitive than political ones. Although there is little pluralism in China's political realm, there is much more diversity in the Chinese economy, with the private sector growing stronger over the past three decades. As a result, government control of the agenda is often weak with many private enterprises that perceive their interests from a microeconomic firm perspective. And thus there is the situation of *shangyou zhengce, xiayou duice* ("There are policy directives from the top while there are counter measures from below"). Yet different voices have in one way or the other affected the policy formation process, making decisions on China's currency rate adjustment an extremely difficult one for the central government.[12]

Aside from pursuing options contrary to ones espoused by the Chinese leadership, many more deviations in practice from the Party line are visible in the operations of Chinese enterprises. The high profile arrest of the four Rio Tinto China executives by Chinese authorities in 2009 and their eventual trial and sentence to long prison terms in the spring of 2010 not only sent shock waves around the world, but also revealed much about the inner working complexities of the iron and steel industries in China.[13]

The Rio Tinto case demonstrates a fragmentation of a major Chinese industrial sector after decades of economic reform and a booming economy. Back in the pre-reform era of the 1970s, the iron and steel industry was simply a major state sector under the centrally planned economy that followed mostly a Soviet economic development model with some Chinese modifications. By the mid-1990s, when China's economic reform, privatization and open-door policy were well under way, the sector was still able to manage with the domestic supply of iron ore for its expansion. Since then, the development of the country's infrastructure has been going through a rapid growth period unprecedented in Chinese history. The expansion of highways, skyscrapers in urban centres, large-scale factories, real estate booms and other projects have pushed China's iron and steel industry to a new height, making China the largest iron and steel producer in the world. This development has also made China the largest importer of iron ore in the world. From a structural point of view, the Chinese economy at the current stage is closely linked to the global price of iron ore and related minerals. In the early 2000s, there was a major expansion of capacity in steel production. According to one estimate, the global share of China's industrial output in GDP is 43 percent, and among China's top 13 largest industrial enterprises with assets of ¥1 trillion or more, 10 are related to and affected by the global iron and steel pricing mechanism.[14]

10 Mr. Zhang declined to reveal his precise working position, and the following is likely the source of his findings of my writing in Chinese: "Jianada Xuezhe: Jianting De Renminbi Keneng Shi "Zhongguo De Jiuxing," ("Canadian Scholar: Strong Renminbi Can Be "China's Liberator") *Xinhua*, April 14, 2008, http://news.xinhuanet.com/world/2008-04/14/content_7971956.htm.

11 Author's field research interviews, Beijing and Heilongjiang, November 2008.

12 The announcement by the People's Bank of China of moving the Chinese currency to a more flexible rate mechanism, effectively de-pegging the RMB from the US dollar on the eve of the June 2010 G20 Summit in Toronto is a clear reflection of the Chinese leadership's continuous struggle with the issue.

13 For more on the Rio Tinto case, see this special coverage in Chinese: "Rio Tinto Group," *163*, http://news.163.com/special/00013GS9/riotinto.html; for more on China's policy making process, see Paltiel, "Structure and Process in Chinese Foreign Policy: Implications for Canada," *China Papers* 8, (March 2010), http://www.onlinecic.org/download/resourcece/archives/chinapapers/chinapapersno8paltielpdf?attachment=1.

14 Lang, *Xin Diguo Zhuyi Zai Zhongguo 2* (*"New Imperialism in China 2"*) (Beijing: Dongfang Chubanshe, 2010), 143.

Clearly, the price negotiations of iron ore are crucial to both the bottom line and the profit margin of China's iron and steel industry. The China Iron and Steel Association (CISA) is officially designated to negotiate with the international "Big Three" iron ore producers—BHP Billiton, Rio Tinto and Vale. But CISA only represents a group of 112 large iron and steel enterprises among more than 8,000 iron and steel makers nationwide.[15] They are authorized to import iron ore through the negotiated benchmark price set by international producers with Japanese and South Korean mills.

Meanwhile, accompanying the expansion of China's iron and steel industry has been the widespread establishment of locally-operated medium- and small-size iron and steel mills. Yet they have no access to such benchmark prices and have to settle for a much higher spot price, mostly provided to them by the bigger state mills, with the latter profiting from the huge margin between the benchmark and spot prices.[16] With such a systemic problem of import pricing control via CISA, corruption and bribery have become widespread. Whereas the rest of the world has only paid attention to these problems in China's iron and steel sector with the sudden arrest of the Rio Tinto executives, insiders point out that "in fact, there are officials in charge of iron ore trade in large state enterprises who get arrested every year on corruption charges, but are just not being noticed by the outside world."[17]

Another consequence of this pricing system in China's iron and steel industry is that it has simply led to the direct violation of such an arrangement. Rather than following the central government's orders on how the prices of imported iron ore should be decided, privately owned and local steelmakers approached the international producers directly. In early 2009, while CISA was in intense negotiations with the "Big Three" for the year's benchmark price, 38 local and private Chinese steelmakers signed a deal with Vale in the amount of 5,000 tonnes of iron ore, a move angrily characterized by CISA as undermining China's international bargaining position. It was also in this context that many of the bribery crimes of the Rio Tinto Four took place.[18]

As a result of such internal fragmentation and unified policy failures, the Chinese government and the CISA have lost control of moving pricing mechanisms in their preferred direction over the past two years.[19] The consequences have been severe revenue losses for the Chinese iron and steel sector and a massive jump in the profits of major international ore producers. The profit of BHP Billiton, ending December 31, 2009, was $6.1 billion, a net increase of 134.4 percent year on year. This figure is close to the total profits of China's 68 large- and medium-sized iron and steel enterprises for the year, which dropped by 31.43 percent in comparison to 2008.[20]

A major lesson for Canada to learn from both the RMB and the iron and steel cases is the growing competitive nature of the Chinese enterprises among themselves. Such a high level of competition for market share, for pricing and for profits makes it very difficult for China's energy and resource companies to have a cooperative relationship inside China and around the world. It is a well-known fact that the major Chinese energy companies, such as China National Petroleum Corporation (CNPC), China Petroleum and Chemicals Corporation (Sinopec) and CNOOC, actively compete with each other. In China and around the world, they compete for oil and gas assets. Although the Chinese government tries to coordinate their operations, profit motivations and company strategies often take priority over coordination requests from the government.[21] In the Canadian market, there is no indication of a well-coordinated strategy by SOEs to target certain Canadian energy and resource

15 Zhang, "Pandian 2009: Zhongguo Gangtie Gongye De Chengjiu Yu Sikao," ("Inventory 2009: China's Iron and Steel Industry's Achievements and Considerations") *Sohu*, April 13, 2010, http://business.sohu.com/20100413/n271484493.shtml.

16 In 2008, the profit margin between the benchmark (¥700–800 per tonne) and spot price (¥1,400 per tonne) of iron ore was as high as 100 percent. Ceng, "Gangtieye Shenhou Baoguang: Dao Kuang Lirun Bi Chan Gang Gao," ("Iron and Steel Industry Insider Reveals: Iron Ore Profits Decreasing More than Steel") *Sina*, July 10, 2009, http://finance.sina.com.cn/roll/20090710/04086463792.shtml.

17 Ibid.

18 For detailed trial documents, see Sainsbury, "'Conflict of Interest' in Focus in Trial of Rio Tinto's Stern Hu," *The Australian*, April 19, 2010, http://www.theaustralian.com.au/business/mining-energy/conflict-of-interest-in-focus-in-trial-of-rio-tintos-stern-hu/story-e6frg9df-1225855615105.

19 For a more detailed account of China's negotiations with international iron ore producers, see Restall, "The Rio Tinto Case and China's Rule of Law," *The Wall Street Journal*, March 29, 2009.

20 Lang, *Xin Diguo Zhuyi Zai Zhongguo 2* (*"New Imperialism in China 2"*) (Beijing: Dongfang Chubanshe, 2010), 144.

21 Over the years, the author was present in a number of occasions when the Chinese government officials in charge of overall energy issues could not get the major Chinese energy company representatives to achieve a consensus on certain issues related to these firms' engagement in the Canadian energy market.

assets. All the aforementioned big three Chinese energy companies have their respective subsidiaries in Calgary, but each operates independently. They may not display the kind of fragmentation China's iron and steel industry has experienced in recent years, but there is no evidence of a joint approach to the Canadian market.

Conclusion

While the Chinese government may direct its large SOEs and the growing number of private enterprises to venture out for China's overall national interests, corporate interests, profit considerations, firm development strategies, growing legal limitations and many other factors preclude these firms from simply marching in step with Beijing's orders. While they are often perceived to be working to advance China's overall national interests at a given time, the reality is far more complex. More and more often, many of the decisions and practices of these enterprises do not necessarily coincide with the directives of the Chinese leadership and, sometimes, are even in conflict with them.

In this paper, three case studies were selected. The first, CNOOC's failed bid to purchase the U.S. energy firm Unocal, was a case where the goals of both the Chinese government and CNOOC coincided. Yet CNOOC happened to have its own rationale for going forward with the acquisition, which was not quite the same as Beijing's "go-out" strategy. In the second case, the value of RMB, the central government continues to face resistance from both the pro- and anti-appreciation camps, thus putting the Chinese leadership in the current difficult position of how to move forward. The third case, the pricing mechanism of China's iron ore imports, demonstrates a total breakdown of the system as put in place by the central government, and almost all steelmakers, state-owned or private, have violated the rules, resulting in total disorder and huge losses in revenue.

Many of the international operations of the Chinese enterprises follow the same pattern. For example, China's national oil companies (NOCs) operate in Africa in a complex manner, not just implementing Beijing's "Grand African Strategy," if there is one to talk about.[22] There is no clear evidence of a Canadian resource strategy to speak of by China. But even where a grand strategy has been announced, as was the case for Africa, Chinese private and state-owned firms do not blindly follow the Party line. Beijing may have some overall strategic thinking on its role in Africa but China is no longer a monolith. Debates continue inside China's policymaking circles all the time. And large and small enterprises tend to make business decisions from a market-oriented perspective rather than following political directives from Beijing.

The changes and fragmentation in China's decision-making process have important policy implications for Canada-China relations as many Chinese SOEs, NOCs and other private enterprises are in the process of coming into Canadian energy, resource and manufacturing markets. A better understanding of these complex and often conflicting dimensions of policy formation in contemporary China will provide Canadian policy makers, business and academic communities with insights on how to engage a rising China on the global stage.

Facing renewed investment interests by Chinese firms in the Canadian energy and resource sectors, the Canadian discourse on how to deal with China should be informed by the internal dynamics of that country's changing relations between the government and the business sector, as demonstrated by the case studies in this paper. Since Chinese companies are not all the same, their investment patterns in Canada will also differ, depending on the sectors and their corporate intentions. The Canadian government and the business sectors should leave small size investments to the market mechanisms and Canada's well-regulated investment process. On large-scale Chinese investments, an effective strategy is to take a case-by-case approach rather than setting rigid principles. And in the long run, it would be in Canada's best interests if Beijing's ongoing reforms lead to a more economically and politically open China, with its emerging large companies becoming world-class, responsible, corporate citizens.

22 Jiang, "Fueling the Dragon: China's Rise and Its Energy and Resources Extraction in Africa," *The China Quarterly* 199 (September 2009): 585–609.

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16

ZHOU XINGBAO

BRING CHINA-CANADA ECONOMIC COOPERATION AND TRADE TO A NEW HEIGHT: IN COMMEMORATION OF THE 40TH ANNIVERSARY OF THE SINO-CANADIAN DIPLOMATIC RELATIONSHIP

On October 13th 1970, the People's Republic of China and Canada formally established diplomatic relations. Canada became the second Western industrialized country to establish full diplomatic ties with New China after France. Since then, the friendly relations between the two countries grew vigorously step by step, although there were some ups and downs in the past several years. Today, when we celebrate the 40th anniversary of our diplomatic relations, we feel gratified that after some zigzags, our bilateral relations are back on the right track again.

The official visit to China made by the Canadian Prime Minister Stephen Harper in December 2009 marked an important turning point in the bilateral relations. During that visit, which was the first visit made by a top leader of Canada in five years, a great deal of consensus was reached, and a Joint Statement was issued. Both sides reaffirmed the fundamental principle of "respecting each other's sovereignty and territorial integrity, core interests and major concerns". The Chinese side emphasized that the "Taiwan Issue concerns China's sovereignty and territorial integrity." The Canadian side reiterated its consistent and long-standing support on the "One China policy".[1] This Joint Statement shows deeper mutual trust between the two countries, and helps to open a new chapter in further developing the China-Canada bilateral strategic partnership.

In June 2010, President Hu Jintao paid a most successful and fruitful state visit to Canada. During the visit, the two sides reaffirmed that the China-Canada relationship had become one of the most important bilateral relations in the world, the common interest of the two countries far exceeded their differences, and both sides should make joint efforts to comprehensively push forward the development of the China-Canada strategic partnership. Leaders of both counties agreed to raise the bilateral trade volume from US $29.7 billion in 2009 to US $60 billion by 2015. The two sides also signed ten cooperation agreements, involving economy, trade, tourism, quality inspection, energy, and mining. among others.

Only two weeks after President Hu's visit to Canada, Canadian Governor-General Michaëlle Jean made what she called "a trip of friendship" to China and attended the Canadian National Pavilion Day at the Shanghai World Expo. She also visited Beijing and Sichuan and had extensive talks with Chinese state leaders. Her visit certainly was very significant in further promoting the friendly cooperative relations between China and Canada.

As we celebrate the 40th anniversary of the founding of China-Canada diplomatic relations, we feel relieved to notice that the top leaders' visits and consensus have overcome the temporary difficulties in the bilateral relations in the past several years, and have opened up new horizons for further developing the strategic partnership between the two countries. The increasing pragmatic cooperation in various fields, especially economic cooperation and trade, constitutes the foundation of China-Canada relations. China-Canada relations have grown vigorously for 40 years. In order to continuously develop such relations in the coming decades, both countries should make joint efforts to boost China-Canada economic cooperation and trade towards a larger scale, wider range and

1 See China-Canada Joint Statement (2009). Available at: http://news.xinhuanet.com/politics/2009-12/03/content_12584600.htm.

higher level. There is no doubt that the potential of expanding bilateral economic cooperation and trade is huge. The present state and scale of the economic exchanges and trade between the two countries are far from matching our long-standing traditional relations of friendship and there is great room for further substantial growth.

To elaborate on the development potential, the following 5 points are emphasized:

1 The traditional long-standing friendship between China and Canada, symbolized by figures such as Doctor Norman Bethune and the fact that there are now 1.3 million Chinese-Canadians in Canada, serves as the sound prerequisite for further development of bilateral economic and trade ties.

There have never been any fundamental conflicts, such as territorial disputes, between the two countries. On the contrary, friendly exchanges and cooperations between the Chinese and Canadian people have occurred throughout the history of China-Canada relations. Tens of thousands of Chinese railway builders overcame unimaginable hardships and contributed a great deal in railroad construction across Canada in the middle of the 19th century. Many Chinese workers even sacrificed their lives. It is said that, on average, for each mile of the railroad built, one Chinese worker laid down his life. For the last century and more, hundreds of thousands of Chinese immigrants worked hard in Canada and made valuable contributions to the country's social and economic development.

During the Second World War, Canadian doctor Norman Bethune went to China and helped the Chinese people fight against foreign aggression. He sacrificed his life in order to save and rescue Chinese soldiers. Dr. Bethune must be the best-known foreigner in contemporary China and is deeply loved and remembered by the entire Chinese people.

In 1960 and 1961, when some major Western powers were still imposing a blockade against China, China was suffering from serious natural disasters and was in great need of food. Canada overcame great difficulties and exported large amounts of wheat to China through non-governmental channels. During those two years, CDN $1.26 billion dollars of wheat was sold to China, and this wheat played an important role in China overcoming its temporary difficulties in the early 1960s. [2]

In October 1970, China and Canada formally established diplomatic relations. Since then, the mutually beneficial economic ties and trade between the two countries developed smoothly. When Jean Chrétien was the Canadian Prime Minister, he twice led the "Team Canada" visits involving hundreds of participants. At that time, Canada was even referred to as "China's best friend in the world." In 2003 bilateral trade reached US $10.01 billion.[3] In 2005, when bilateral trade almost reached US $20 billion ($19.17 billion),[4] the two sides put forward the goal of raising bilateral trade to US $30 billion by 2010.[5] This goal was realized ahead of time. In 2007, the total trade was already US $30.38 billion.[6] Then in 2008, it reached the peak of US $34.52 billion.[7] At present, China is Canada's second biggest trade partner, following only the U.S. Meanwhile, Canada is China's 13th biggest trade partner. It is beyond any doubt that the goal stated by the leaders of the two countries to expand trade to US $60 billion by 2015 will be fulfilled and exceeded. [8]

Investment and technological exchanges and cooperations have also grown smoothly between the two countries. By the end of 2009, Canada's accumulated investment in China was US $7.2 billion, while China's investment in Canada was US $4.5 billion[9] (CNPC's US $1.9 billion investment in the

2 See Chuanjie Li, "The significance of Canada's exporting wheat in 1960s to China", *Dangdai Zhonguo Shi Yanjiu (Modern China History)*, No. 2 (2005), p.5.

3 See China Commerce Year Book Committee, *China Commerce Year Book 2003*.

4 See China Commerce Year Book Committee, *China Commerce Year Book 2005*.

5 See Zhenya Lv, "China and Canada claimed to increase bilateral trade beyond $30 billion by 2010", China *Xinhua Net*, September 10, 2005, available at: http://news.sina.com.cn/c/2005-09-10/02156905920s.shtml.

6 See China Commerce Year Book Committee, *China Commerce Year Book 2007*.

7 See China Commerce Year Book Committee, *China Commerce Year Book 2008*. Owing to the global financial crisis, in 2009 bilateral trade fell to $29.71 billion.

8 See Dongkai Liu & Hegao Chen, "China-Canada trade will increase to $60 billion by 2015", Jiefang Dairy, June 24, 2010, available at: http://news.sina.com.cn/o/2010-06-26/081317712692s.shtml.

9 See China Commerce Year Book Committee, *China Commerce Year Book 2009*.

Alberta oil sands project in February 2010 not included). In the technological field, fruitful cooperation was carried out in the Qinshan nuclear power station.[10]

Based on such sound and friendly relations, there is no doubt that bilateral and mutually beneficial economic ties and trade will grow more rapidly.

2 There are great economic complementarities between China and Canada.
Both China and Canada are very large countries, but they are at very different levels of development. China is the biggest developing country in the world, and its per capita GDP is only a bit over U.S. $3,000, while Canada is one of the Western industrialized nations with the most advanced technology, and its per capita GDP is nearly US $50,000. While China is rich in few natural resources, like coal and a few non-ferrous metals, Canada is very rich in natural and energy resources as a whole. While China is a big resources and energy importer, Canada is a big resources and energy exporter. While China's efficiency in the energy utilization is rather low, Canada is advanced and much more efficient in the technology of energy use. In short, the economic complementarity between the two countries is significant.

3 The respective large sizes of the two economies call for economic exchanges on a larger scale.
China is at least the third largest economy in the world, and perhaps it has overtaken Japan and become the second largest economy in the world.[11] As for foreign trade, China overtook Germany and became the world's biggest exporter of goods in 2009.[12] China's total amount of exports that year was US $1201.7 billion, which accounted for 9.6 % of the world's total.[13] In 2008, China's total imports was US $1133.1 billion making China the third largest importer in the world, after the United States (US $2170 billion) and Germany (US $1210 billion).[14] Meanwhile, Canada is also a large economy with the world's 9th largest GDP.

Although the two countries are both large and important economies, the economic cooperation and trade scales between the two are rather small and do not match their economic sizes. The bilateral trade between them is only a very small fraction of their respective total foreign trade. The total amount of trade between China and Canada is only about 5% of Canada's total foreign trade and 1.34% of that of China's. Canada's exports to China in 2009 were US $12.03 billion, which is only 1.29% of China's total imports.[15]

All these factors show that economic and trade ties between the two should be substantially further developed.

4 In order to better cope with the current global financial crisis, the two countries need to and should expand the economic and trade exchanges between them.
Canada's economy has always been foreign-oriented. Its dependence on foreign trade is crucial. However, it is obvious that its economic dependence on and economic relations with its southern neighbour are too large. This is based on Canada's geographical position and various other natural conditions, but it is not a very wise option. Especially amid the global financial tsunami, which started from the U.S. in 2008, it is particularly unwise to remain too dependent on the U.S. economy, since the U.S. economy has been very slow to recover. It is widely forecasted that the U.S. economic growth rate will remain quite low for at least another one or two years, and its unemployment rate will remain high. Under such circumstances, it is obviously preferable to seek more economic and trade cooperation with other economies. China has managed to maintain its rather high economic

10 See Jin Tan, Buyi Fu, Bin Yan, "Qinshan Nuclear Electricity Station starts to work", *Xinhua Net*, November 20, 2002, available at: http://www.zj.xinhuanet.com/old/200211/20/100020239.htm.

11 Japan's GDP fell by 5% to US $5070 billion in 2009 while China's GDP was about US $4980 billion. In the 1st and 2nd quarters of 2010, China's rate of GDP growth were 11.9% and 10.3% respectively, and Japan's economic growth rate was much lower than that of China. Therefore, it is possible that China's GDP was already bigger than that of Japan in the 2nd quarter of 2010.

12 See China Commerce Year Book Committee, *China Commerce Year Book 2009*.

13 The U.S. remains the largest exporter of services in the world.

14 See China Commerce Year Book Committee, *China Commerce Year Book 2008*.

15 See China Commerce Year Book Committee, *China Commerce Year Book 2009*.

growth rate. The growth rate of its imports has been substantially higher than that of its exports. China remains a large market for the world economy. China and some other emerging economies, such as the other BRIC countries, can and did serve as effective engines for the world economy. Therefore, Canada has every reason to expand its trade and economic cooperation with China.

5 A comparison between Sino-Australian economic relations and Sino-Canadian economic relations may provide some food for thought.

Canada and Australia are two similar countries. Both are big, developed and very rich in resources. And yet, Australia is in many aspects not as large and strong as Canada is. Australia's area (7,692,000 square kilometers) is only about three-fourths of that of Canada's (9,985,000 square kilometers). Australia's population (21.875 million in June, 2009) is only about two-thirds of that of Canada's (33.504 million in 2008). In addition, Australia's GDP (AU $1253.1 billion or roughly US $938.58 billion in 2008/09) is only about three-fifths of that of Canada's (CAN $1602.47 billion or roughly US $1586.6 billion in 2008). While Canada is the world's 9th largest economy, Australia is only the world's 14th largest economy. However, the scale of Australia's trade and economic exchanges with China is much larger than that of Canada's. In 2009, Australia's trade with China (US $60.1 billion) was more than double that between China and Canada (US 29.7 billion). Australia has become China's 8th biggest trade partner while Canada has fallen from the position of China's 10th biggest trade partner to its 13th in 2009.[16] As Canada is economically much larger and stronger than Australia, there is no reason that Canada should lag behind Australia in its economic exchanges and cooperation with China by such a difference.

The above-listed 5 points show that there is great potential for trade and economic cooperation between China and Canada to grow much further. When the two countries commemorate the 40th anniversary of their diplomatic ties, China and Canada should join hands and work together to further develop their trade and economic cooperation. This cooperation will benefit both countries. Greater trade and economic cooperation will in turn promote an even stronger strategic partnership between the two countries. This stronger partnership will benefit the peace and stability of the whole world.

16 See China Commerce Year Book Committee, *China Commerce Year Book 2009.*

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SECTION III:
GLOBAL COOPERATION

"International cooperation, multilateralism is indispensable."
—Hans Blix

17

WADE L. HUNTLEY

CANADA-CHINA SPACE ENGAGEMENT: OPPORTUNITIES AND PROSPECTS

Abstract

The U.S.-China relationship is increasingly an axis around which much of the world revolves. U.S. and Chinese space activities, particularly security-related activities, are a focal point of that relationship. Canada has specific interests shaped by that relationship, among which space security issues are also significant. Canada also maintains historically unique relationships with both countries, emblematic of its complex position and identity in the wider world community. This article considers Canadian engagement with the U.S.-China relationship on space issues within the contexts of its broader relationships with these countries and its distinct global posture. The article briefly reviews the development of Canada's space activities with an eye to identifying the unifying features of its sometimes inconsonant behaviour. The article then addresses prospects for Canada to promote U.S.-China space engagement and advance Canada's own interests vis-à-vis both countries through both bilateral and trilateral approaches. The article concludes that, as in many other areas, Canada faces both opportunities and limitations, the navigation of which requires imaginative foresight, diplomatic acumen, and resolute attention to rapidly changing circumstances.

Introduction

The U.S.-China bilateral relationship is increasingly becoming an axis around which much of the world revolves; in the words of one close observer, "the U.S.-China relationship has become the primary lens through which many global issues are addressed."[1] Canada has specific interests in many of the issues for which the U.S.-China relationship is the central feature, and so observes developments in that relationship closely. Canada's integral ties to the U.S. are well known. Canada also maintains unique and familiar ties to China, sustained by growing economic and demographic linkages.[2] While economic and trade issues are perhaps at the forefront of these relationships, security questions are close at hand.

U.S. and Chinese space activities, particularly security-related activities, have emerged as a focal point of their broader relationship. For the United States, military space capabilities now serve integral roles in a spectrum of terrestrial needs, and sustaining the U.S. position in space has become a key concern for many military planners. Meanwhile, the space technologies of many other countries are developing rapidly. Although an outright challenge of the U.S. position is not yet imminent, some countries already possess asymmetric capabilities posing genuine threats to U.S. space operations. China in particular has markedly advanced its military space prowess in recent years, at least in part to offset its perceptions of U.S. military advantages vis-à-vis vital Chinese interests, such as the status of Taiwan. Chinese military space achievements were showcased by its destruction of a defunct weather satellite in January 2007, demonstrating anti-satellite (ASAT) capabilities. The February 2008 U.S. destruction of a failed and de-orbiting U.S. satellite provided a counterpoint to the emerging U.S.-China military rivalry in space.

The Canadian government has a longstanding and refined interest in the future of space security (described more fully below). Canada has historically been among the world's most active states

1 Woo and Wang, "The Fortune in Our Future."

2 For a note on the relevance of demographic factors see Evans, "Canada, Meet Global China," 284. Following the post-1980 wave of immigration, some four percent of Canada's population is of Chinese origin (including mainland China, Taiwan and Hong Kong), constituting the largest visible minority group. See Zweig, "A Limited Engagement," and Guo and DeVoretz, "The Changing Face."

seeking to prevent deployment of weapons in space, operating through multilateral forums and other diplomatic avenues to address questions of definitions, transparency, entry-into-force and verification. At the same time, Canada also has a space program of its own—uniquely accomplished for a country of its size—and has had a cooperative relationship with the U.S. on military space uses, such as early warning satellite information, since the earliest years of the Cold War. The high level of public attention to both sides of Canada's space interests was vividly displayed by the contentious and controversial decision of the Canadian government in February 2005 not to join U.S. continental missile defense development efforts, under the auspices of the NORAD, in part on the basis of concerns over connections to space weapons planning.[3]

Two underlying tensions, reflecting these assertions, animate Canadian international policy making. The first tension, distinct to countries of modern development levels and moderate size, is between conceptions of national interest and conceptions of what might be termed "international interest." This follows from the high permeation of and sensitivity to global circumstances characteristic of developed moderate powers.[4] The second tension, more unique to Canada, is between seeking national security objectives through the intimate relationship with the U.S. or through broader multilateral structures. This tension often converges with the first but is functionally distinct in the sense that either set of interests might potentially be pursued through either type of relationship.

These tensions help explain Canadian concerns for how the percolating U.S.-China rivalry in space may impact not only Canadian national security interests but also international peace and security more broadly. Many Canadians in and out of government are interested in opportunities to contribute positively to improving this relationship through multilateral mechanisms, through Canada's unique relationship with the U.S. and, if possible, through direct Canada-China engagement. Facilitating U.S.-China engagement on space aiming to resolve tensions and to establish an environment for the secure and peaceful use of space contributes directly to addressing core Canadian interests.

This article considers Canadian engagement wth the U.S.-China relationship on space issues. The first section briefly reviews key elements in the development of Canada's space capabilities, interests and relationships, concluding with a skeletal explanation of the sometimes contradictory nature of Canadian space policies and behaviour. The second section applies this discussion specifically to the question of how Canada can efficaciously both promote U.S.-China space engagement and advance Canada's own interests vis-à-vis both countries.

Canada in Space

Canada enjoys a highly developed industrial/information economy and standards of living, but its relatively small population limits the absolute global impact of its qualitatively high capabilities. As such, Canada is a typical "moderate" global power.[5] Relative to other moderate powers, Canada's space accomplishments stand out; but given its smaller absolute size relative to the large scale required for space activities, these accomplishments have depended upon continuing opportunities for cooperation with other countries, and upon the secure and peaceful space environment such cooperation requires.

The cornerstone of Canada's space activities has been effective partnerships, by far most importantly with the U.S.[6] In the earliest period of space exploration, the prospect of Canada-U.S. cooperation was much more attractive for Canada, which accordingly sought to identify activities that would both advance Canadian objectives and elicit the active interest of the U.S.. Cooperative Arctic defense and scientific activities provided an optimal combination of benefits. Satellites offered to provide vitally

3 For contrasting assessments see Regehr, "BMD, NORAD, and Canada-US Security Relations"; Fergusson, "Shall We Dance?"; Staples, *Missile Defence*.

4 The concept of "moderate power" and its implications are elaborated in the following section.

5 The term "moderate power" is used here for the simple typological purpose of denoting countries with advanced economies but small populations and high levels of international interdependence. Certain common tendencies toward the development of space programs flow from that position. For further articulation of the concept, see Huntley, "Moderate Space Powers." The concept is distinct from the term "middle power," which in Canadian contexts carries additional specific implications for global outlooks and policy dispositions.

6 For one review see Handberg, "Outer Space as a Shared Frontier."

needed reliable communications among the small and isolated populations in the harshest reaches of the country as well as a wealth of atmospheric and weather data. Effective communications also served the critical shared U.S.-Canada Cold War concern to support systems providing early warning of Soviet attack.

The first fruit of this cooperation was the *Alouette-1* satellite. When it was launched into low Earth orbit in September 1962, Canada became the third state to enter outer space. Measuring electron density in the ionosphere, the satellite's mission aimed to improve communications for both military and civilian purposes.[7] This clear dual-use function exemplified the equivalent importance of civil and security purposes for Canadian space activities which became a defining motif of Canadian space outlooks.

This early collaboration also expressed what grew into two prominent tactical features of Canadian space efforts. One was to concentrate on opportunities to cooperate with the U.S. that fit an independent national space agenda. The second was to focus not on becoming a minimally independent space power, but on developing specific roles and excelling in "niche" capabilities that would entail significant, if selective, technology and information flows to and from larger partners. Canada sought to use this strategy to take part in advanced space achievements, stay at the leading edge of space technologies and leverage these capabilities for long-term national economic competitiveness.[8]

The "niche" strategy enabled Canada to offer tangible value in cooperation with the U.S. in civil activities. For example, Canada's role as the developer of a remote manipulator arm for the U.S. Space Shuttle program—the "Canadarm"—enabled Canada to become a world leader in space robotics.[9] U.S.-Canadian space cooperation deepened further with Canada's development of two manipulator units for the International Space Station—the first time the U.S. approved a Canadian role in "critical pathway" activities essential to program success.

At the same time, Canada increasingly pursued national capabilities in commercial areas. The 1972 launch of the first *Anik* satellite created a national Comsat system, Telesat Canada, independent of the then U.S.-dominated Intelsat. Continuing efforts in this vein led to *Radarsat-1*, a remote sensing satellite launched in 1995, capable of producing military-quality, all-weather radar images across the globe. This and subsequent achievements of the *Radarsat* program provided Canada with world-leading commercially-fruitful earth observation capabilities, marking another success for the "niche" strategy.[10]

As Canada's commercial interests and achievements grew, however, they also generated friction with U.S. space security concerns. In the late 1990s, worries over increasing Chinese efforts to surreptitiously obtain U.S. high technology capabilities were a factor leading to a tightening of U.S. export controls, including the return of U.S. export control authority over dual-use commercial space technologies from the Commerce Department's Commerce Control List to the State Department's more restrictive Munitions List (USML) in March 1999. Satellites became the only commodities on the USML for which jurisdiction over export licensing is mandated by law, rather than regulation, and broader scientific exchanges with China were also truncated. Moreover, the following month the U.S. withdrew its exemption for Canada, and other U.S. allies, to the restrictions of the U.S. International Traffic in Arms Regulations (ITAR) on the export of USML items, significantly limiting Canadian space technology exchanges with the U.S.[11]

The following year Canada secured partial restoration of such exchanges by instituting the Controlled Goods Program (CGP), which provided parallel export controls under Canada's Controlled Goods

7 Canadian Space Agency, "Alouette I and II."

8 Mineiro, "US Export Controls"; Canada. Canadian Space Agency, *State of the Canadian Space Sector 2000*; Kirton, "Canadian Space Policy."

9 Canada. Canadian Space Agency, "Canada's World-Renowned Space Robotics."

10 Canada. Minister of Industry, "Speaking Points." On the role of Canada's niche expertise in space robotics and earth observation in building international collaborations, see Jakhu, "The Case for Enhanced," 12. Some observers suggest that the independence of Canadian accomplishments is overstated; i.e., there would have been no Canadarm or Radarsat without US collaboration. While such counterfactual claims are intrinsically untestable, it may be observed that a world in which the US and Canada lacked material interests to partner throughout the Cold War would have been different in many other ways, perhaps presenting alternative opportunities for Canadian space technology development.

11 Choi and Nicelescu, "The Impact of US Export Controls"; Mineiro, "US Export"; "SIA Supports H.R. 2410"; Moltz, "China, the United States, and Prospects," 79.

Regulations. This arrangement, however, only partly moderated the impact of the new U.S. controls, while also impinging on Canada's cooperation with non-U.S. partners by restricting utilization of equipment that included U.S.-origin technology. A focused study of this impact found that "the CGP has not improved the situation of Canadian space companies with respect to ITAR," and that while surveyed enterprises "managed to find alternative sources of technology when necessary … these workarounds do not diminish the negative impacts of ITAR."[12]

These new technology sharing obstacles, framed by U.S. concerns over Canada's intentions to make high quality *Radarsat* imagery commercially available, became a major impediment to Canada's development of the successor *Radarsat-2*. In December 1999, at the height of disruption over tightening U.S. restrictions, *Radarsat-2*'s Canadian contractor, MacDonald, Dettwiler and Associates (MDA), was driven to sever its contract with U.S.-based Orbital Sciences' space systems group to provide the primary satellite platform. *Radarsat-2* was instead developed with European collaboration (Italy's Alenia Spazio provided the platform) and launched by Russia in Kazakhstan.[13] As involved parties worked to sustain the broader relationship, some of Canada's alternate collaboration received tacit U.S. approval, and Canada subsequently adopted legislation specifically seeking to assuage U.S. concerns over access to *Radarsat-2*'s advanced remote sensing capabilities.[14]

The conflict over *Radarsat* illustrates how, as Canada's space activities developed, tensions emerged between increasing U.S. space security concerns and Canada's emphasis on commercial opportunities and reliance on a peaceful space environment. Tensions also emerged between Canada's desires to continue deepening its U.S. relationship while also broadening its global engagement. For example, Canada has maintained core involvements with a number of U.S. military space activities, while also pursuing indigenous efforts leading toward Canada's first dedicated military satellite.[15] At the same time, driven by its own interest in securing the peaceful use of space, Canada became a leader of efforts to construct a space legal regime.[16] Many in Canada perceived that, in light of its otherwise close U.S. relationship, demonstrating a measure of independence from the U.S. military space ambitions enabled Canada to more easily take advantage of opportunities for cooperation with other states. Thus, Canada continued to face the same dilemma of many other countries in enhancing its security through both independent uses of space and multilateral arms control.

Radarsat became an issue again in 2008 with the announcement that MDA, by then Canada's largest space technology firm, had agreed to sell its space division, including rights to the data from the just-launched *Radarsat-2*, to U.S.-based Alliant Techsystems. The proposed sale generated immediate controversy on several fronts. Some more nationalistic critics viewed the turnover of Canada's showcase independent space achievement as akin to selling off the family heirlooms—particularly given the degree of taxpayer investment in development of the satellite. More globally-oriented critics connected the sale to U.S. military space planning, noting the role of Alliant as a U.S. defence contractor and the high quality of *Radarsat-2's* imaging data.[17] Some observers of Canadian space activities more broadly lamented less the immediate loss of control over *Radarsat-2* than the longer-term impact that the loss of the space division as a whole represented for Canada's future space technology development capacities.[18] With respect to Canadian security interests, some critics feared the sale would cost Canada sovereign control over *Radarsat-2*'s unique capacity, with its high-quality imaging and sun-synchronous orbit, to maintain near-real-time surveillance coverage of high-latitude Arctic territory.[19]

12 Choi and Nicelescu, 31 and 33; Mineiro, 101.

13 Canada. Canadian Space Agency, *Radarsat, Annual Review 1998/99*; Choi and Nicelescu, 33; Caddey, "Radarsat-2"; Bates, "Canadian Military Mulls." The loss of business to Orbital Sciences—ironically MDA's largest stockholder at the time—exemplifies how ITAR restrictions also impact the US commercial space technology community.

14 Canada. Parliament of Canada, "Bill C-25."

15 Wattie, "Canada Will Launch"; "MDA Awarded Definition Phase Contract." See also Maskell and Oram, "Sapphire."

16 Canada joined in drafting the first international space treaties at the United Nations Committee on the Peaceful Uses of Outer Space (UNCOPUOS), and has also pressed at the UN Conference on Disarmament for work to proceed on a Prevention of an Arms Race in Outer Space (PAROS) treaty, sometimes collaborating with China and Russia. See Canada. Department of Foreign Affairs and International Trade, "Space Security."

17 For a good compendium of these arguments see Canada. Standing Committee on Industry, Science and Technology, "Evidence."

18 See, for example, Gainor, "Crash of Canada's Space Biz."

19 On the unique security utility of *Radarsat-2* in the Arctic see Dittmann, "In Defence Of Defence," 54 (n.22) and 57 and Canada. Department of National Defence, "Polar Epsilon Project." An argument against the sale on this basis is Byers, "For Sale."

Supporters of the sale lamented a debate seemingly driven more by political opportunism than public policy assessment, noting that little objection had been raised when Orbital Sciences previously obtained majority control of MDA (to be later returned to Canadian ownership). But MDA had become a larger company with a larger role in the country, helping explain the emergence of diverse interests in opposition to the sale. Coalescing politically, these interests compelled the government in May 2008 to invoke the Investment Canada Act to block the sale on national interest grounds—the first such veto after some 1,600 reviews of over 10,000 foreign takeovers.[20] The episode once again highlighted the tension between intimate cooperation with the U.S. and maintaining independent capabilities and policies that has defined Canadian space activities for decades.

To many U.S. analysts, this tension inherent in the Canadian position appears puzzling, if not contradictory. But there is a consistency underlying Canada's seemingly "zig-zag" course on space activities, stemming from its interests and capabilities as a "moderate" power. Given the high costs of entry, military space, like nuclear deterrence, is a realm of principally the great powers, underscoring the salience of military uses of space and reinforcing these states' competitive and self-reliant nature in it.[21] Other states, lacking military space capabilities, tend to prioritize civil space, a realm where potential collaborations and niche roles offer opportunities of access and advancement of interests, and fit their predisposition to relationships. Conversely, great powers are more prone to subsume civil space activities to military space concerns—security issues take priority, with civilian capabilities becoming national "assets."[22]

Such moderate powers often regard space as the domain of all humanity, in which unrestrained conflict could easily spill over to impact their own interests. A disposition toward civil space activities, however, does not mean moderate powers such as Canada are unconcerned about space security issues. Rather, as common consumers of space-based communications and imaging products, moderate powers tend to perceive a keen sensitivity to their own vulnerabilities regarding military space activities. But the lack of indigenous capabilities to influence events in space induces such countries instead to secure their interests by developing relationships. Such relationships may include both bilateral collaboration with a greater power or multilateral participation in a global regime. Both alliances and treaties can help assure moderate powers that their interests will be recognized and served over time. Hence, Canada's collaborations with the U.S. on space-related efforts and its active pursuit of an international agreement to prevent the weaponization of space stem from a common purpose. These seemingly contradictory policy aims both seek to advance the core view that a secure space environment is a prerequisite to Canada's ongoing space-related activities.[23]

Canada, China and Space

Today, China is emerging as a "great power" in the space domain. The U.S.-China interaction on space activities expresses many typical features of a great power rivalry, though one more akin to the managed European rivalries of the nineteenth century than the ideologically oriented superpower rivalry that defined the twentieth century.[24] As described in the previous section, Canada brings a quite-different perspective to space development generally, which informs Canadian outlooks on the emerging U.S.-China relationship in space particularly. Canada's intimate familiarity with the U.S. and, to a lesser extent, China, provides a unique vantage point. As the U.S. and China seek to manage their relationship, they may find considerable value in the perspectives that Canada's government, commercial enterprises and expert communities can offer. Canada, for its part, can find new opportunities to maintain its own interests through such roles.

20 Mayeda and Akin, "Ottawa Blocks Sale"; "Govt. Confirms Decision."

21 For a thorough overview, see Watts, "The Military Use of Space." With respect to this generalization, Israel's independent space capabilities represent in some respects the exception that proves the rule, while in other respects—the relatively small scale of its military program and its longstanding reliance on US support—not an exception at all.

22 While in the US there is political and programmatic demarcation between civil and military space activities, there is also spill-over between the sectors and the generally perceived security interest flowing from any perceived threats to vital commercial capabilities. US military reliance on commercial communication bandwidth in certain circumstances is a poignant example; for assessments see Rayermann, "Exploiting Commercial SATCOM" and Forest, "An Analysis of Military Use."

23 For an elaboration of these observations see Huntley, "Smaller State Perspectives," 252–257.

24 Useful contributions in this vein include Swaine, "Managing China"; Goldstein, "Power Transition"; Medeiros, "The New Security Drama"; Rosecrance, "Power and International Relations"; Johnston, "Is China a Status Quo Power?"

Possible future Canadian initiatives with respect to the U.S., China and space divide into two categories. The first comprises the bilateral Canada-China relationship on space, and how development of that relationship would bear on U.S.-China engagement indirectly. The second category focuses on whether and how Canada could help facilitate the U.S.-China relationship directly.

Across both these categories, Canada can draw on and enhance its previous relationships with these two countries. As noted above, Canada's cooperation with the U.S. in space has a long history. Canada today also has productive collaborative relationships with European Space Agency (ESA) and other partners, such as Japan.[25] Canadian ties on space with China are less developed, but their prior interaction on promoting multilateral regime solutions to military and civil space challenges (such as the collaboration on PAROS proposals noted earlier) may provide a foundation for growing Canada's engagement.

One big obstacle to increasing Canada-China space cooperation is restrictions on transfers of technology and information with security-related applications tracing back to ITAR-related constraints. For Canadian private firms and civil agencies interested in developing new initiatives with any other countries, these restrictions loom large; as a recent study of this impact concluded, "US export controls place restrictions on Canada's freedom and independence to collaborate internationally if U.S.-origin parts are involved."[26] Although interests in both Canada and the U.S. have long sought to modify U.S. restrictions to ease commercial collaboration while sustaining security objectives, China has been increasingly singled out as a "category of its own." For example, legislation introduced in the U.S. Congress in 2009 would return to the president discretion over which space-related technologies are subject to USML listing and control—except involving any interaction with China.[27] Longstanding efforts to reform the ITAR regime with respect to space-related technology sharing so far have had little effect; while pressures are likely to grow and may eventually produce change, U.S.-China space cooperation remains controversial in the U.S. and is likely to be exempted from foreseeable reforms.[28] Hence, any relief from the impediments these restrictions present to Canada's international collaboration on space activities cannot be expected to apply to involvement with China.

New initiatives in China-Canada space engagement would need to focus on working around such obstacles. For example, Canada can consider supporting broader development of bilateral technology/trade safeguard agreements (TSAs) by Canada and/or the U.S. with emerging space powers like China, India and Brazil, modeled on the U.S.-Russia TSAs of the 1990s that now enable inclusion of U.S.-origin technology on satellites launched on Russian vehicles in Kazakhstan.[29] Development of U.S.-India space cooperation in the past decade has followed a similar model.[30] Although a U.S.-China agreement of this sort seems now a distant prospect, a Canadian initiative with China in this vein (consistent with Canada's CPG and its interest in sustaining U.S. technology exchange) could serve as a building block for reconciliation of U.S. concerns and for broader integration of China into global technology exchange management, such as inclusion in the Missile Technology Control Regime (MTCR).[31]

There are also categories of potential Canada-China cooperation, not involving technology exchanges, which might be fruitfully pursued. One possibility is to focus on joint utilization of information already being generated from existing space-based systems rather than on the joint development of new systems. This could include creating a common collection system and database for information on

25 Dotto, "Canada and the European Space Agency"; Sorid, "Japan to Sign Space Accord."

26 Mineiro, 101–102.

27 Two bills (H.R. 2410 §826 and H.R. 3840) contain similar provisions, including the exclusion of China. See Mineiro, 102.

28 See Moltz, 79–80 and Choi and Nicelescu, 34. As of December 2010, neither of the two reform measures under consideration in the current Congress, despite their exclusion of China, appears likely to receive approval. See "H.R. 2410" and "H.R. 3840."

29 See Mineiro, 102–103.

30 Jakhu, 14. A limited 2009 US-India TSA reportedly was pivotal in a subsequent Canadian decision to launch a government satellite on an Indian launch vehicle. See Mineiro, 103.

31 The conclusion here is more moderate than that offered by Mineiro, who advocates Canada pursue a TSA with China more actively in the context of a broader effort to "remove Canadian reliance on U.S. suppliers." See Mineiro, 103. Mineiro's approach would commit limited resources broadly rather than deeply, and so mark a significant deviation from the "niche excellence development" strategy. The more limited initiative suggested here would aim instead to bridge the tension between expanding Canadian collaboration with emerging space powers and sustaining unfettered technological engagement with the US. On bringing China into the MTCR, see Moltz, 82.

environmental monitoring and ocean research and convening joint scientific panels to generate new ideas for collaboration. The 2008 Sichuan earthquake has contributed to recognition in China and elsewhere in Asia of the necessity for international cooperation on environmental monitoring and disaster relief; Canada's niche expertise in remote sensing and earth observation could contribute vitally to systematized remote-sensing data sharing.[32] Initiatives could also focus on identifying collaborations leveraging comparative advantages, such as combining Canada's experience in deep space exploration and China's launching capabilities. Such initiatives would enable the two countries to develop a partnership in relatively non-controversial areas, in turn helping overcome the impediments to more fulsome engagement.

Of course, any Canada-China cooperative effort on space-related activities would need to serve the aims of each country's own programs. But building cooperative linkages on space, either bilaterally or in a multilateral institutional context, would also serve to bolster the broader bilateral relationship, which is itself an inducement supplementing specific project benefits. Expanding space cooperation between these two countries could also produce benefits for Chinese engagement on space with the U.S. and other countries.

One area in which such broadly applicable benefits might be generated is the issue of transparency. Many observers experience frustration over China's reticence to release information concerning its military and security capabilities and behaviour, notably in the area of space activities. This opacity is particularly perplexing when the information in question is relatively innocuous and/or already in the public domain through non-Chinese sources, and even cited by Chinese analysts themselves. In such cases, some suggest, China's unwillingness to validate and/or clarify information serves no strategic purpose and fuels an atmosphere of suspicion. Defenders of China in various settings have offered a number of answers to these contentions: China does not want to confirm information that might still be uncertain or that would be embarrassing domestically; China sometimes sees the call to "transparency" as a guise for intrusiveness or espionage; and, in any event, China is slowly getting better.[33]

The focus on information, however, obscures a potentially more fruitful dimension for promoting transparency—people. Learning more accurately how Chinese space activities are bureaucratically organized and identifying key decision makers, both formal and informal, can enhance transparency as much or more than sharing detailed technical data or sensitive policy directions. Focusing transparency-oriented initiatives on "who" rather than "what" would also facilitate the development of personal relationships in specific sectors. A deeper Canada-China relationship on space activities would doubtlessly expand linkages in civil and commercial sectors, but would likely also facilitate exchanges on security matters, increasing knowledge of Chinese actors and perspectives in that area as well.

Attention to this interpersonal dimension of building a better understanding of China's space interests and behaviour reflects the penchant for relationship development that typifies moderate powers' approaches to international relations. In other words, the Canadian proclivity for relationship building can be an important asset to successfully engaging China on space issues in ways that not only realize the specific interests of the two countries directly, but also yield benefits valuable more generally, such as enhancing Chinese transparency and generating the normative consensus for successful multilateral regimes for space. Such engagement can be productively undertaken through quasi-governmental forums involving unofficial participation by governmental representatives, as some U.S. initiatives demonstrate.[34]

32 On the opportunity for Chinese participation in establishment of an Asia-wide remote-sensing data centre, see Moltz, 83.

33 For a more extensive discussion of the transparency issue as an obstacle to collaboration see "Engaging China on Space."

34 Examples include the regular US-China Strategic Dialogue convened by the US Naval Postgraduate School's Center on Contemporary Conflict (see Lamar, "CCC's Informal Diplomacy") and the meeting-based process leading to development of the "English-Chinese, Chinese-English Nuclear Security Glossary." See Committee on International Security and Arms Control, "English-Chinese." An example of a Canada-based initiative with similar intentions is the 2008 workshop, convened under this author's direction at the University of British Columbia, exploring specifically what initiatives Canada could undertake to facilitate positive growth in the US-China relationship on space. See "Engaging China on Space," (Workshop Report).

Beyond pursuing the prospects of developing its own relationship with China on space matters, the role that Canada might play in facilitating the U.S.-China relationship on space is ambiguous. If the U.S.-China relationship is increasingly the central axis of space security, the purposes that would be served by a direct Canadian link to that relationship are unclear. Nor does Canada typically seek a "seat at the table" in circumstances where such a role would not be efficacious.

Instead, Canada might contribute more productively to support positive directions in the U.S.-China relationship in a facilitative role. Such a role would take into account both the advantages and limitations given by its unique relationship to the U.S. This history leaves Canada at once familiar and independent. Canada's intimate familiarity with the U.S. provides a unique opportunity for Canadian interlocutors (governmental or civil) to help build better Chinese understanding of U.S. motives and actions, while also conveying (not representing) Chinese viewpoints along Canada's unique lines of communication with U.S. policy elites. Such opportunities, if manifest, would present China with a concrete interest in engaging Canada specifically across a range of space-related issues. Canada's relative independence from the U.S. supports these opportunities by further establishing Canada's credibility with China, beyond that given by the countries' long shared goal of a legally binding treaty restraining the military uses of space and periodic collaboration in promoting such a treaty (as noted above). Having demonstrated that it is independent, but not neutral, and able to speak and act on its own behalf on all matters of space activities, Canada is well positioned to facilitate improved U.S.-China engagement across a range of issues.

A window of opportunity for such facilitation on core security issues is now opening. China has responded receptively to the new prominence of collective security and arms control expressed in the Obama administration's 2010 National Space Policy. Improved atmospherics, however, have not mended all divisions. In particular, for both political and security reasons, China (and Russia) continue to embrace proposals for formal treaty-based restraints on space-based armaments that still engender deep resistance in the U.S.[35] Canada's experience, policy record and credibility in this area would enable Canada to play an active and contributory role in translating current convergence into lasting accord. In short, Canada has an opportunity to make a potentially decisive difference at a critical time.

Canada could productively operate in two facilitative modes: as a convening force and as an innovation source. To operate as a convening force means to provide the venue and forum within which the principal agents may better advance their engagement. It does not mean to be a "mediator," which would be a direct rather than facilitative role. It may mean providing a nurturing environment for low-key meetings or other expert exchanges at either official or Track Two diplomatic levels.[36] But operating as a convening force can be less direct as well. For example, in pursuing project cooperation with China, Canada might prioritize initiatives that would also enable a U.S. role (perhaps more remotely, perhaps not immediately) or at least have Canada-U.S. counterpart initiatives. Such a focus would be especially useful in areas in which direct U.S.-China engagement is most problematic, such as in inter-military contacts or analysis of longer-term prospects for military uses of space.

Canada can be an innovation source with respect to facilitating the U.S.-China relationship by synthesizing the perspectives garnered through civil, commercial, military and diplomatic encounters with both countries to highlight viewpoints less visible to the U.S. and China themselves. These viewpoints could generate specific proposals for enhancing U.S.-China space engagement, which could be specific to a particular sector or issue, or general and long term. One focus might be to facilitate incipient U.S.-China work on erecting confidence-building measures.

35 On these prospects see Moltz, 82.

36 One example of this mode includes this author's direction of Canada-based facilitation of the earlier-referenced US-China strategic engagement in development of a nuclear security glossary (collaborating with the Committee on International Security and Arms Control at the US National Academy of Sciences; see "NAS / China Collaboration."). A second example focused on space security is the earlier-referenced workshop on Canadian engagement of China on space, organized with Canadian government support and linked to the annual "China, Space, and Strategy" workshops in collaboration with the Eisenhower Center for Space and Defense Studies, US Air Force Academy; see "Engaging China on Space," (Project Summary).

Canada's success in serving this facilitative role, in either of these modes, would depend in part on the U.S. and China positively reinforcing that role. Such reinforcement would likely be more forthcoming if activities were undertaken through the accumulated activities of independently operating non-governmental agents—such as companies, universities and civil society organizations—rather than from a singular Canadian government posture. Many forums and innovations could also have independent impact, while sensitivity to the feedback from the efforts would be further data to the ongoing analysis of the U.S.-China dynamic.

As the preceding discussion shows, opportunities and prospects for Canadian initiatives to engage China on space activities (either directly or by facilitating U.S.-China interaction) are limited but not absent. Realizing current opportunities—and developing new prospects—will require direction and commitment. Are such initiatives worth the effort? Answering this question requires assessing the relative merit of such initiatives across the range of Canadian civil, commercial and security space interests, and in terms of impact on both Canada-China and Canada-U.S. relations. If a complete answer is beyond the scope of this paper, several points inform Canadian interests in pursuing these potentialities.

First, space activities are already vital to each of these countries, and certain to grow more central over time; hence, small initiatives now may have a much larger impact in the future. Economic and demographic linkages dominate the current Canada-China relationship, but the scope of China's impact on Canadian relations with more longstanding partners is growing dramatically,[37] and space activities are a cutting edge of that growth.

Secondly, as noted earlier, the U.S.-China space relationship has in recent years begun to swing back toward accommodation. In part in reaction to developments such as China's 2007 ASAT test and the 2009 collision of two satellites over Siberia, the U.S. has made new overtures to China, principally on the topic of space debris but also including talks on remote sensing, space science and even human spaceflight cooperation.[38] As James Clay Moltz observes, "The recent willingness of the U.S. Air Force to expand its international data sharing on conjunction analysis regarding space debris and satellite collisions marks a significant evolution in American thinking. China's restraint from conducting additional kinetic ASAT tests since 2007 may be part of the same learning curve."[39] If such trends continue, Ottawa policymakers wary of getting too far out in front of Washington should also be attentive not to be left too far behind.[40]

This observation underscores a third point, drawn directly from the preceding discussion: productive initiatives need not be in the first instance governmental. Indeed, given the circumscribed state of current Canada-China relations on space, the sensitivity of the issues vis-à-vis U.S. relations, and Canada's relatively limited capacities, non-governmental initiatives (including civil, commercial and Track Two policy engagement) are likely to be more fruitful in terms of both tangible outcomes and foundation building for improved inter-governmental collaboration. This is particularly the case regarding possibilities for facilitating current embryonic U.S.-China space cooperation.

Conclusion

The future of the U.S.-China relationship on space activities—and for that matter the U.S.-China security relationship more broadly—revolves around resolving two basic elements. The first is that the U.S. and China face a sharp security dilemma with respect to their encounters on military uses of space. The second is that the U.S. and China sometimes dangerously misunderstand each others' intentions and fail to communicate effectively. The dynamics of the U.S.-China relationship on space security today comprise a combination of both elements, in varying degrees across issues and time.

37 Evans, "Canada, Meet Global China," 284.

38 Moltz, 79–81.

39 Ibid., 81.

40 Jakhu makes a similar observation concerning Canada-India space cooperation. See Jakhu, 17–18.

Because degradation of relations and the potential for crises involve both real conflicts of interest and intensifying mistrust, stabilization of relations and constructive engagement require both improved understanding and practical reconciliations. The future of the U.S.-China relationship depends upon mitigating both the actual and perceived elements of conflict across both the military/security and civil/commercial sides of space activity.

Both countries approach their encounters with one another with the disposition of great powers—established in the one case, rising in the other. These dispositions incline them to approach their relationship as independent and self-sufficient agents. But managing the relationship in the context of the rapid change and interdependence that characterizes space activities today will be difficult for policymakers in the U.S. and China to do on their own. Here is where the contribution of countries such as Canada can be most contributory. Moderate powers are as well acquainted with managing security dilemmas as they are with overcoming communication obstacles. More experienced with having the vicissitudes of international power thrust upon them, they are more attuned to the value of well-formed relationships to surviving and thriving in an anarchic world.

Canada's own relationship with China is naturally its primary concern. As noted in the introduction, Canada has deepening economic and demographic ties to China, in addition to security interests. The extensive ties between the countries led to their 2005 stated recognition of their "strategic partnership."[41] Subsequently, tensions over issues such as human rights balanced deepening economic engagement, leading to a period of "cool politics, warm economics." Prime Minister Stephen Harper's December 2009 visit to China augured a re-warming of the broader relationship.[42]

However the Canada-China bilateral relationship evolves in coming years, the U.S.-China relationship is more than ever a central feature in the Canadian conception of its own dealings with China. As the interactions between the United States and China intensify and increasingly draw the attentions of policymakers on both sides, Canadian policymakers are likely to be increasingly concerned that Canada's own interests will be impacted. As one recent assessment noted, "Canadian policy is made in Ottawa but is greatly affected by the very fact of U.S. policies and attitudes toward China."[43]

Whether cooperative or confrontational, an intensifying U.S.-China relationship poses a challenge to Canada. But Canada's deep capacity for international relationship building presents opportunities to meet this challenge. Enhancing its role in facilitating the U.S.-China relationship can be a mechanism to retain visibility and so be a pillar in advancing Canada's own particular interests vis-à-vis both these larger powers.

These observations hold especially in the realm of space security. If the U.S.-China relationship is the axis for the future of space security, Canada orbits it closely, and is suited to help the world understand how that axis spins. Contributing to stabilizing that axis would support Canada's specific interests as well as the world's. As the human presence in space develops into an integral aspect of global life, stabilizing that space axis may prove to be the center of gravity of a stable future for life on Earth as well.

41 See Evans, 288.

42 For an early accounting, see Beltrame, "Harper to China."

43 Evans, 291.

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18

MARGARET BEARE

GLOBAL TRANSNATIONAL CRIME: CANADA AND CHINA

Abstract

This paper presents a review of the phenomena of transnational crime/organized crime (TNC/OC) as it relates to Canada and China. The paper begins by outlining the changing understanding of TNC/OC. Three issues dominate much of the current debate: issues of the breakdown in strictly 'ethnic'-based operations and the refocus of law enforcement on criminal markets; the changing perception of the structure of criminal organizations and finally, a recognition of harm as a determinant of the types of criminal activity that ought to be treated internationally with the seriousness of the more traditional organized crimes. Next, this paper identifies the key illicit markets related to Canada and China. These markets include: money laundering, drug trafficking, human smuggling and the counterfeiting of goods, cards and currency. This paper concludes with a discussion on areas of tension and opportunities for enhanced cooperation on a bilateral and multilateral basis between Canada and China. One key unresolved tension relates to China's quest for international assistance in combating corruption. China and Canada have ratified the UN Convention against Corruption and in addition Canada is involved in four international agreements dealing with the criminal aspect of corruption—but from China's perspective these agreements were *supposed* to assist countries in their fight against various forms of corruption but are either not effective or are not implemented.

Introduction

This paper presents a review of the phenomena of transnational crime/organized crime (TNC/OC) as it relates to Canada and the People's Republic of China (PRC). An attempt is made to provide projections as to what might be the key continuing and/or future concerns and potential sources of problematic relationships. The paper begins with an outline of the changing understanding of TNC/OC. The paper then identifies the key illicit markets related to Canada and China, and concludes with a discussion on Canada-China relations, areas of tension and opportunities for enhanced cooperation on a bilateral and multilateral basis.

Changing Understanding of TNC/OC

Internationally our understanding of organized crime has changed significantly over the past ten years. This section of the paper begins by addressing three issues that dominate much of the current debate on transnational or organized crime: issues of the breakdown in strictly 'ethnic'-based operations and the refocus of law enforcement on criminal markets; the changing perception of the structure of criminal organizations and finally, a recognition of harm as a determinant of the types of criminal activity which ought to be treated internationally with the same attention of more traditional organized crimes.

The Ethnicity Dimension

Ethnicity has always been an important aspect in how criminal organizations are studied and analyzed by scholars and targeted by law enforcement. The focus on ethnicity feeds most naturally into what has been called "the alien conspiracy perspective," and continues through most of the literature on organized crime. Organized crime operations were seen to be foreign and therefore feeding off of the right and moral opportunities of a host country. This view has given way to awareness of home-grown criminal opportunists who are quite capable of forming themselves into criminal operations. This appreciation involves a movement away from 'ethnic-bound' criminal organizations to an appreciation of diverse participants who bring either unique skills, access to exploitable markets or services, or more competitive business opportunities. The British Columbian United Nations Gang exemplifies this appreciation. This gang's name speaks to the various ethnic origins of the members. It is claimed that

this multi-ethnic UN Gang originated from a group of high school friends in the Chilliwack/Abbotsford area who were linked to Asian organized crime. In addition to Asian organized crime, the gang has links to outlaw motorcycle gangs, Indo-Canadian and independent organized crime groups.[1] This gang is diverse in membership as well as in its involvement in criminal markets. Today it is considered a structured organization that imports and distributes British Colombian marihuana and cocaine, in addition to its involvement in side criminal activities including: weapons trafficking, marihuana grow-ops, cross border trafficking, extortion, kidnappings and the sale of heroin and crystal meth.

Obviously in some criminal organizations, ethnicity and perhaps even kin continues to form the basis for membership—and may even restrict membership. Numerous writers have outlined the following advantages of having a restrictive membership: loyalty, trust, stability and continuity of membership, ease of communication, barrier to infiltration from undercover police work, as well as 'source' and 'destination' operations for commodities that involve exportation/importation. At any one time in history due to historical, political, economic or social reasons, more criminality may occur among certain ethnic groups than among others. The ethnicity focus is present, but for reasons that relate specifically to historical events and not strictly ethnicity. In addition, earlier research offered an ethnic-succession explanation for the occurrence of ethnic-specific criminality. It was argued that new immigrants entered a country at the bottom of the ladder, and therefore had few options to achieve upward mobility—crime was one such opportunity.[2]

In addition to the reasons that ethnicity could play a role in criminal organizations, Frank Bovenkerk and others[3] argue that rather than being categorized into ethnic slots and tarnished with the attributes that society might assign to a particular ethnicity, criminal groups and criminal individuals may exploit and construct ethnicity in various ways in order to advance their ability to be successful criminals. This exploitation may involve bragging claims that notorious criminals are relatives to use the intimidation associated with other groups sharing the same ethnicity. Hence, the ethnicity label may be applied from inside as well as outside the group.

Victimization may also occur along ethnic lines. Asian-on-Asian victimization is a significant issue in Canada, and is combined with the victims hesitating to go to the Canadian police for assistance. Asian criminals mainly target the Asian community. The Canadian UN Submission listed home invasions, extortion, loan-sharking and debt collection (associated with illegal gambling) as involving an extraordinary amount of violence and many victims, almost exclusively Asian for these specific offences. Victims were often too frightened to co-operate with police in Canada. Other criminal operations involve the cooperation of legitimate businesses that are necessary to the success of the Asian criminals. For example, it is claimed in the Canadian UN Submission (but with no substantiating information provided) that these groups frequently use intimidation and terror to obtain cooperation from otherwise legitimate businesspersons to join in schemes to launder money.[4]

While Asian-on-Asian crime may apply to a few specific offences such as extortion within the ethnic community, it does not apply to the larger organized criminal operations such as credit card fraud, drug trafficking and smuggling—crimes in which anyone can be victimized.

As important as the ethnic factor may be, if one focuses strictly on the ethnic members, the danger is that the larger picture will be distorted and the non-ethnic participants or facilitators (professionals and others) may remain invisible. A market-based or fluid network approach to organized crime investigation means that there are no preconceptions or ethnic 'boxes' within which data must be fitted. This approach makes both law enforcement and portraying the organized crime as a threat to

1 "Gun Dealer Supplied Arms to UN Gang," *The Vancouver Sun*, July 12, 2008. Accessed December 18, 2009.

2 D. Bell, *The End of Ideology* (Glencoe, Illinois: The Free Press, 1962); F. Ianni, *Black Mafia, Ethnic Succession in Organized Crime* (New York: Simon and Schuster, 1974).

3 Frank Bovenkerk, D. Siegel and D. Zaitch, "Organized Crime and Ethnic Reputation Manipulation," *Crime, Law and Social Change* 39, no. 1 (2003): 23–38.

4 One must always question the willing versus the forced complicity of otherwise legitimate businesses, because businesses tend to consider money laundering distinct from crime and are often quite willing to participate in order to gain the commission charged for laundering services.

the public more difficult. The motivation to be involved in criminal operations is invariably financial gain not ethnic loyalties.

Canadian Police response to Changing Structure of Criminal Operations

The Canadian police response is ambiguous. The annual reports of Criminal Intelligence Service Canada (CISC) and the Royal Canadian Mounted Police (RCMP) traditionally described criminal organizations under ethnic categories, including bikers who were treated as a near-ethnic group. A 2004 CISC report stated that Asian Organized Crime presents a major threat in Canada because of its many widespread and well-run criminal operations. The report said Asian-based street gang violence is on the rise in several cities, and that the street gangs have connections with more sophisticated Asian organized crime groups. While scattered from coast to coast, Asian gangs were claimed to be most active in Vancouver, Calgary, Edmonton and Toronto.

Surprisingly, the 2005 CISC report was the last year a CISC report made direct mention of Asian Organized Crime, and between 2006 and 2009, the words "China" and "Chinese" do not appear in those reports. More recently their reports focus on methods of criminal operations and markets with only an occasional mention of specific countries' involvement and without the mention of specific criminal groups. This lack of content over the past several years does not, however, mean that there ceased to be Asian Organized Crime in Canada or that the police no longer targeted Asian Organized Crime.

While the police have ceased to refer to ethnic categories of organized crime, they carry-out their enforcement activities in recognition that ethnic operations still operate. Across the country, the RCMP have formed 'Combined Forces Special Enforcement Units' (CFSEU) as well as 'Integrated Gang Task Forces.' These operations are designed specifically to include police officers with an expertise pertaining to diverse language abilities and cultural experience in order to gather information on specific targeted criminal groups—including Asian Organized Crime. When the British Colombian CFSEU was established, outlaw motorcycle gangs and Asian-based organized crime groups were cited as the two key criminal threats. In one specific operation the Australian Joint Asian Crime Group (JACG) worked together with a Canadian CFSEU and the U.S. Drug Enforcement Agency (DEA) to successfully arrest 40 criminals worldwide on various drug-related charges.[5]

Regardless of the absence of police reference specifically to "Asian Organized Crime," law enforcement cases provide evidence that Asian criminals within Canada remain active in a long list of criminal activities: credit card fraud, luxury car theft, prostitution, home invasions, staged vehicle accidents, contract killings, assaults, welfare and employment insurance fraud, drug trafficking, software piracy, loan-sharking and illegal gaming.

From Structure to Fluidity of Criminal Organizations

The following discussion detailing more fluid criminal operations is related to the debate regarding the role of ethnic groups in criminal operations. While issues pertaining to what is or is not organized crime continue to be debated, there is wider agreement that the structure of organized crime has either changed over the years or the understanding of these organizations have become more accurate. This shift is away from the idea of rigid groups to more fluid associations among the criminal organizations and there is an appreciation that the structure and possibly even the purpose may vary across criminal groups and through time.

Ten years ago, one of the first acknowledgements of this shift in law enforcement thinking regarding the nature of criminal organizations came out of Australia. The following quote is particularly significant because it originated from the police and spoke directly about the weaknesses of a focus restricted to the traditional stereotypes of organized crime. As an Australian report stated:

5 Australian Federal Police, "40 Arrested and $13.7 Million of Ice and Ecstasy Seized," National Media Release, December 13, 2007.

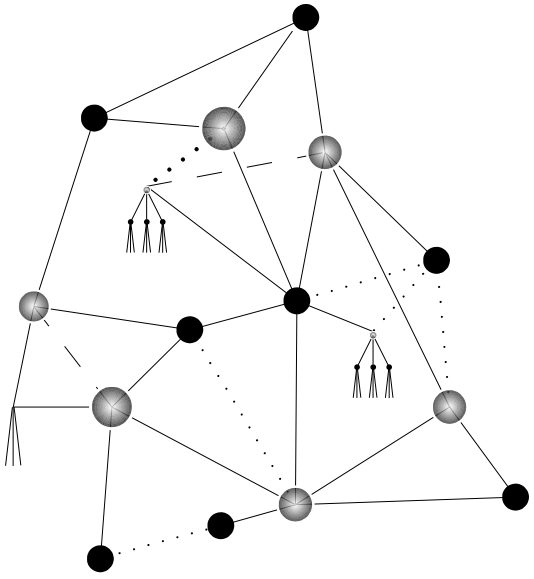
> Cumulative analysis of intelligence … has suggested that organized crime networks are more opportunistic in nature, and fluid in structure than earlier thought, and that entry into illicit markets in Queensland has by no means been restricted to those with specific affiliations to an established group. As a result, the law enforcement community has come to recognize both the value and the limitations of the traditional stereotypes of organized crime that have dominated thinking during past decades.[6]

In 2001–02, the UN Centre for International Crime Prevention collected information on 40 selected organized crime groups in 16 countries and one region. From the data collected, the UN developed a typology of organized crime groups. The authors of the UN report emphasize that one of the major findings from the survey was the great diversity among the various organized crime groups, suggesting that "when we talk of transnational organized crime in a variety of localities, we are often in fact referring to very different phenomena."[7] The UN Report argues that an understanding of the trends in organized criminal organizations requires a study of separate *groups*, plus *clusters* of criminal groups and finally *criminal markets.*

A number of recent studies have applied social network analysis to the study of illegal market operations. In a 2008 book, Carlo Morselli examined the inner workings of drug trafficking operations and stolen vehicle networks that were targeted by various law-enforcement interventions and disruptions. He found that most criminal networks were indeed indicative of small and transient groups in that they were essentially the result of mere partnerships and resource pooling between a few well-connected participants.[8] Morselli concluded that research indicates that law enforcement has at best a very limited impact on illegal markets, criminal networks and violence. However, due to the important role played by supposed legitimate actors (lawyers, accountants, businesses and so on) in illicit markets, their presence may serve as a point of vulnerability to enforcement efforts.

Please see Appendix A for the replication of the five diagrams that were used by the UN to represent the diverse structures. Typology 5 reproduced below illustrate the 'networking' form that various criminal organizations now resemble.

Typology 5: "Criminal network"



- Defined by activities of key individuals
- Prominence in network determined by contacts/skills
- Personal loyalties/ties more important than social/ethnic identities
- Network connections endure, coalescing around series of criminal projects
- Low public profile, seldom known by any name
- Network reforms after exit of key individuals

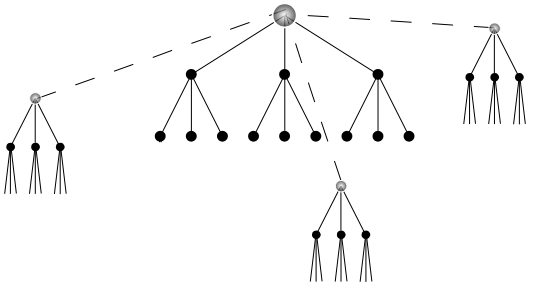
6 Queensland Crime Commission and Queensland Police Service, "Project Krystal: A Strategic Assessment of Organised Crime in Queensland," June 1999. Accessed December 21, 2009, http://www.cmc.qld.gov.au/data/portal/00000005/content/18651001141364539740.pdf.

7 United Nations Centre for International Crime Prevention, "Assessing Transnational Organized Crime: Results of a Pilot Survey of 40 Selected Organized Criminal Groups in 16 Countries," *Trends in Organized Crime* 6, no. 2 (Winter 2000): 49. The quoted report was released 2002: the date assigned to the Journal reflects the delayed publication of previous volumes.

8 Carlo Morselli, *Inside Criminal Networks* (New York: Springer, 2008).

Regardless of a possible trend toward the more fluid, network structure of criminal operations, the UN study concluded that many of the Asian organized crime groups included in the study more accurately belonged to the Typology 2 category. The aforementioned report held that these groups have a hierarchy headed by a defined leadership structure: "Day-to-day business is left to 'managers' further down the pyramid who act with a level of autonomy and are generally in control of operations in specific geographical areas."[9]

Typology 2: "Regional hierarchy"



- Single leadership structure
- Line of command from centre
- Degree of autonomy at regional level
- Geographic/regional distribution
- Multiple activities
- Often strong social or ethnic identity
- Violence essential to activities

While there remain various views with respect to the nature of criminal organizations, there appears to be some agreement that, almost regardless of the structure, the rigidity may have been lost or at least significantly weakened through the consequences in the expansion of global markets, and faster, more reliable communication networks. The changes within criminal operations mirror changes within legitimate businesses. Even when part of a specific well-known criminal group, such as the Big Circle Boys, for example, members often operate in small, cell-structured groups or partnerships, if not independently, when engaging in illegal activities. Subsequent to the achievement of a particular goal, these partnerships often are dissolved.[10]

More recently, the police claim that Asian Organized Crime (AOC) operations have diversified and are now involved in other profitable criminal commodities. Their "structural fluidity and flexibility" is evidenced by the fact that those attached to AOC groups are often involved in simultaneous criminal operations with different Asian criminal groups at the same time. This feature of AOC gives rise to one of its trademarks, whereby one individual may perform the role of a chief organizer in one operation, and merely a low-level labourer in another operation. As well, there could be solid or absolutely no links to connect one operation with another. The groups are also co-operating with other organized crime groups, and thus there are fewer rivalries among them. The constant and frequent national and international travel by AOC members and associates is another fact that points to the global scope of AOC criminal activity.

Academics refer to the "deterritorialized" nature of crime[11] as new forms of communication and transportation mean that criminals may truly operate transnationally and potentially without a specific base of operations anywhere. While Canada's local law enforcement officials may need to be primarily concerned with the domestic impact of crime, what is happening elsewhere must be a part of the policy, practices and legislative considerations within any country. All countries are encouraged to be in harmony with the international community. Achieving this cross-jurisdictional harmony is not easily achieved and will be discussed with specific focus on Canada-China relations.

9 United Nations Centre for International Crime Prevention, "Assessing Transnational Organized Crime: Results of a Pilot Survey of 40 Selected Organized Criminal Groups in 16 Countries," 78.

10 Library of Congress, "Asian Organized Crime and Terrorist Activity in Canada, 1999-2002: A Report Prepared by the Federal Research Division, Library of Congress under an Interagency Agreement with the United States Government," July 2003. Accessed December 21, 2009, http://www.loc.gov/rr/frd/pdf-files/AsianOrgCrime_Canada.pdf.

11 Yvon Dandurand, Brian Tkachuk and Allan Castle. Paper presented at the International Conference on Crime and Criminal Justice in a Borderless Era, held at Ritsumeikan University, Kyoto, Japan. 1998. (no title provided).

Issues of Seriousness and Harm

A final question regarding the concept of organized crime after considerations of make-up and structure is the issue of what criminal activities ought to be treated with the degree of international concern as is usually reserved for traditional organized crimes such as the trafficking in illicit drugs. The recognition that criminal operations can involve both legitimate as well as illegitimate players leads to an even more recent discussion that has been advanced by the European Union (EU). Beginning in 2006 there has been an ongoing debate questioning the merits of restricting international enforcement to criminality that can be classified as organized crime. What is perhaps more relevant is an appreciation that there are some crimes that are *more* serious and *more* harmful that may however not be organized in any manner that would fit a description of organized crime. Beginning in 2010 the EU's Council Decision on Europol will make Europol an EU agency and will change its mandate to include serious criminality which is not strictly related to organized crime but which requires cross border criminal investigations.

While organized crime would remain part of Europol's mandate, terrorism, trafficking in human beings, drugs, frauds and cybercrime would also be included. Europol would also be able to assist Member States with security in large-scale events and to assist with the processing and protection of sensitive data. How 'broad' to define the notion of harm and serious crime remains part of the debate. What one witnesses internationally is that some of the most serious acts that impact countries around the globe may in fact not be open to criminal or strict policing forms of enforcement. Corruption, environmental spillage and degradation, financial market manipulation and various state crimes may also require a broad international response.[12] Canada's concern with domestic AOC also includes a number of these forms of crime—that might fall short of being organized. Corruption of officials, including Canadian police corruption, international environmental concerns and, of course, the financial crises all serve to link Canada to China.

Criminal Markets

Money Laundering as a Criminal market: Chinese and Canadian Responses

China and Canada have engaged in significant measures to fight money laundering—and dirty money is deemed to be a problem in both countries. Beginning in the 1980s, the literature on the phenomena of money laundering has burgeoned. There were initially very significant expectations about the impact of this revolution in crime control on organized crime which has however yielded only mixed results at significant costs. New innovations in electronic money—for example Digital Gold Currency (electronic money exchangeable for gold)—are evidence of a constantly evolving situation. The lack of results from enforcement measures has not curbed the pressure that has been exerted by international organizations such as the Financial Action Task Force (FATF).[13] Nations have been encouraged to join in the anti-laundering movement through implementation of a series of FATF recommendations; a process that, in recent years, has been backed-up with black-listing sanctions. The initial promise of anti-money laundering—that by going after the proceeds of crime, law enforcement will choke the life-blood out of crime—has not come to pass.[14] Some debate remains as to whether the real motivation was ever to take the profits away from drug traffickers but rather to make more difficult both capital flight and tax evasion. Perhaps the anti-money laundering measures were intended to do all of these things.

Despite what appears to be an unending attempt by government officials, non-government agencies and academics, it is likely that efforts to measure the extent of dirty money will continue to be mired in the immeasurability of the global money system. In the United States, Peter Reuter, in *Chasing Dirty Money: the Fight Against Money Laundering*, states:

12 Nicholas Dorn, "The End of Organized Crime in the European Union," *Crime Law and Social Change* 51 (2009): 283–295.

13 The stated mandate of FATF is to serve as "an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering … ". In 2010 there were 34 member jurisdictions and 2 regional organizations. http://www.fatf-gafi.org/document/52/0,3343,en_32250379_32236869_34027188_1_1_1_1,00.html.

14 M.E. Beare and S. Schneider, *Money Laundering in Canada: Chasing Dirty and Dangerous Dollars* (Toronto: University of Toronto Press, 2007).

> A sustained effort between 1996–2000 by the FATF [Financial Action Task Force] to produce such estimates [of money laundering] failed. In fact, no direct estimates exist of how much money passes through the financial system, whether broadly or narrowly defined, for the purposes of converting illegal gains into a non-traceable form.[15]

Moreover, and as Peter Reuter also observed, all laundered money does not do the same amount of harm. Therefore, compounding the difficulty of measuring the harm associated with illicit proceeds is the additional problem of gauging its actual impact on society. While measurement of dirty money has proved to be a chimera, the rise in awareness of financial irregularities by supposedly legitimate financial actors has prompted questions about the narrow focus of money laundering.[16]

Any and all countries are vulnerable to being used for money laundering and what is known may bear little resemblance to the reality. However, based on John Walker's calculations China has been listed as one of the world's top five countries of origin for laundered money with the United States in the first position, followed in order by Italy, Russia and China. The top five countries of destination for laundering money are the United States, Cayman Islands, Russia, Italy and China.[17]

China's Response

China recognizes that money laundering is one criminal activity where international cooperation is critical. Without effective international cooperation, there will be no realistic chance of defeating or significantly curbing money laundering.[18] Beginning in 2001 the People's Bank of China set up a special anti-money-laundering task force charged with the unified leadership and deployment of anti-money-laundering operations throughout the Chinese banking system. On April 27, 2002, the Bank of China convened an international conference on countermeasures to money laundering and regulation examination. This conference was aimed at cooperation with other countries or international organization to search for effective methods to deal with the increase in money laundering in the international society. China was officially admitted to the Financial Action Task Force in 2007.[19]

Some Chinese researchers despair that their anti-laundering mechanisms will have any impact on reducing the flow of money (obtained via corruption) out of China. In 2001, more than 4,000 corrupt officials, including bank officials, fled china with US$600 million in illicit money.[20] In the first half of 2005, 570 managers and heads of bank branches were convicted of corruption or fraud. Chinese officials claim that bank directors, executives and loan officers are involved in most of the largest bank frauds in China. Insider frauds are deemed to be responsibility for 80 percent of bank frauds. The involvement of bank officials, perhaps especially the large number of senior bank officials, renders their anti-laundering provisions powerless. Here we see a link between what had been imposed to fight more traditional organized crime now being seen as a required enforcement tool against criminal behaviour that undermines the financial system of the country—and is in that sense perhaps 'more' serious than some recognized organized crimes. In 2008 the Ministry of Public Security in China referred to bank fraud as being "one of the most challenging areas of economic crime."[21]

Canada's Response

In February 2008 the FATF published the *Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism regime of Canada*, (hereafter called *The Evaluation*).[22] While various areas were noted where improvements could and should be made, Canada's current money laundering

15 Peter Reuter and E. Truman, *Chasing Dirty Money: The Fight Against Money Laundering* (Washington DC: Institute for International Economics, 2004), 9.

16 Michael Levi, "Suite revenge? The Shaping of Folk Devils and Moral Panics about White-Collar Crimes," *British Journal of Criminology* 49 (2009): 48–67.

17 J. Walker, "Modeling Global Money Laundering Flows—Some Findings," 2000. Accessed December 21, 2009, http://www.johnwalkercrimetrendsanalysis.com.au/ML%20method.htm, quoted in M.E. Beare and S. Schneider, *Money Laundering in Canada: Chasing Dirty and Dangerous Dollars* (Toronto: University of Toronto Press, 2007).

18 Song Yang, "Money Laundering in China: A Policy Analysis," *Journal of Contemporary Criminal Justice* 18, no.4 (2002): 370–380.

19 Hongming Cheng and Ling Ma, "White Collar Crime and the Criminal Justice System: Government Response to Bank Fraud and Corruption in China," *Journal of Financial Crime* 16, no. 2 (2009): 174.

20 Ibid.

21 H. Wu, (paper presented at Speaker's Statement for ministry of public security news Conference on 2007 National Public Security Situation, Beijing, January 2008). Quoted in Ibid., 167, 174.

22 FATF, *Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism Regime of Canada* (Paris: FATF/OECD, 2008).

legislation, policies and practices appear to meet the main FATF recommendations. The FATF noted that drug trafficking was the source of much of the money that is laundered in Canada. The evaluation was quite critical of Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). More recent legislative and organizational changes are assumed to enhance the performance of this agency.

Other than signs of the greater use of internet payments and the cross border movement of gold bullion, *The Evaluation* noted that the number of money laundering cases investigated and prosecuted in Canada have remained fairly constant over the past three decades. This finding has been supported by two studies, published in 1990 and 2007,[23] that analyzed RCMP files with RCMP files that had been closed between 1993 and1998. The objective of these studies was to see among other things what impact there had been as a result of the anti-laundering legislation, the training given to the banks and other businesses dealing in cash and the publicity surrounding the threats caused by money laundering. Basically the types of laundering cases were near identical across the two studies. The various government and policing interventions appear to have little impact on the laundering schemes. While virtually all financial-based exchanges could be manipulated in such a way that laundering could occur, serious launderers will want a scheme that can be used on an on-going basis. The reports found that certain sectors of the business and financial economy are particularly vulnerable to laundering or are used to facilitate these schemes. This list includes:

- deposit-taking institutions
- currency exchange houses
- securities markets
- real estate
- incorporation and operation of companies
- miscellaneous laundering via big purchases such as vehicles, boats, planes, gems, jewellery and so on
- white-collar professionals, such as lawyers and accountants
- insurance sector
- travel agencies and
- legalized gambling—casinos, track schemes

Both in Canada and in China much of the profit from illegal operations now seems to be invested in the legitimate economy. AOC and other criminal operations have become adept at money laundering and hold substantial properties in Canada and elsewhere. For example, British Columbian police officials believe that AOC are involved in some tourist ventures and have significant investments in Canadian real estate and other legitimate enterprises. Many of these operations require the assistance from legitimate service providers such as accountants, lawyers and occasionally government officials.

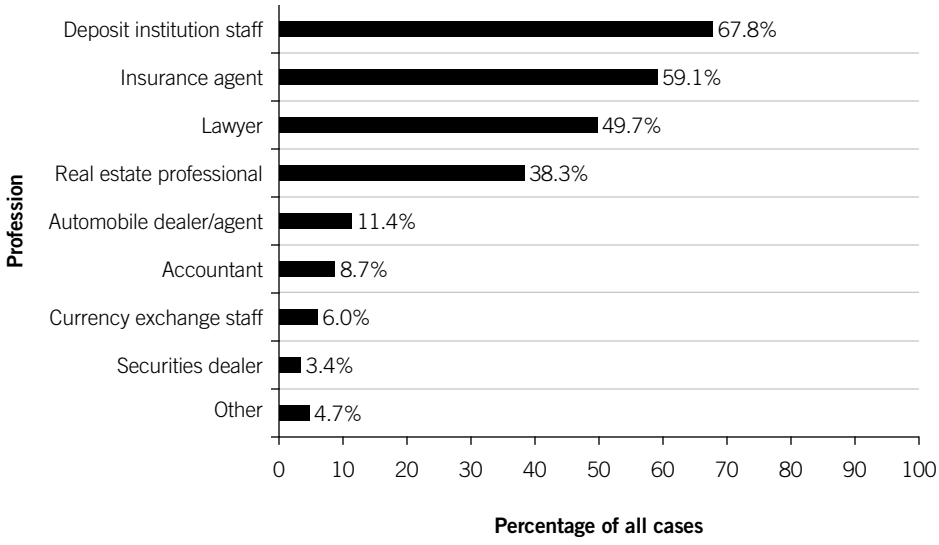
The above chart pertaining to the involvement of 'professionals' in money laundering from the 2007 analysis of the RCMP cases is particularly revealing and illustrates the involvement of legitimate officials in facilitating money laundering.[24] While deposit-taking institutions were the dominant point-of-entry of illicit money into the Canadian financial system, the cases revealed the difficulty of detecting dirty money rather than the corruption of bank officials, although some officials were part of the criminal operations. Criminals mainly used insurance agencies to buy insurance to protect their ill-gotten goods although again, a few cases involved insurance as the laundering mechanism.

Lawyers fell into three camps: criminals involved directly in laundering schemes, naïve or negligent providers of a service and unknowing facilitators.

23 M.E. Beare and S. Schneider, *Tracing Illicit Proceeds—Money Laundering in Canada* (Ottawa: Solicitor General of Canada, 1990); and M.E. Beare and S. Schneider, *Money Laundering in Canada: Chasing Dirty and Dangerous Dollars.*

24 Ibid., 135.

Figure 1: Professionals that came into contact with the proceeds of crime



Drugs as a Transnational Criminal Market

Very few markets are exploited by only one or two criminal organizations. If a profit is to be made, there may be competition for market control. However, there has been an increasing willingness for criminal organizations and networks to work cooperatively. Virtually all of the main criminal groups are involved in the illicit drug market, which, alongside extortion, are perhaps the most lucrative enterprises engaged in by Asian criminals. The information on the role of AOC groups in illegal drug trafficking is outlined in some detail in the 2002 CISC Annual Report:[25]

> AOC groups across the country remain extensively involved in the large-scale importation and trafficking of drugs, particularly heroin, cocaine and ecstasy. As approximately 95 percent of the heroin smuggled into Canada originates in Southeast Asia, AOC traffickers, and increasingly, Fukinese-based criminal groups, dominate the heroin trade in Canada. All major heroin seizures in Canada in 2001 involved Asian-based crime syndicates. Southeast Asian heroin typically enters the country through Vancouver, Toronto or Montréal international airports and major B.C. marine ports. A portion of this heroin is then smuggled to the U.S. criminal groups, composed of individuals of Chinese descent who operate on both sides of the border and control distribution.[26]

While there is much law enforcement documentation on the role of the Outlaw Motorcycle Gangs (OMGs) in the marihuana trade, however, as of 2004, the DEA reported that in the United States, the threat of marihuana smuggling across the Canada-U.S. border posed by Vietnamese and other AOCs has surpassed that posed by OMGs. These AOC groups are highly organized and transport large quantities of marihuana across the border into the United States.[27]

As was previously noted, the 2008 CISC Annual report no longer names specific ethnic criminal operations; however, the report notes that China is a major producer and exporter of active pharmaceutical ingredients, several of which are precursors that are required in the production of illicit drugs.[28] The report quotes ROTH, a research firm, which claims the Chinese pharmaceutical industry

25 As there are few sources of intelligence with respect to AOC groups and their involvement in the illegal drug trade, the information in this section is extracted from the following report, with specific page references where appropriate: CISC, "CISC 2002 Annual Report on Organized Crime in Canada," 2002. Accessed December 21, 2009, http://www.cisc.gc.ca/annual_reports/documents/2002_annual_report.pdf.

26 Ibid., 10.

27 "Canada-United States Border Drug Threat Assessment," October 2004. Accessed July 2, 2010, http://www.publicsafety.gc.ca/prg/le/oc/_fl/us-canadian-report-drugs-eng.pdf.

28 CISC, "08 Report: On Organized Crime," 2008. Accessed December 21, 2009, http://www.cisc.gc.ca/annual_reports/annual_report_2008/document/report_oc_2008_e.pdf 21.

involves over 5,000 producers and 8,700 distributors. Together these producers and distributors pose a considerable risk of diverting the precursors into illicit markets.

While Canada may suffer from some of these diverted precursors that are produced in China, likewise China, according to the RCMP, has become a destination country for methamphetamine produced in Canada. The 2008 CISC report claims that the majority of the members of the Canadian group who are involved in this production are located in British Columbia with several large labs also in Ontario and Quebec.[29]

Human Smuggling and Trafficking in Persons as Criminal Markets

The UN Convention Against Transnational Organized Crime and its Three Protocols
By 2003, both Canada and China[30] had signed and ratified The UN Convention Against Transnational Organized Crime and its three protocols on trafficking in persons, smuggling of migrants and firearms. This Convention acknowledges the victimization of vulnerable populations in the illegal migration business. The "Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children," is meant to facilitate international cooperation. Governments signing the agreement make a commitment to "criminalize trafficking, protect its many victims, and prevent future trafficking."[31]

Asian Organized Criminals Involvement in Illegal Migration
Most countries including Canada and China have organized crime groups that are involved in the smuggling of illegal commodities such as drugs, guns and/or people. One of the most profitable commodities with the lowest risk in terms of likelihood of being caught and length of sentence if convicted is the trafficking in aliens.[32] A complete service may be offered to these illegal aliens: transportation, documentation, transit accommodation and often even guided crossings. Some alien smuggling operations epitomize the sophisticated end of criminal operations. In addition to the illegal act of smuggling, there is the exploitation of those who pay or are indentured in exchange for being transported and smuggled into a foreign country.

The trafficking of people may be accompanied by the smuggling of other commodities. A paper presented by Rebecca Tailby to the Australian Federal Police spoke of the combination of narcotics and trafficking in humans either as a cost-effective method of utilizing transport or as an employment scheme for the use of illegal immigrants as employees in the narcotics distribution system.[33] It is claimed that a significant portion of the Chinese who enter Canada illegally move through Canada into the United States either overland across the borders or through the Akwesasne Mohawk territory into northern New York State.[34]

According to the RCMP,[35] established Chinese criminal infrastructures facilitate the smuggling of large numbers of Chinese migrants into North America. Organized crime groups based in the PRC orchestrate mass illegal Chinese migrant smuggling operations, often in cooperation with one another. These global criminal networks are believed to engage in a variety of ancillary criminal offenses, including visa fraud, to support their primary profit-making activity.

29 Ibid., 26.

30 The People's Republic of China makes a reservation with regard to Article 35, paragraph 2 of the Convention and consequently is not bound by this article's provisions. Article involves the settlement of disputes and potentially results in the dispute being referred to the International Court of Justice. See: United Nations Treaty Collection, "[Status of] United Nations Convention against Transnational Organized Crime," 2000. Accessed September 12, 2009, http://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XVIII-12&chapter=18&lang=en.

31 Office to Monitor and Combat Trafficking in Persons, "Trafficking in Persons Report," *Trends in Organized Crime* 6, no. 2 (Winter 2000. Available June 5, 2002): 32–43.

32 M. Beare, "Illegal Migration: Personal Tragedies, Social Problems, or National Security Threats?" *Transnational Organized Crime* 3, no. 4 (Winter 1997): 11. See also the more recent research by Sheldon Zhang , *Chinese Human Smuggling Organizations: Families, Social Networks, and Cultural Imperatives* (California: Stanford University Press, 2008).

33 Rebecca Tailby, "People Smuggling: An Australian Perspective" (paper presented at the Australian Federal Police College, June 28, 2000).

34 Glenn Curtis, S. Elan, R. Hudson and N. Kollars, *Transnational Activities of Chinese Crime Organizations* (Federal Research Division, Library of Congress, 2003).

35 Royal Canadian Mounted Police, "Canada / US Organized Crime Threat Assessment," November 17, 2006. Accessed December 21, 2009, http://www.rcmp-grc.gc.ca/oc-co/octa-mlco-eng.htm.

Among all other groups, Chinese "snake heads" (smugglers) have perhaps the most notorious reputation as human smugglers. The characteristics of sophisticated operations include:

- well equipped forgery workshops to create the essential documents, visas and stamp marks;
- the ability to modify their operations to adapt to changing risks—different routes, entry schemes and conveyances;
- operation centres, accommodations and hideouts in transit countries and potential transit countries;
- the economic wealth for substantial bribes and the best technology;
- the contacts and networks required to secure the assistance of corrupted officials;
- diversification of criminal activities—smuggling is combined with other organized crime illegal commodities and services;
- an ability to use violence to obtain the payments or services from the illegal migrant within the destination country (or country of origin if smuggling is unsuccessful) and
- the skill and experience to exploit the willing/knowing/complicit features of legitimate society.

The choice of conveyance used in human smuggling operations results in different smuggling activities. If air travel is used, the smugglers have to be adept at obtaining/creating false, stolen or bought passports and other documents. The number of aliens that can be smuggled at any one time is somewhat limited and the "client" has to be briefed on how to act and what to say; or (and more likely) networks of officials have to be bribed.[36] Law enforcement officials speak of the ruthlessness of some of the smugglers who are prepared to sink boatloads of would-be migrants rather than be arrested during the smuggling process. When land or air travel is used, one cannot over emphasize the sophistication of the fraudulent document operations—not only in terms of the technology but also the expertise of knowing which countries require what documents and how various combinations of documents and countries can be used for maximum profit.

A 2008 book by Sheldon Zhang focuses on the smuggling rather than the trafficking of illegal immigrants. Zhang clarifies any confusion between these terms by using the United Nations distinction that refers to smuggling when the movement involves the willing participation of the illegal migrant rather than the involuntary participation as implied by the term "human trafficking."[37] He notes that while conditions may not be as promised, the original transaction was a consensual one as compared to trafficking which is seen to be a violation of human rights.

While other researchers have interviewed those who have been smuggled, Zhang's research involves interviews with the actual smugglers themselves. Zhang found that there were three basic prerequisites to a transnational Chinese smuggling organization: the need for an existing market demand, a tight social network and an opportunity to build a relationship between the illegal immigrants and the snakeheads. The network consists of snakeheads, who work with other snakeheads—who in turn work with other snakeheads. This network represents a significant discrepancy between the police, public and political rhetoric of the rigidity of organized crime. Rather, Zhang portrays these smugglers as viewing themselves as colleagues, not as a part of a sophisticated organization. The snakeheads who were interviewed by Zhang emphasized the 'casual and sporadic nature of their business activities'. The ability to fill certain roles, which occasionally require both skill and contacts, determined where a person fit within the operation. Some participants serve by: recruiting clients; recruiting U.S. passport and green card holders for use their documents and recruiting of eligible bachelors for fraudulent marriages. Other participants prepared documents for business delegations, fraudulent marriages or students and trainee visas. Yet other participants arranged the photo substitutions in identity cards, such as passports for instance. In small operations, the snakehead handled everything for select clients.

36 For a more detailed discussion of why the smuggling of humans via ocean-going cargo ships is a more attractive option for the criminal groups coordinating this operation, see M. Beare, "Illegal Migration: Personal Tragedies, Social Problems, or National Security Threats?," 31. Beare's analysis also highlights some of the challenges involved in this method of smuggling, with specific reference to an Australian example involving the 139 PRC nationals on the *Min Pu Yu*.

37 Zhang, *Chinese Human Smuggling Organizations*, 22.

Passports are valuable documents and Canadian passport have been considered vulnerable both from theft and forgery. Of concern has been the large number of Canadian passports that have been reported lost or stolen. During the 1970s, for instance, 50 blank passports were stolen from the vault of the Canadian Embassy in Vienna.[38] In 2007, 37,650 passports were reported lost or stolen, compared to 24,792 in 2005. A memo that was circulated at Passport Canada in 2007 warned staff to double-check applications for new passports when the old document is reported missing:

> Lost and stolen passports are extremely valuable to criminal organizations to facilitate and perpetrate illegal/clandestine operations such as human trafficking, smuggling, money laundering and terrorism.[39]

While traditional approaches taken by the police to organized crime preferred to see rigid family or ethnic-based hierarchical structures, the picture that emerges of the snakehead operations in Zhang's study is of networks, loyalty, good service and fluidity. The structure, to the extent that there is one, is an amorphous rather than a godfather-type of hierarchy. Even the 'big snakeheads' spoke only of a network consisting of friends and contacts.[40] Similar to the findings from Ko-lin Chin's 1999 book *Smuggling Chinese*,[41] the snakeheads view themselves largely as philanthropists who help people or ordinary business persons who wanted to make money. The snakeheads saw their work as doing good by providing a valuable service and making money, which was seen as a source of pride for families as long as the business was conducted honourably, that is to say, not demanding additional money from the illegal immigrants upon arrival and no physical abuse.

Clients: "Victims" or "Criminals"?

All criminal smuggling operations are not identical and are not equally exploitive to the migrants. Some criminal groups who operate through word of mouth and community ties provide services and assistance similar to guanxi networks.[42] Likewise, the reverse may also be true. Depending on where the immigrant originates and the circumstances of the migration, the sole support, obtained at an exorbitant price, may be the support from criminals who traffic in human cargo. Difficulty arises in the migrant's payback to the smugglers. Police estimate that the cost of gaining illegal entry to North America from Asia is between $30,000 to $40,000. For women this price may mean a lifetime in the sex industry. For men it may mean a career as a criminal.

Counterfeit Goods, Cards and Currency

AOC groups are distinguished by a high level of criminal entrepreneurship. These groups use both personal relationships and specific business and technological skills to maximize profit.[43] The market in counterfeit goods is an illicit market that makes use of these sophisticated skills and networks. Police across Canada have reported to CISC on the role that Asian criminals play in these types of sophisticated markets. Their loosely organized operations allow for different parts of the group to have different responsibilities. Some members of the criminal networks operate within a particular area of expertise and/or serve a specific function.

The CISC has been involved in intelligence gathering on AOC involvement in counterfeiting, and their 2002 Annual Report indicated that AOC groups remain extensively involved in the production and distribution of counterfeit materials, including credit cards, software, CDs and DVDs. The CISC 2008 Annual Report confirmed that AOC primarily from China dominated the market for illegal import

38 "One of those documents, traced by the registration number, turned up a year later in Nicosia, Cyprus. It was left behind by a member of a Mossad team that had detonated explosives under the hotel bed of a sleeping Palestinian guerrilla leader, killing him instantly." See The Canadian Encyclopaedia, "Canadian Passport Abuse," Accessed December 21, 2009, http://www.thecanadianencyclopedia.com/index.cfm?PgNm=TCE&Params=M1ARTM0011418. Canada has recently introduced biometrics in the use of passports with the help of digitized photos. The future passports may contain a chip that holds a picture of the person and personal information such as name and date of birth. Passport Canada began a pilot project in 2009 for special and diplomatic passport applicants.

39 "Passport Theft in Canada Increasing Dramatically," *The Canadian Press*, May 15, 2008. Accessed December 21, 2009, http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20080515/passport_theft_080515/20080515.

40 Zhang, *Chinese Human Smuggling Organizations*, 108.

41 Ko-Lin Chin, *Smuggling Chinese: Clandestine Immigration into the United States* (Philadelphia: Temple University Press, 1999).

42 'Guanxi' has various definitions and meanings but pertains to the idea of personalized networks of influence, and is a central idea in Chinese society. Guanxi refers to the personal connection between two people in which one is able to prevail upon another to perform a favor or service.

43 Royal Canadian Mounted Police. "Canada / US Organized Crime Threat Assessment."

of counterfeit goods into Canada.[44] Canadian law enforcement agencies predict that the quality of these items, that allows them to pass for authentic goods, plus the increasing use of the internet for sales, will result in a growing illicit market. This CISC Report states that police point to the "fraudulent online stores, unregulated e-pharmacies and the loosely monitored auction and classified ad sites."[45]

Plastic credit cards provide numerous prospects for organized and opportunistic criminals. A British study of 186 plastic card fraudsters found that 89 percent were of ethnic Chinese origin.[46] In Canada, the Big Circle Boys are dominant in this market. The CISC 2002 Annual Report outlines the Canadian-wide involvement of Asian criminals in counterfeiting operations. According to this Report:

> AOC groups in Toronto, particularly the Dai Heun Jai, continue to be responsible for the majority of manufactured counterfeit credit cards and exert considerable control over the counterfeit card industry in Canada. Like other AOC groups, the Dai Heun Jai have criminal networks nationally and internationally, both within and outside of AOC groups. AOC groups have been known to work with East European-, East Indian- and Nigerian-based organized crime groups in the counterfeit card industry.[47]

As reported in the CISC Report, on January 12, 2001, Canadian authorities uncovered one of the largest counterfeit credit card operations in Canadian history. Police located an "entire operational credit card factory," which had been in operation in Vancouver residences since 1994, and had the potential for fraud estimated at over $200 million. Authorities determined that equipment for the factory had been brought in from California, and that information skimmed from legitimate credit cards was being transferred to Vancouver by fax and subsequently sold to the counterfeit credit card factory. Twelve people with connections to the Big Circle Boys subsequently were charged with multiple offenses.

According to an indictment in a similar case, credit card fraud schemes typically operate in the following manner:

> Various 'skimmers' utilize 'skimming devices' to collect credit card account numbers at their job locations without authorization. They then forward the devices to various middlemen, who in turn deliver the account numbers to a counterfeit card manufacturer, who sells the finished cards to other middlemen. The manufacturer typically obtains counterfeit credit card stock from a supplier. After the counterfeit credit cards are produced, other middlemen typically sell the counterfeit cards to 'shoppers,' who use the cards to make fraudulent purchases at various retail outlets or on the internet. At times, the middlemen also provide shoppers with fraudulent pieces of identification that complement the counterfeit credit cards.[48]

Credit card fraud problems are also growing in China. In Shanghai, the Shanghai People's High Court tried four cases for credit card fraud in 2003, and 44 in the first seven months of 2005. One of the explanations appears to be the increasing use of credit cards:

> During the [sic] late 2003, several domestic banks, including China Construction Bank and China Merchants Bank, started intensive marketing activities promoting credit cards. To attract customers, some banks lowered the criteria or simplified the procedures for assessment.[49]

Apparently to win more customers, some banks allowed their branches to issue cards, or even outsource their sales business, making it possible for a client to obtain more than one credit card from the same bank by applying at a number of different outlets.

44 CISC, "08 Report: On Organized Crime," 31.

45 Ibid.

46 T. Newton, *Organised Plastic Counterfeiting* (London: HMSO, 1995).

47 CISC, "CISC 2002 Annual Report on Organized Crime in Canada," 12–13.

48 "Trio Accused of International Credit Card Fraud," *Business Journal*, March 8, 2005.

49 Hu Yuanyuan, "Banks Urged to Get Tough with Card Fraud," *China Daily*, April 12, 2006.

Part 3: Tensions and Opportunities for Bilateral and Multilateral Cooperation

As this paper has outlines, Canada and China are signatories to a number of multilateral agreements. The UN Convention Against Transnational Organized Crime and the FATF, that targets money laundering and terrorist financing, are perhaps the two most important organizations in terms of transnational/ organized crimes. China's participation in both of these bodies indicates significant progress in terms of its willingness to co-operate internationally for the prevention and control of international crimes.

According to Hongming and Ling, China has signed 70 agreements and memoranda of understanding (MOUs) with 42 foreign jurisdictions, pertaining to police cooperation, information exchanges, case investigations and illicit proceeds retrieving.[50] Twenty-five treaties between Canada and China are listed on the Canada Treaty Information website, including a Mutual Assistance in Criminal Matters Treaty (MLAT) with Hong Kong, a special administrative region of the PRC as well as a separate MLAT with the PRT.[51]

China and Canada have also ratified the UN Convention against Corruption which was supposed to assist countries in their fight against bank corruption and money laundering. Under these signed agreements foreign governments who have signed on to the agreements are to assist foreign jurisdictions with law enforcement requests. As of 2008 only one corrupt banker had been repatriated back to China, and this was from the United States. Even though Canada has ratified four international agreements dealing with the criminal aspect of corruption,[52] these agreements do not appear to assist Canada's response to China.

One of the main sources of tension between Canada and China remains the absence of an extradition treaty between them. From China's perspective, their efforts to combat domestic corruption is hampered by Canada, which can be viewed as a haven for fugitives. Newspapers within China claim that there are approximately 800 Chinese suspects wanted for economic crimes who are abroad. Perhaps the most notorious is Mr. Lai Changxing who fled to Canada in 1999 and was granted a work permit in Canada in 2009.

China accuses Lai of smuggling over $10 billion in goods with the protection of corrupt government officials. Canada has rejected China's requests that Lai be extradited on the basis that Canadian policy forbids deportation to any country where the individual might be executed or tortured. China did provide Canada with what was seen to be a rare diplomatic assurance that if found guilty, Lai would not be executed. However, the possibility of torture remains a Canadian concern. Newspapers in China hope that developed countries can "discard political bias and ideological differences" in order to get suspects returned for justice.[53]

In addition to the ideological difference across jurisdictions, there appears to be the additional problem that some of these extremely serious offenses in China are not covered by the various conventions since the Chinese government labels some forms of bank fraud as organized crime. This label speaks to the need perhaps to take harm rather than traditional organized crime categories into account when international agreements are being drafted.

50 Cheng and Ma, "White Collar Crime and the Criminal Justice System," 174.

51 CanadaTreaty Information. http://www.treaty-accord.gc.ca/Disclaimer.asp?

52 Canada's Experience with the Implementation of International Conventions against Corruption Seminar on International Cooperation on Anti-Corruption Including Fair Investigation Practices, June 5–6, 2006, Beijing, P.R. China, paper presented by Lisette Lafontaine Senior Counsel For the China Programs of the International Centre for Criminal Law Reform and Criminal Justice Policy. These agreements are: the OAS Inter-American Convention against Corruption, which came into force on March 6, 1997; the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which came into force on February 15, 1999; the United Nations Convention against Transnational Organized Crime, which came into force on September 29, 2003 and the UN Convention against Corruption, which came into force on December 14, 2005.

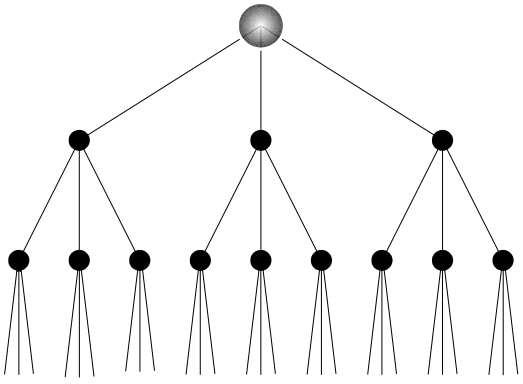
53 See for example: "China Seeks Conclusion of Extradition Treaties," *Associated Press*, May 29, 2007; "Five Fugitives Hiding in Canada, China Says," *The Globe and Mail*, 2007.

Another issue appears to relate to Chinese criminal law. According to Hongming and Ling, criminal law in China does not allow for a trial in the absence of a criminal defendant. Without a conviction, a civil forfeiture action cannot be filed in China. Therefore absconded suspects have not been convicted and without the conviction and without the forfeiture order, it is difficult for foreign governments to assist with the recovery of stolen assets. For example, Canada's law provides for mutual legal assistance in the recovery of property confiscated by order of a court of criminal jurisdiction.

Different political system, varied priorities and diverse values will continue to require careful negotiations between and among countries before a truly global approach to combating transnational crimes can be realistically anticipated.

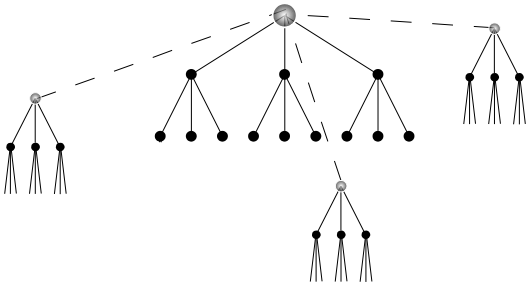
APPENDIX A

Typology 1: Standard hierarchy



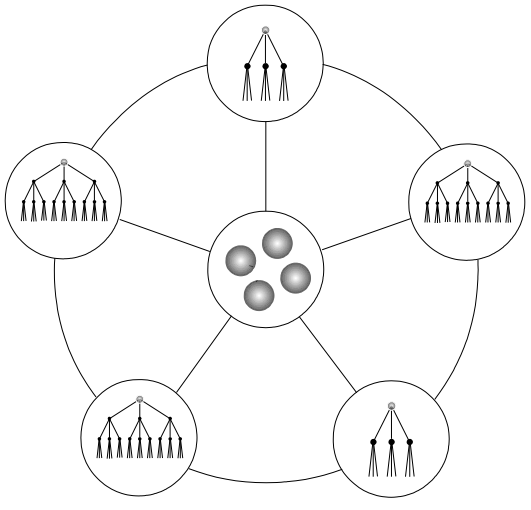
- Single leader
- Clearly defined hierarchy
- Strong systems of internal discipline
- Known by a specific name
- Often strong social or ethnic identity
- Violence essential to activities

Typology 2: Regional hierarchy



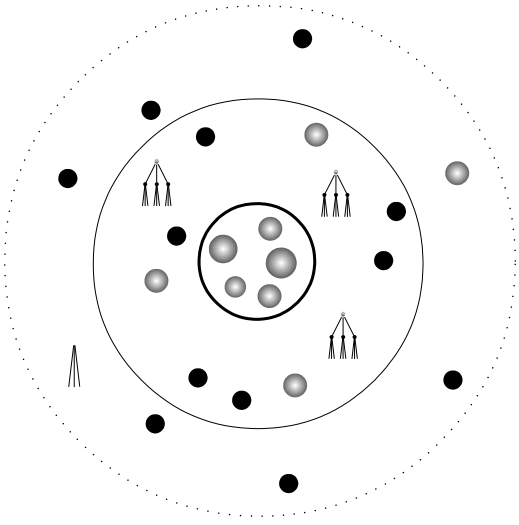
- Single leadership structure
- Line of command from centre
- Degree of autonomy at regional level
- Geographic/regional distribution
- Multiple activities
- Often strong social or ethnic identity
- Violence essential to activities

Typology 3: Clustered hierarchy



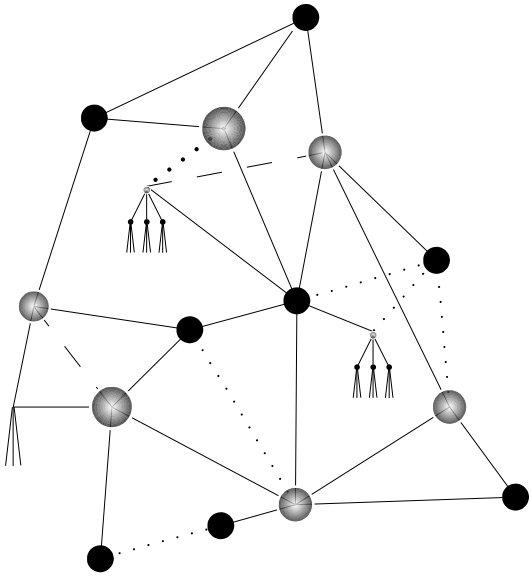
- Consists of a number of criminal groups
- Governing arrangement for the groups present
- Cluster has stronger identity than constituent groups
- Degree of autonomy for constituent groups
- Formation strongly linked to social/historical context
- Relatively rare

Typology 4: Core group



- Core group surrounded by a loose network
- Limited number of individuals
- Tightly organized flat structure
- Small size maintains internal discipline
- Seldom has social or ethnic identity
- Only in a limited number of cases known by a specific name

Typology 5: Criminal network



- Defined by activities of key individuals
- Prominence in network determined by contacts/skills
- Personal loyalties/ties more important than social/ethnic identities
- Network connections endure, coalescing around series of criminal projects
- Low public profile, seldom known by any name
- Network reforms after exit of key individuals

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YVES TIBERGHIEN

THE GLOBAL GOVERNANCE OF BIOTECHNOLOGY: MEDIATING CHINESE AND CANADIAN INTERESTS[1]

Abstract

Canada and China share a common interest in the science and development of agricultural biotechnology. Canada has seen genetic engineering (GE) as a key driver for future agricultural productivity and has become a major producer and exporter; China has invested heavily in GE research, becoming the second largest research base in the technology after the U.S.

However, the regulatory side of technology has put Canada and China in different international camps. While Canada has adopted permissive regulations that see GE crops as equivalent to conventional ones and do not require mandatory labelling, China has followed a more precautionary approach with much slower approval for the production of GE crops and mandatory labelling. Canada has followed a close integration with the U.S. on these issues and has been very responsive to the preferences of the biotechnology industry and farmers. China, on the other hand, has followed a path that is closer to those of the European Union and Japan on the regulatory side. The introduction of labelling requirements by China and the change in its approval system led to a collapse in canola exports from Canada to China.

Interestingly, the Chinese position has shifted to more precaution mainly as a result of a concern for the preferences of the urban middle class (which is increasingly similar to the Japanese or South Korean urban middle class and wary of GE food), as well as bottom-up pressures from civil society. Meanwhile, the Canadian government has been resisting non-governmental organizations' pressures as well as clear public preferences for mandatory labelling and for the ratification of the Cartagena Protocol.

Agricultural biotechnology is one issue area where the Chinese position is closer to the international majority position and to the preferences of global civil society. On the other hand, Canada's hands have been tied in this matter by NAFTA and the need to integrate regulations with the U.S. There is a need for dialogue and regulatory convergence over time, but the process should be done in collaboration with the U.S.

Introduction: China, Canada and the Global Battle over the Governance of GE Food

Since the mid-1990s, a global political battle has unfolded around one of the most promising industries of the future: biotechnology. While transgenic technology showed great promise and became widely adopted in North America, it also became the target of a global resistance movement including non-governmental organizations (NGO), key states (the EU, Japan and South Korea) and international organizations. The battle plays out along several dimensions—modern technology and human progress, global trade, environmental protection, health, food security, development, democratic deficit and cultural identity—making it one of the key fault lines in globalization. The overall outcome of the battle has been a fragmentation of global governance and polarization around two main clusters: a cluster centred on the U.S., Canada and key commodity exporters that champions a light-touch regulatory approach (and the principle of "substantial equivalence") and a cluster centered on the European Union, and to some extent, Japan, South Korea and other food importers that champions

1 This paper is part of a larger research project on global GE politics funded by the Social Science and Humanities Research Council of Canada (SSHRC). The author would also like to acknowledge the able research assistantship by Netina Tan, Li Guo and Andrew Peng.

precautionary principles and a more extensive set of regulations. The climax of the battle was reached in September 2006, when the World Trade Organization (WTO) dispute-settlement body produced the largest report in the WTO's history and ruled in favour of the U.S., Canada and Argentina in their case against the EU's quasi-moratorium on GE approvals between 1999 and 2004. In this particular case, China was a neutral bystander, although the U.S. and Canada intended to use this key case as a signal to scare off other countries (including China) from adopting strict labelling regimes.

State policy with respect to GE includes both national regulations and support for global standards in international negotiations such as the 2000 Cartagena Biosafety Protocol (CBP). For many developed countries, the battle over GE food has been less one of simple protectionism and more a larger societal debate about the optimal regulation of scientific innovation in the life sciences in a way that is both supportive of progress and compatible with democratic accountability. In many countries, the process of delegating regulatory decisions to technical committees consisting mainly of scientists with ties to industry is increasingly seen as illegitimate and unable to grapple with larger questions involving the public good, such as issues of transparency, biodiversity protection and long-term risks. As different societies came up with different answers to such larger questions, a split occurred in the global regulatory regimes necessary for smooth trade flows.

Canada formed its position in the late 1980s and early 1990s and adopted the "substantial equivalence" principle, deciding against building too steep obstacles in the adoption of technology and against mandatory labelling. Canada, along with the U.S., also refused to ratify the CBP, due to the high costs it might inflict on the exports of GE products. Canada was among the top three nations producing the first generation of GE grains in 1996 (with the U.S. and Argentina) and remains the fifth largest producer today. The key crops are canola, as well as corn and soybeans. Next in line in the near future are sugar beets and wheat. In taking a strong pro-GE stance, the Canadian government followed both a belief in the adoption of the latest technology in agriculture and a conviction that Canada's regulations could not be at odds from those of the U.S. in agriculture, given the strong integration of the two markets. Interestingly, the regulatory regime is partly at odds with public preferences, at least with regards to mandatory labelling (something that the Canadian public is wishing for with majorities in the 80–90-percent range).

China, as well as India, are increasingly seen as the two key pivotal players with the most potential to affect the future global regime. Given the strong divisions and relatively balanced global coalitions led respectively by the U.S. and the EU, China and India will play a key role in tilting the balance one way or the other. Where China goes, global governance will follow, with significant implications for Canada and the U.S.

China's position on GE is still fluid and evolving. At the same time, the outcome so far is relatively surprising. It is clear that China potentially has a higher stake in GE technology than any other country due to concerns about food security and diminishing agricultural productivity.[2] Yet, to the surprise of many, China's regulatory stance took a strong turn toward the precautionary principle after 2000. Over the past eight years, China has imposed and enforced mandatory labelling with a demanding threshold (0 percent) on many selected products. China has held back on approving GE rice until late 2009, and, as a result, almost only grows GE cotton at this point. China also took a strong international position by ratifying the CBP in 2005. This report argues that upward pressures from urban consumers and civil society, not protectionist instincts, have played an important role in swaying the Chinese government toward a regulatory position.

The precautionary position taken by China has had initial negative trade impacts for Canadian canola exports in 2000–2001, given the abrupt introduction of the approval and labelling requirements. Negotiations with the U.S. did find a pathway that allowed Canadian exporters to adjust, but the level

2 China has poured money into GE research, investing over $120 million per year in recent years and establishing itself as the second largest research base after the US. By 2006, over 100 different crops have been tested in open field tests. Operational varieties of GE rice have been tested and readied for years.

of canola exports never fully recovered. More importantly, it pits China and Canada in two opposite camps on the global governance of GE food, beginning with the CBP. This is a case where China is siding with the world's majority of countries, and with Europe and Japan in particular, in pushing for global regulations on the trade and labelling of GE food, while Canada is not, preferring to remain within the framework of the WTO. Interestingly, the Canadian position is the result of a particular coalition of interests and may not have majority support within Canadian public opinion.

The remainder of this report follows three sections. The first section presents the facts of GE adoption and GE regulation in China, as it navigates between support for entrepreneurialism and precaution. After a review of arguments about trade interests and bureaucratic competition, the section also presents data on the two core coalitions that clash over GE regulations in China and on the balancing act that the State Council and the Ministry of Agriculture (MOA) have chosen to follow. Survey data on consumer interests is also provided. The next section turns to the long-standing Canadian position on GE food and the Cartagena Protocol for Biosafatey. The final section focuses on the consequences for Canadian foreign policy and for Canada-China relations. It explores options for progress ahead.

China's Balancing Act: Between Entrepreneurialism and Precaution

China's domestic governance of GE food and position in the debate over the global governance of biotechnology represents an interesting balancing act. With its huge population and stagnating agricultural production, China is under strong pressure to use agricultural biotechnology in order to boost productivity. In terms of research, testing and imports, China is already a strong player in the field. At the same time, China's regulatory position is relatively precautionary and closer to that of the EU and Japan.

GE Development in China

The structural pressures toward introducing productivity-enhancing technology such as agricultural biotechnology are great in China. China is feeding about 20 percent of the world's population with less than 7–10 percent of the world's arable land[3] (even 7 percent by some estimates). China is a huge agricultural producer. With about 30 percent of world rice production, 26 percent of cotton production, 16 percent of wheat production and 32 percent of canola production, China is the lead producer for many such commodities.[4]

However, China has recently lost its self-sufficient position and become a major importer of grains and soy. After an early boom stimulated by institutional change in the early 1980s, grain and soy production stopped increasing.[5] Since joining the WTO in 2001, China has become a major player in the international commodities market. Imports shot up from about $10 billion in 2000 to nearly $60 billion in 2008. China was a net exporter of soybeans and corn until 1995.[6] Now, China is the world's largest importer of soybeans and has retained only a barely positive position on corn. China remains largely self-sufficient in wheat and rice. However, China anticipates losing its position of self-sufficiency in wheat, rice and corn by about 2020, unless it drastically increases productivity. Rice is particularly vulnerable, given the strong limits of China's water supply.

In response to these challenges, China has put a strong emphasis on research in agricultural biotechnology, spending about $120 million annually from 2000 to 2006.[7] In July 2008, the State Council upped the ante by approving a special science and technology fund of ¥20 billion (approximately $2.9 billion) for research on new varieties of GE crops between 2008 and 2010.[8]

3 Blas and Dyer, "China Sows Seeds."

4 Lu, "Agriculture Biotechnology."

5 Fang, "China's Agricultural Reform." The agricultural reforms introduced by Deng Xiaoping after 1978 had a positive impact on agricultural production and productivity, raising grain production from about 300 million metric tonnes in 1978 to 500 million tonnes by 1996. Yet, those gains were largely one-time gains from major institutional changes; the loss of agricultural land since the early 1990s has put negative pressures on production. Production dipped slowly to a low of 430 million tonnes in 2002, only to recover the 500 million level in 2007.

6 See Blas and Dyer. Meanwhile, exports of agricultural products increased from $10 billion a year in 2000 to about $30 billion in 2008.

7 See Lu. As argued by Huang Jikun, director of the Center for Chinese Agricultural Policy at the Chinese Academy of Social Sciences, agricultural biotechnology was targeted early as a top priority for Chinese technology, given the potential impact on food security and rural incomes. See also Dyer.

8 Petry and Wu, "China."

China has developed the largest plant biotechnology capacity outside the U.S. It has tested GE technology with novel traits in rice, wheat, potatoes, peanuts and many others that are distinct from research conducted in all other countries.[9] The figures from the Biosafety office under MOA show that 2,361 experiments on GE food were approved between 2002 and 2007.[10]

All Chinese research is conducted by state institutions. Nearly 50 universities and research institutes, as well as 150 local laboratories are involved in the process.[11] Appendix 1 summarizes some of the key GE traits developed and tested in China and the key research institutes associated with the research.

Imports of GE food by China

China has authorized the import and processing of a large number of GE crops, including five types of cotton traits, two types of soybeans, seven types of canola and ten types of corn.[12] Significantly, China has become the largest importer of GE soybeans in the world. As of 2007, China imported from the U.S. alone over $4.1 billion of soybeans (12 million metric tons),[13] representing 41 percent of U.S. exports. Nearly 90 percent of U.S. soy production is GE. Next, China is also a large importer of GE cotton from the U.S. and elsewhere ($1.46 billion in imports from the U.S. in 2007). But it is so far an insignificant importer of GE corn.

For Canada, the most relevant GE crop is canola, most of which is GE in Canada. China was a major importer of canola from Canada in the late 1990s and early 2000s (absorbing between 31 and 39 percent of Canadian canola exports), but that share collapsed in the wake of the introduction of new GE regulations in China in 2001. As shown below in Table 1, canola exports from Canada to China have never recovered from that regulatory shock.

Table 1: Canada's Canola Exports to China (in 000 tons, August 1 to July 31 Crop Year)[14]

Year	1999–2000	2000–2001	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008
Exports to China	1,211	1,890	214	0	401	275	614	873	659
% of total	31%	39%	8%	0%	11%	8%	11%	16%	12%
Toal World Canola Exports	3,885	4,859	2,524	2,394	3,754	3,412	5,412	5,435	5,661

Source: Canola Council, Seed Exports (Historic). http://www.canolacouncil.org/seed_exports_historic.aspx

Chinese Production of GE Crops

China has also become a major player in the production of GE crops since 1997, with six crops having been approved for production so far (cotton, tomatoes, sweet peppers, chilli peppers, petunias and papayas). Early reports in late November 2009 indicate that China has also approved two indigenous rice traits. However, only cotton has been widely adopted by farmers, other crops not being produced or produced in extremely small amounts. As of 2007, it is estimated that 69 percent of all of China's cotton acreage is GE (3.8 million hectares out of 5.5 million hectares in total).[15] A rough estimation is that Monsanto and other foreign firms have about a 60-percent global market share in cottonseed, while Chinese producers have the other 40 percent. Chinese farmers have been very responsive and rapid in adopting new technology.[16]

9 Huang, et al., "Plant Biotechnology in China."

10 Wu.

11 Lu.

12 Petry and Wu.

13 Becker, "CRS Report for Congress."

14 It is worth noting that the figures above do not include exports of canola oil and meal. However, these exports are not sufficient to affect the larger trend (a maximum of 249,000 tonnes in 2007–2008) and have not offset the larger trend shown in Table 1.

15 Petry and Wu.

16 Personal Interview with Professor Xue Dayuan, May 14, 2008. At least in the early years, a decrease in the use of pesticides and increase in revenues was reported, although other scholars have questioned the sustainability of these results.

These figures need to be placed in perspective. The acreage devoted to GE agriculture in China has been constant for several years—remaining at 3.8 million hectares in 2008, less than 3 percent of the total world acreage devoted to GE crops.[17] In 2000, China was the fourth largest GE producer in the world; but by 2008, it has slipped to the sixth largest. Even India now has 7.6 million hectares occupied by GE production.

GE Governance in China: Strong Precautionary Elements

The production data noted above points to a strong resistance to the rapid adoption of new GE technology in China, despite strong economic pressures. Most importantly, no single major food crop (rice, wheat, corn and soy) has so far been approved for GE production in China. It was long expected that China would be the first country to authorize GE rice (Iran did so in 2007). However, the delays are indicative of the political sensitivity of these issues and battles concerning the authorization of GE crops that have prevailed over the last five to eight years and postponed again in January 2008.[18] Early reports in late November 2009 indicate that the Biosafety office may have finally approved two strands of GE rice.

The MOA's Biosafety office is the key actor in Chinese GE governance, particularly when it comes to the granting of safety certificates for the import or production of GE crops. It operates under regulations promulgated in 2001 by the State Council and updated in 2009. However, other ministries are also involved, particularly the Ministry of Environmental Protection (MEP) as the lead ministry on the CBP, the Ministry of Science and Technology (MOST) regarding research funds and the Ministry of Commerce for trade issues. Ultimately, the State Council is the arbiter for key decisions. The 2001 regulations require both food safety and environmental safety tests before granting a safety certificate, a position that puts China closer to the EU than to the U.S. or Canada.[19]

The other key precautionary component of China's approach to GE governance is the implementation of mandatory labelling after 2001. The initial decision was taken suddenly by the State Council and caused significant trade frictions with both the U.S. and Canada. The imposition of mandatory labelling with a 0-percent threshold puts China in the same camp as the EU and Japan. However, like Japan and unlike the EU, China restricts the applicability of mandatory labelling to specific products: soybean seeds and oil, corn seeds and oil, canola seeds and oil, cotton seeds and tomatoes. Papayas, for example, are excluded. In addition, China has taken a middle position on the scope of labelling by only requiring the labelling of raw seeds or seeds that underwent primary processing only (for example, soybean tofu or oil), but not secondary processing (such as chocolate bars with soy lecithin or cookies made with soy oil). Such a position is different from the strict process-based labelling in the EU and more similar to Japan's pragmatic labelling approach. It allows avoiding labelling the bulk of soybean imports from the U.S. once they enter the processing circuit. Preliminary reports from Greenpeace are that labelling guidelines are generally enforced in China.[20]

The last plank in the precautionary approach taken by China is the ratification of the CBP, a process that was accomplished in April 2005 under the leadership of the State Environmental Protection Agency (SEPA) and Professor Xue Dayuan, the head of the Biodiversity Institute at the Central University for Nationalities (*Zhongyang Minzu Daxue*) in Beijing. This process of ratification has motivated MEP to seek an overall Biosafety Law, although it has not yet happened. The ratification of the CBP was a major move that indicated support for a global regulatory approach and for a precautionary approach in general, a decision that brought China closer to the EU and Japan in terms of principles than to the approach pursued by the U.S. or Canada. It is also important to note that China was faster in ratifying the CBP than its neighbour South Korea, despite the strong civil society and democratic pressures to ratify.

17 Clive, "Global Status."

18 See Wu. When the decision on GE rice was postponed again in January 2008, a top MOA official explained that tests on food and environmental safety were still ongoing. He also indicated, however, that "market acceptance" was also a crucial factor. Interview with Biosafety office, May 15, 2008.

19 Foreign importers have reported occasional long delays with these certificates (beyond the 270 days committed under the regulation) and strict requirements for stacked events. In addition, China has a strict 0-percent threshold for unauthorized events, a position that is even stricter than that of the EU.

20 Personal interview with Greenpeace, Beijing, May 15, 2008.

Origins of China's Position: Trade Interests and Beyond

What lies behind the split in China's approach to GE food and its shift toward a more precautionary approach in 2001 and 2005? It is often argued that China's position is primarily the result of trade interests and trade arbitrage.[21] There are three possible strands to this argument. At the most basic level, it is often argued that China is concerned about export markets in Japan and South Korea for soy products and in Europe for corn or processed goods. This allows upstream pressures from European and Japanese or South Korean regulations into China through trade links to counter domestic pressures from economic stakeholders. This argument is generally presented for China and other developing countries as one vector explaining excessive caution in countries that have major unmet food needs.[22] Falkner has presented an upgraded version of this argument in work showing that a trading-up effect may have been at work in China, as controversies and regulations in important markets shifted the preferences of China's exporters.[23] In particular, a 2000 temporary halt on Chinese exports of soy sauce in the EU drove home the reality of "market exclusion."[24]

A second more sophisticated version of that argument is one that sees China as a consummate mercantilist nation, thanks to its strong centralized state that has figured out the existence of a significant premium for GE-free crops in the world market (due to strong demand in Europe, Japan and South Korea). Thus, for instance, it is performing trade arbitrage by importing cheaper GE soy for domestic consumption while producing and exporting more expensive GE soy for export to Japan and South Korea. This would explain the regulatory gap between the authorization of GE soy for import and processing, but not for domestic production.[25] However, the actual data seem to belie these interpretations, given that China has almost ceased to matter as an exporter of soybeans (or corn for that matter) since joining the WTO.[26] In this context, China's export interests in soybeans to Japan and South Korea can only be seen as a minor footnote at best.[27]

A third trade argument relates to the control of future GE technology, intellectual property rights and patents. This argument emphasizes the sale and production of seeds, not trade flows of crops and food. It is plausible to argue that China is gaining time by opening the door to imports of crops, but making it harder for seeds to be used in China in an attempt to ensure that Chinese developers have control of the technology and its patents before it is widely used for production in China. The U.S. Department of Agriculture's report on biotechnology notes that China puts significant restrictions on investment in biotechnology or control over intellectual property. In addition, there is potential concern over conflicts of interest in the approval system, given that many laboratories involved in testing new foreign seeds for MOA are active technology developers themselves.[28] Greenpeace has reported that their argument on a potentially dangerous dependence on foreign patents for some key sequences if China approved GE rice has had much traction with the government.[29]

21 Cf, among others, personal conversations with Robert Paarlberg at Harvard University in fall 2005 and at the Canadian Embassy in Beijing in May 2008.

22 Paarlberg, *The Politics of Precaution.*

23 Falkner, "International Sources."

24 Ibid., 487.

25 An idea first presented to me by Robert Paarlberg in a conversation at Harvard University in the fall of 2005.

26 While China was a major exporter of soybeans as late as 1995, China has instead turned into the world's largest importer in the early 2000s. As of 2005, China produced 18 million tonnes of soybeans but consumed 45 million tonnes, leaving a gap of 27 million tonnes for imports (41 percent of world soybean imports), about 40 percent of which came from the US. By 2007, as Chinese production became more expensive than imports from the US, Argentina or Brazil, it dropped further to 14 million tonnes, putting China in the fifth position after India for the first time. Meanwhile, imports have kept increasing, reaching 37.4 million tonnes in 2008 (40 percent of which from the US). To avoid a total collapse of Chinese production, the government purchased 6 million tonnes of soybeans from farmers. By comparison, the US produced 73 million tonnes, Brazil 58 million tonnes and Argentina 48 million tones. See Workman, "Top Soybean Countries"; FAOSTAT; American Chamber of Commerce, "US Soybean Exports."

27 The most recent 2009 data shows that China exported 0.5 million tonnes of soybeans, soymeal and soyoil between January and May 2009. The leading markets were Japan (nearly 0.2 million tonnes) and South Korea (0.15 million tonnes), followed by Vietnam, North Korea and the US. This translates into nearly 0.5 million tonnes of exports to Japan on an annual basis (for total Japanese imports of 3 million tonnes) and a bit less than that of South Korea. These are high-value GE-free exports. But given the very small scale of these exports in comparison to the massive imports, it is hard to see signs of a conscious arbitrage strategy. One may, however, note that there could be a timing issue involved. When key decisions were taken in 2000–2001, soybean exports were still significant and may have played some role in China's decision. The long-term trends should nonetheless have been clear.

28 Petry and Wu.

29 Personal Interview with Greenpeace in China, Beijing, May 2008.

This third argument is definitely a stronger one and seems to play a role in China's behaviour. Patents and intellectual property rights are clearly the key battlefield in the long-term struggle over the control of the technology. Though this argument is probably not sufficient to explain China's choices on its own (as shown below), it is nevertheless part of the story.

International Socialization?

Another potential explanation for China's precautionary behaviour in GE food and support for the CBP may be connected to international socialization. Falkner has argued that the interactions of Chinese diplomats, academics and civil society actors with European, Japanese and UN circles has provided a mechanism for the transmission of global environmental concerns and norms into China.[30]

This argument is again plausible and socialization played an important role in China's ratification of the CBP. However, it cannot explain on its own why China took a turn toward precaution, particularly in its domestic relations, due to two main weaknesses. First, biosafety and GE food constitute one issue area where international norms are divided. When norms and international standards are fragmented, there is more room for domestic choice and socialization is less likely to be a dominant force. Why would EU-led socialization dominate over U.S.-led socialization? Second, domestic regulations on approvals and labelling constitute a more important component of a nation's GE governance than its ratification of the CBP. The CBP is a relatively light treaty that often does not led to drastic change of national laws.

Fragmented Authoritarianism

Another part of the puzzle has to do with the bureaucratic divisions within Chinese governance. This division is particularly salient in a multi-functional issue such as GE food that involves (as noted above) MOA, MEP, the Ministry of Health and Welfare, the Ministry of Science and Technology, but also MOFTEC and the Ministry of Foreign Affairs, in addition to several powerful provincial governments with large stakes in agriculture biotechnology. Much has been argued about the notorious divisions within the Chinese government and competition among Chinese ministries, a situation that has been named "fragmented authoritarianism."[31]

In the case of key decisions on GE governance, it is clear that the relevant ministries take different stances from each other. MOST has been aggressively lobbying for research funds as well as rapid approvals and looser labelling, while MEP (previously SEPA) has been the key vector pushing for tougher biosafety regulations. MOA acts as the pivotal player. It has been supportive of biotechnology, yet also careful to integrate other elements of voice into decision making. Ultimately, the State Council has acted as the arbitrator of last resort on all key decisions. What is interesting, however, is that on paper, the balance of power in favour of agriculture biotechnology was over determined with stronger ministries supporting the technology and SEPA usually not powerful enough to hold its own against MOA and MOST. In this sense, a pure balance of power model at the bureaucratic level is not enough to explain why the pendulum tilted toward precaution.

Representation Without Institutions

Trade interests and fragmented governance are only partial components of the story.[32] To understand why the balance tilted toward more precaution, it is essential to add one more dimension, namely that of public voice. MOA and the State Council decided to move toward precaution primarily because of a choice to integrate the opinion and interests of urban consumers, as channelled by NGOs, consumer associations, the media and key academics. This process of integration of grassroots public goods concerns from the middle class followed what I call a process of *representation without institutions*. It led to an outcome that is relatively similar to that of the EU and Japan, despite the absence of

30 Falkner; Kent, "China's International Socialization."

31 The concept of "fragmented authoritarianism" was advanced in Lieberthal and Oksenberg, *Bureaucratic Politics and Chinese Energy Development* and Lieberthal and Lampton, *Bureaucracy, Politics, and Decision Making in Post-Mao China*.

32 This argument is based on field research and interviews with a dozen key players conducted by the author in 2008.

democratic institutions that were critical in those systems. The outcome may, however, be temporary, as the channels for public voice integration are not institutionalized.

The ongoing representation without institutions is as an interactive process whereby the interests of the state (the pursuit of legitimate governance) and those of new coalitions between grassroots activists and policy entrepreneurs such as academics can meet and lead to participatory governance.

This process is facilitated, or even enabled, by the existence of inter-ministerial gaps ("fragmented authoritarianism"), which ensures the absence of a clear elite consensus. It primarily means that the government is seeking to respond to bottom-up public goods concerns and integrate preferences of urban consumers in its governance outcomes, even if the channels for the expression of this public voice are not formally institutionalized. The process emphasizes a primary domestic audience for policy outcomes and a degree of dialogue between state and society.

Public Opinion: General Public vs. Urban Consumers in Large Cities

The key element in this process is public opinion. Interestingly, public opinion is divided. It has been widely reported that Chinese opinion is both ill-informed and open to agricultural biotechnology. For example, the 2008 biotechnology report of the USDA writes: "China's consumers are by and large open to and accept biotechnology products."[33] It cites a study showing that 60 percent of consumers nation-wide were willing to purchase biotech foods without any price discrimination, while 75 percent of Chinese respondents as a whole were not much aware of GE food.

Greenpeace's own survey of urban consumers in three large cities (Beijing, Shanghai and Guangzhou) paints a very different picture, even though it is challenged by pro-GE scientists on the count of sample problems.[34] It found that 65 percent of consumers show a preference for non-GE in all four main categories surveyed (soy oil, rice, other food products of a plant origin and food products from an animal origin). Specifically:

- 79 percent choose non-GE soy oil over GE soy oil
- 77 percent choose non-GE rice over GE rice
- 85 percent choose non-GE food from an animal origin over their GE counterparts
- 80 percent of the consumers oppose the use of GE ingredients in baby food.[35]

If confirmed by other polls, these results could indicate a growing convergence of Chinese urban consumers and middle class with urban consumers in South Korea or Japan, itself a very interesting trend.

MOA's Biosafety office confirms both results. Namely, the government is aware that there is a wide range of opinions in China. But it is particularly aware of "rising public awareness," particularly in large cities. MOA conducts its own investigations and surveys. It also organizes its own workshops and study groups. It is aware of Greenpeace's results and confirms that they have reproduced them. The office confirms that labelling came to be seen as "the right to know for consumers."[36]

Public Voice Channels in Chinese GE Governance

Interviews with various actors point to four channels for the integration of the public voice of urban consumers and the middle class into GE governance.

1 NGOs (Greenpeace): Greenpeace has been able to operate in Beijing and China (and Hong Kong) with relative effectiveness. It understands that it can only have a role if it keeps within key boundaries and does not challenge the government head-on. It has focused its work on collecting data and working with academics to produce quality reports (consumer surveys, analysis of patent issues,

33 Petry and Wu.

34 Personal interview with Huang Jikun, May 15, 2008.

35 Survey results shown during interview at Greenpeace's office, Beijing, May 15, 2008.

36 Personal interview with head of Biosafety office, May 15, 2008.

etc.). Yet, these reports are widely read both by academics and by the MOA and MEP. It seems that the government accepts this role of information provision and input into governance. Greenpeace adds that it is relatively at ease with government regulations, given that the government has moved toward precaution and seems to be implementing labelling regulations quite carefully.

2 Consumer Council: This government-controlled broad-based organization gathers information from consumers at the grassroots level and passes it on to higher levels and to the central government. They also organize training on risk management and information sessions for the public. Informal interviews indicate that the Consumer Council is aware of misgivings among urban consumers and have passed on that information.

3 Academic Entrepreneurs: Several key academic entrepreneurs, such as Xue Dayuan based at the Central University of Minorities, play a key interface role with the international environment and as vectors to represent public interests. Professor Xue played a key role in the ratification of the CBP and in mediating between ministries and various actors. Other academics play a key role on the other side of the debate by linking with industry and economic interests and represent those interests to the government.

4 International Norms (from the EU and Japan): A final interesting input in governance, even if it is an international one, is international norms. They filter down to some actors and NGOs and come back up to the government. Interviews at the MOA, MEP and with key academics involved with those two ministries confirm that the Chinese government has thoroughly studied regulations from both the EU and Japan before writing its own rules on safety assessment and labelling. The CBP negotiations did provide ample occasion for exchanges and socialization.

A Delicate Balance Between Two Multi-Level Coalitions

GE governance in China involves an interesting confrontation between two large multi-level coalitions. With GE governance, we are facing a fluid and fragmented governance situation, rather than that of, say, a unified mercantilist state.

Canada's Longstanding Position on Agriculture Biotechnology and the Non-Ratification of the CBP

Canadian governments and farmers have supported agricultural biotechnology early on, seeing it as both benign and carrying the seeds of higher productivity and multiple benefits.[37] Canada quickly moved to pass supportive legislation and regulations. In 1990, it passed legislation to protect the intellectual property rights of biotechnology.[38] As for the approval of regulations, Canada followed the OECD's guidelines developed since 1986. In 1993, Canada adopted a *Regulatory Framework for Biotechnology*, which incorporated the substantial equivalence principles. Agricultural Canada, a pro-GE actor, remained the key authority in charge, successfully keeping Environment Canada to a very limited position.[39] Health Canada shares some of the authority in issuing certificates. The first authorizations for general production were issued in 1995, in line with the US process. GE production quickly increased to 7.6 million hectares in 2008.[40] The majority of Canada's canola production is now genetically modified. The decision was also taken in the early 1990s against mandatory labelling, due to the likely cost involved in segregating GE and non-GE products, as well as the desire not to stigmatize GE crops.

Politically, there was no wide political or parliamentary debate around these regulations. Regulations were adopted through ministerial statutory authority.[41] There was no multi-stakeholder participatory process. Rather, decisions were made through closed policy networks of industry representatives,

37 Skogstad, *Internationalization and Canadian Agriculture*, 209–210.
38 Ibid., 213.
39 Ibid., 215.
40 Clive.
41 Skogstad, 215.

farming representatives, scientific experts and government officials.[42] A large debate did take place in 2000–2001 when the Royal Society of Canada issued a pointedly critical report of Canada's overly-permissive approach to agriculture biotechnology. The government dismissed many of the recommendations from the Royal Society as impractical or unnecessary. In 2001, the NDP and the Bloc Quebecois pushed for a bill on mandatory labelling and a Liberal MP, Charles Caccia, introduced a private member's bill to that effect. The bill was defeated in October 2001, despite support from then Health Minister Alan Rock.[43] At this point, the argument against labelling included fears that it would violate NAFTA legislation and would lead to an American retaliatory action. In 2004, the Auditor General issued a report that was also critical of the permissiveness of the GE assessment regime.

With regard to the CBP, Canada did take part in the negotiations (unlike the US) as a signatory to the Convention on Biodiversity. The last round of negotiations took place in Montreal in January 2000 and the Secretariat of the Biosafety Protocol is based in Montreal. However, Canada was the last country holding out against the agreement in Montreal, in part because of the incorporation of the precautionary principle into the Protocol and because of fears of inconsistencies with the WTO regime. It is only mild prodding by US President Clinton that led to Canada's acquiescence. But Canada did not ratify the CBP, owing to strong lobbying by farmers and exporters who fear the cost of identity preservation systems.[44]

Under current conditions, the Canadian interest lies in keeping global markets open to agricultural biotechnology, an industry seen as a key Canadian comparative advantage. But it is important to note that both the permissive regulatory approval system and the absence of mandatory labelling are controversial within Canada and have led to significant public concern.

Implications for Canada-China Policy

Canada and China have exhibited some large differences in their respective approaches to agricultural biotechnology, both in principle and in the details of regulations. Yet, agricultural biotechnology is an unusual issue area, since, in contrast with many other issues, it is China that finds itself on the side of a stronger international regulatory regime (with the EU, Japan, South Korea and others). Canada (together with the US) is championing a more market-based regime that is less burdened by other public goods concerns.

Multi-level Opportunities: Sub-State Convergence Below National Regulatory Divergences

Interestingly, while state-level regulations diverge due to different balances of power within each domestic regime, there is much more convergence at the level of business, scientific, NGO and consumer interests. This convergence offers many opportunities for cooperation and intense engagement at the sub-state level.

In both countries, the biotech industry sees agricultural biotechnology as a crucial science that will set the future of agriculture and play a vital role in national competitiveness. Biotechnology is booming in China and there remains many opportunities for cooperation in research at universities, agricultural production and industrial processing. If anything, China's biotech industry is more developed and benefits from a powerful academic and scientific base, as well as rich public funding, and connections to provincial governments and supportive farmers. Opportunities for the Canadian biotech industry to partner with or tap into the Chinese market are great. U.S. companies have been quick to seize this opportunity.

In both countries, civil society is active and pushing for a stronger regulatory regime with a careful safety and environmental process and mandatory labelling. Greenpeace plays an important role in both countries. Ironically, while NGOs are freer, more protected and more organized in Canada, it is in China that they seem to have had more impact on the regulatory issue. The Canadian regulatory

42 Ibid.

43 Ibid., 232.

44 Ibid., 222.

regime relies on closed committees that make "science-based" decisions and give a dominant voice to industry, scientists involved with industry and agricultural and trade interests. As shown by Skogstad, industry and farmers have for the most part been on the same page, supporting a permissive regulatory regime that is closely integrated with the U.S. regulatory regime. NGOs have essentially been shut out of the regulatory process. In China, NGOs are now participating in the decision-making process; their close tracking of urban public opinion and their linkages with key academics have enabled them to gain a degree of voice in the consultation process. The government has chosen to integrate this voice in its decision making, partly as part of its larger set of policies targeting the rising urban middle class. Greenpeace has been surprisingly supportive of China's policies, while being very critical of Canada's regime.

Finally, in both countries, urban consumers are expressing similar positions. They indicate a desire to proceed cautiously with the authorization of GE crops. In both cases, they are a concerned with a wider set of public goods issues, such as long-term health and biodiversity impact, issues that are often not incorporated in the purely "science-based" approval mechanism followed by Canada and the U.S. Consumers in both countries also have a strong preference for accountability and mandatory labelling. In China, however, rural consumers are more price-sensitive and less informed about GE food, offering a large reservoir of demand for cheaper products with less public goods concerns.

All these sub-state similarities offer strong opportunities for sub-state linkages and cooperation. It is important to emphasize that the origins of China's position have more to do with the emerging preferences of urban consumers (such as accountability and precaution) than with trade protectionism. In the context of divided global governance, the diffusion of norms from Europe, Japan and South Korea has also played a reinforcing role. On this basis, it may be wise to develop links with sub-state actors who play a key role in channelling upwards the interests of consumers, actors such as NGOs (including Greenpeace), the Consumer Council and other consumer groups and key academics involved in the process.

Policy Suggestions: Mediating the Regulatory Gap

Over time, opportunities for Canadian biotech companies and for agricultural exports (particularly when wheat becomes GE-wheat) will be greater if there can be some regulatory convergence between China and Canada.

Regulatory convergence or regulatory compatibility is likely to require some movement on the Canadian side. Given the strong public support in China for mandatory labelling and strong institutional control of agricultural biotechnology, the government is not likely to dilute its regulations easily. At a time when the world expects China to strengthen its food safety regulations, diluting safety regulations and labelling on GE food would be going in the opposite direction. Lobbying for such action seems to be counter-productive for Canada.

At a global level, the prospects for agricultural biotechnology will be greater if global regulatory convergence takes place around a set of globally accepted agreements. A good focal point for such a global convergence to occur is the CBP, which has been ratified by the great majority of countries (with the notable exceptions being the U.S., Canada, Argentina as well as South Korea). Moving in this direction for Canada would greatly enhance the prospects for progress in regulatory convergence and GE trade between Canada and China. It seems a very wise course of action, especially as it enjoys majority support among Canadian voters.

Given, however, the strong integration of markets and regulations between the U.S. and Canada through NAFTA, Canada's margin for unilateral action on GE labelling or CBP ratification is limited. Such action should be considered in full cooperation with the U.S. as a triangular cooperative process. A grand bargain between China, Canada and the U.S. around GE regulation would go a long way towards advancing food safety concerns with China and Canada-China trade. It would do much, at the same time, to strengthen civil society linkages between Canada and China and linkages between consumer organizations.

Appendix 1: Selected Key Advances in Chinese GM Research and Associated Research Centres as of 2006

Plant/Animal	Trait	Research Centre
Rice	GM Rice for insect resistance	Institute of Genetics and Developmental Biology, CAS
Poplar trees	Salt tolerance in Poplar trees	Institute of Genetics and Developmental Biology, CAS
Rice	GM rice for insect resistance	Zhejiang University
Petunia, Tomatoes, Sweet peppers	Virus resistance and improved traits	Peking University
Corn	Insect resistance and higher lysine content	China Agricultural University
Papaya	Virus resistance and higher quality	South China Agricultural University
Wheat	Pre-harvest sprouting tolerance	Henan Agricultural University
Tomato—pharmacrop	GM tomato with capacity to produce Hepatitis-B oral vaccine	Biotechnology Research Institute, CAAS
Cotton	Insect resistance	Biotechnology Research Institute, CAAS
Rice	Bacterial blight resistance	Biotechnology Research Institute, CAAS
Canola	Higher oil content	Zhejiang Academy of Agricultural Sciences
Soybean	Insect resistance (aphids)	Jilin Academy of Agricultural Sciences
Rice	Insect resistance	Huazhong Agricultural University
Carp (fish)	Fish growth hormone	Heilongjiang Fishery Research Institute, CAFS
Cow	Transgenic cloned cattle with human gene expression	China Agricultural University
Goat	Transgenic goat with human lactoferrin or lysozyme genes	Shanghai Genon Bio-Engineering Co.

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LESLEY JACOBS

CHINA'S CAPACITY TO RESPOND TO THE H1N1 PANDEMIC ALERT AND FUTURE GLOBAL PUBLIC HEALTH CRISES: A POLICY WINDOW FOR CANADA

Abstract

China's response to the World Health Organization's 2009 H1N1 pandemic alert provides an opportunity to make visible its current national capacities for epidemic preparedness and response. This paper is divided into four sections. The first section provides an overview of the international health regulations that govern domestic health policy responses to global infectious diseases. The second recounts briefly how China handled the SARS crisis in 2003 and notes some of the capacity building in public health it has undertaken to remedy for its deficiencies during that crisis. The third section describes how China has responded to the WHO's H1N1 pandemic alert with a view to identifying some weaknesses in its current national capacities for epidemic preparedness and response. The final section identifies how Canada may be able to support China in its strengthening of its vaccine development and production dimension of its national public health capacity.

Introduction

Over the past decade, public health issues have come to be increasingly recognized as among the most pressing and difficult challenges to global security and international relations. They have the potential to destabilize governments, create havoc for national economies and disrupt international trade. The global AIDS epidemic in the late 20th century accented in particular the significance of emerging infectious diseases. Although the eruption of newly discovered infectious diseases has a long history, what is new is the greater vulnerability to the worldwide spread of these diseases caused by the rapid movement of people, goods and resources.[1] As the World Health Organization (WHO) recently observed, "Achieving international public health security is one of the main challenges arising from the new and complex landscape of public health."[2] Although Africa has been the focal point for the global movement to respond to AIDS, Asia Pacific Rim countries have been a major site for dealing with other new infectious diseases. China's role in global health crises is particularly important because of its immense population—1.3 billion—and the fact that it is on track to become the second biggest domestic economy in the world by 2010. It was at the epicentre of one of the most significant recent global health crises, the Severe Acute Respiratory Syndrome (SARS) crisis in 2003, and near the epicentre of the Avian Flu crisis in 2004–2008. During the course of 2009, the H1N1 flu, or Swine Flu, spread so rapidly around the globe that on June 11, 2009, the WHO declared the disease a Phase 6 pandemic and alerted member states to implement their pandemic preparedness and response plans.[3] China's response to the WHO's H1N1 pandemic alert provides an opportunity to make visible its current national capacities for epidemic preparedness and response.

This paper is divided into four sections. The first section provides an overview of the international health regulations that govern domestic health policy responses to global infectious diseases. The second section recounts briefly how China handled the SARS crisis in 2003 and notes some of the capacity building in public health it has undertaken to remedy its deficiencies during that crisis. The third section describes how China has responded to the WHO's H1N1 pandemic alert with a view

1 Garrett, *The Coming Plague*; Lee, Buse, and Fustukian, *Health Policy in a Globalising World*.

2 World Health Organization, "International Health Regulations (2005)," 5.

3 World Health Organization, "What Is Phase 6?"

to identifying some weaknesses in its current national capacities for epidemic preparedness and response. The final section identifies how Canada may be able to support China in its strengthening of its vaccine development and production dimension of its national public health capacity.

International Health Regulations and Global Infectious Diseases

During crises involving infectious diseases, international obligations for states arise from the variety of international sanitary conventions that date originally to the late 19th century and were consolidated into the International Sanitation Regulations by the WHO in 1951.[4] These regulations, designed to prevent the international spread of infectious diseases, required states to notify the international community of outbreaks of certain diseases and maintain public health facilities that could regulate international points of entry and exit. In 1969, the WHO replaced these regulations with the International Health Regulations (IHR), which covered six "quarantinable" diseases.[5] IHR for infectious diseases were revised in 1973 and again in 1983 so that they applied to only three diseases—cholera, plague and yellow fever. This meant that the regulations did not address evolving contagions such as AIDS, SARS and Avian Flu. In May 2005, the WHO formally adopted new IHR designed to apply to all public health risks, not just those stemming from cholera, plague and yellow fever. The underlying logic of this new set of IHR is that they are better able to deal with new and emerging infectious diseases for the sake of international public health security.[6]

The new IHR came into force on June 15, 2007 and are legally binding on 194 countries including all member states of the World Health Assembly. The aim of the IHR "is to help the international community prevent and respond to acute public health risks that have the potential to cross borders and threaten people worldwide."[7] They are designed to provide a public health response to the global spread of diseases and other public health risks whilst avoiding unnecessary interference with human rights, international travel and international trade.[8] As noted above, unlike previous versions of the IHR, the new regulations are not limited to specific diseases, and, in this way, will maintain their relevance and applicability when new infectious diseases emerge. What has been commonly overlooked is that the new IHR now reach beyond diseases to other global health risks, in particular, dangers posed by food-borne diseases and disasters that can spill across borders, such as nuclear accidents and chemical leaks.

In addition to broadening the reach of international health regulations, the 2005 IHR have a number of innovative features, including

- Establishing obligations for states to develop certain basic public health capacities and to notify the WHO of public health emergencies that constitute international threats;
- Allowing the WHO to utilize information sources other than official reports from member states;
- Creating procedures and levels of risk for the determination of a global public health crisis and
- Embedding the protection of human rights in the regulations.[9]

From the perspective of member states, the WHO is especially interested in supporting and strengthening national public health capacities along two dimensions.[10] The first dimension is concerned with national disease prevention, surveillance, control and response systems. The other dimension involves public health security in travel and transport. The strengthening of these national capacities reflects a major shift in approach by the WHO to international public health security. As noted above, this is reflected partially in the broadening of the scope of the IHR from specific diseases to all health threats, but it is also significantly a shift from controlling contagions at borders to containment at their source and a movement away from pre-set containment measures to "adapted response."[11]

4 Fidler, *International Law and Infectious Diseases*.
5 World Health Organization, "International Health Regulations (2005), Second Edition."
6 Fidler and Gostin, "The New International Health Regulations."
7 World Health Organization, "International Health Regulations."
8 World Health Organization, "International Health Regulations (2005), Second Edition."
9 Ibid.
10 World Health Organization, "International Health Regulations (2005)."
11 Ibid., 11.

The WHO envisions that the challenges of supporting and strengthening national public health capacities will be met not only through its own initiatives and those of other international institutions involved in public health capacity building such as the World Bank and the Asian Development Bank, but also by fostering global partnerships between member states. The emphasis in the new IHR on fostering global partnerships provide some space for policy development in Canada with an eye to seeing how it can support China's efforts to strengthen its national capacity to contribute to international public health security.

China's Handling of the SARS Crisis

SARS presented itself as the first genuinely global infectious disease of the new millennium, spreading quickly to numerous cities and countries around the world by international travelers. It initially emerged in November 2002 in Guangdong Province, China, but was only identified internationally as a newly emerging infectious disease in March 2003. The WHO issued a global health alert about SARS on March 12, 2003, the first global alert it has ever issued. By the time the crisis ended in summer 2003, approximately 8,098 persons worldwide were diagnosed with probable SARS, and there were 774 deaths.[12] The majority of these cases had occurred in mainland China. There have been no reported new cases outside laboratories since June 2003.[13] SARS created an international public health security crisis because initially very little was known about its origins, symptoms, transmission, incubation and long-term effects. Moreover, there was no test in place to confirm the disease and there is still no vaccine.

China's initial response to international enquiries about SARS was one of secrecy and denial. This response followed a familiar pattern. As Wang describes it, "Before April 24, 2003, China's response to the SARS epidemic followed its traditional approach to handling epidemics. Health authorities silently tried to control the epidemic without upsetting social stability."[14] This response certainly did not reflect compliance with the spirit of international regulations for dealing with such epidemics, even though it was not technically a violation in that, as noted above, the WHO's IHR in place at the time did not apply to new infectious diseases.

In early April 2003, in response to international pressure, WHO teams were granted access to Beijing, Guangdong Province and other possible centres of SARS in China. On April 3, 2003, Minister of Health, Zhang Wenkang, insisted publicly that the disease was under control. A military physician almost immediately sent e-mails to Chinese and Hong Kong television stations indicating that the actual number of SARS cases and deaths in Beijing was significantly higher than the figures admitted by the Minister of Health.[15] Two weeks later, on April 17, 2003, the Politburo Standing Committee ordered "accurate, timely, and honest reporting" of SARS cases.[16] A week later, both the Minister of Health and the Mayor of Beijing were removed from their posts, along with more than 100 health officials, for covering up and under-reporting SARS infection rates.

Although there were remaining concerns about mainland China's openness in late April 2003, after thorough investigation the WHO praised China for the accuracy of its new numbers of SARS cases. In Shanghai, for example, a WHO team confirmed that the incidence of SARS was indeed very low, as city officials had insisted, despite some scepticism in the foreign media.[17] The measures that China undertook to contain SARS reflected the WHO guidelines, which did not recommend the use of large-scale stringent quarantine.[18] In April 2003, Premier Wen Jiabao promised not to implement extreme quarantine measures in China. In keeping with this statement, the Chinese government relied

12 Centers for Disease Control and Prevention, "Revised U.S. Surveillance."
13 Yardley, "After Its Epidemic Arrival."
14 Wang, "China's Response to SARS," 149.
15 Pomfret, "Outbreak Gave China's Hu an Opening."
16 de Lisle, "Atypical Pneumonia," 201.
17 Beech, "Shanghai Has Promised."
18 Sapsin, et al., "SARS and International Legal Preparedness."

to a great extent not only on isolation and quarantine measures to stanch the spread of SARS, but also on education and health promotion, travel restrictions, temperature screening at airports, health declarations and other less intrusive means, such as the wearing of masks in public.[19]

In Hong Kong, which has its own infectious disease and public health legislation, Special Regional Authority officials made decisions about how to handle the SARS crisis largely independent of Beijing. It reported its first SARS case in late February 2003. Over the course of the crisis, there were 1,755 confirmed cases leading to 300 deaths.[20] Like in Toronto, much of the SARS epidemic in Hong Kong was concentrated in hospitals. Although the Hong Kong Hospital Authority initially gave individual hospital administrations latitude in their policies, decision making during the SARS crisis was soon centralized in a senior management team which met daily to review policies. Significantly, that team included past heads of the physician union as well as the current head of the hospital support staff. Communications to staff were likewise centralized and directed by the team. What tended to characterize the decision making in Hong Kong was extensive consultation with international organizations, in particular the WHO, and conformity to international norms and standards.[21]

SARS ended in China at virtually the same time it did in other countries. Indeed, the U.S. Centers for Disease Control and Prevention (CDC) lifted its travel alert on Hong Kong, Beijing and other major Chinese cities before it lifted the alert on Toronto.[22] Human Rights Watch (2003) judged that the handling of SARS established a new standard of public accountability in China.[23] Summing up, de Lisle writes, "The 2002–2003 SARS episode and its aftermath also reflected and extended the Chinese regime's increased (if sometimes reluctant or unintentional) transparency and amenability to pressures to adhere to international norms, including legal ones."[24]

The SARS crisis had a significant long-term impact on public health in China. Domestically, since 2003, China has been building its public health infrastructure (which for our purposes here is distinct from its system of health care insurance, delivery and provision) in order to fill the gaps that became transparent during the SARS crisis. This has meant establishing a national network of Centers for Disease Control, nurturing an immunization manufacturing industry and improving the avenues for communication between the Ministry of Health, on the one hand, and local governments and their public health units, on the other hand. Moreover, China's standing in the WHO was significantly enhanced. This is evident from the appointment of Margaret Chan Fung Fu-chun, who was the Director of Health in Hong Kong during the SARS crisis, as the WHO Director-General in 2006. (Chan is the first Chinese national to head a major United Nations agency.)

China's Response to the H1N1 Pandemic

There has been an increasing concern that one of the biggest threats to international public health security is the advent of an influenza pandemic on the scale of the flu pandemic that caused more than 20 million deaths after the First World War. Much of the focus initially was on the potential of the Avian Flu to develop into a full-blown pandemic. Although Avian Flu, which was concentrated in southeast Asia, was originally identified in 1997 as a new strain of influenza (H5N1), its spread only received serious global attention after SARS. Among Asian countries, China's death toll from Avian Flu was the third largest in the period from 2004–2008. It had 25 deaths compared to 115 in Indonesia and 56 in Vietnam.[25]

Unlike with SARS, China responded promptly to concerns about Avian Flu. In the second half of 2003, it quickly culled 22,500,000 poultry in rural areas where the disease was detected. In March 2004, it convened in Beijing a special China-ASEAN conference on coordinating responses to Avian Flu,

19 Jacobs, "Rights and Quarantine"; Jacobs and Potter, "Selective Adaptation."
20 SARS Expert Committee, "SARS in Hong Kong."
21 Jacobs, "Rights and Quarantine."
22 "SARS: Timeline of an Outbreak."
23 "Locked Doors."
24 de Lisle, "Atypical Pneumonia," 201.
25 World Health Organization, "Cumulative Number of Confirmed Human Cases."

where a series of measures were agreed upon by the states present. This was followed in August 2005 with a series of policy developments designed to formulate China's measures for addressing Avian Flu as part of a broader pandemic plan. The policies included:

- Preparedness and contingency planning for an influenza pandemic;
- Emergency planning for human infections from a pandemic outbreak of Avian Flu;
- Guidance for diagnosis, treatment, prevention and control of human infections of Avian Flu;
- National emergency planning for highly pathogenic Avian Flu;
- National planning for the outbreak of animal epidemics and
- Plans against public health accidents.

Parallel to this Avian Flu policy development was the national government's investment in public health programs. In the period 2004–2007, Beijing put in place 2,425 epidemic protection programs at a cost of 11,600,000,000 RMB (more than $1.5 billion) and spent 6,085,000,000 RMB (almost $1 billion) on constructing centres for disease control at the province, city and county levels as well as building 2,360 emergency epidemic centres, infectious disease hospitals and other related facilities. Like with SARS, China's leading pharmaceutical companies, in particular SINOVAC, worked on developing a vaccine. In the case of H5N1, SINOVAC did successfully develop and licence a vaccine. As a global health threat, however, Avian Flu receded by 2008 and ultimately has not proven to have the devastating impact on international public health security that many feared.

2009 has been witness to a new strain of influenza, H1N1 or Swine Flu, which has spread rapidly across the world. The origins of H1N1 have been traced to Mexico in late February 2009, although it was not identified as a novel strain of influenza until April 2009. The CDC in Atlanta traced the first case of H1N1 in the United States to March 28, 2009. The first H1N1 death worldwide occurred in Mexico on April 13, 2009, at which point the WHO declared a flu pandemic alert. Over the next two months, H1N1 spread rapidly, with confirmed cases around the world. Canada confirmed its first cases of H1N1 on April 26, 2009. On June 11, 2009, the WHO declared the disease a Phase 6 pandemic—its highest level of threat—and alerted member states to implement their pandemic preparedness and response plans.[26] It was quickly acknowledged, however, that H1N1 cases were in most instances quite mild and that the threat came from its rapid spread coupled with the possibility that the virus might mutate into a more dangerous strain of influenza. As of June 2010, there has been no sign that the virus was mutating in this way.

The WHO reported on October 16, 2009 that there were 400,000 laboratory-confirmed cases worldwide including 4,735 deaths attributed to H1N1. The confirmed cases are far below the actual cases because most countries have stopped utilizing laboratory resources to confirm actual cases. In Hong Kong, the actual cases were estimated by the Centre for Health Protection on September 25, 2009 at 500,000 even though it has only confirmed 25,305 cases.[27] The death toll in Hong Kong from H1N1 at the time was 20. (Contrast this to Hong Kong's experience during the SARS crisis when there were only 1,755 cases but 300 deaths.) In China, only two deaths have been attributed to H1N1, one in September and one in October 2009. As of October 6, 2009, it has reported 21,431 confirmed cases of H1N1. Three quarters of the deaths attributed to H1N1 worldwide have occurred in North and South America. Only 10 percent have occurred in South East Asia. The death toll in Canada as of October 15, 2009 was 80.[28] From August 30 to October 10, 2009, the CDC reported 292 confirmed H1N1 deaths.[29] By mid-October, H1N1 accounted for 97 percent of the total flu cases in Canada.[30] The CDC had similar findings.

26 World Health Organization, "What Is Phase 6?"
27 Ng, "HK to Scale Back Surveillance."
28 Public Health Agency of Canada, "Summary of FluWatch Findings."
29 Centers for Disease Control and Prevention, "2009–2010 Influenza Season."
30 Public Health Agency of Canada, "Summary of FluWatch Findings."

China responded to the WHO's H1N1 pandemic alert promptly by rolling out and adapting the pandemic planning and preparedness it had developed during the Avian Flu crisis. On August 11, 2009, China's Health Minister Chen Zhu identified the six main strands of China's response to H1N1:[31]

1 The establishment of a coordinated system of prevention and control. After receiving the WHO alert, China set up a united response team composed of the Ministry of Health and 33 other departments. Every important strategy and project decision is made by professionals based on a dynamic analysis of the epidemic situation.
2 The use of strict port entry and exit quarantine measures. From the beginning of the epidemic, Chinese authorities have begun embarking on airplanes to check temperatures, develop health situation reports, undertake strict quarantine, carry out medical observations of those that have been in close contact with infected persons, and so on. Changes in the pandemic mean that there is no longer airplane quarantine. Other related strategies have also changed according to the new situation.
3 Enforcement of the management of those that have been in close contact with infected persons. Besides the quarantine of H1N1 cases, the Ministry of Health supports the medical observation of their close contacts.
4 Enforcement of the monitoring and reporting system.
5 Adjustment and improvement of diagnosis and treatment.
6 Supporting research on an H1N1 vaccine.

These six strands have made China's response to the H1N1 global pandemic very visible to both its citizens and visitors.

At China's borders, with the onset of H1N1, travelers are required to complete health declaration forms and have their body temperatures measured by a thermometer gun administered by a border control officer. Much of the actual pandemic flu surveillance, however, is being carried out at the province, city and village level by local officials. The Ministry of Health has rolled out elaborate protocols for local officials as well as for hospitals, schools and universities.[32] The preambles for some of these protocols emphasize that the requirements they set out are consistent with directives from the WHO.[33] However, while the national government has contributed substantial money to building disease control facilities, it has not matched these funds for operating costs. The three-fold mandate (points 3, 4 and 5 above) that the Minister of Health has issued for local governments is largely unfunded. This has made some of the less costly local initiatives more widespread than others. For example, schools have been an important site for education about the spread of H1N1 and an inexpensive avenue for local officials to fulfill their various mandates. Teachers were required on the first day of school in autumn 2009 to devote their first lesson to H1N1 prevention.[34]

The actual number of H1N1 cases in China is unknown. However, if the actual numbers estimated for Hong Kong noted above are accurate, it is reasonable to expect about 100 million cases. Ultimately, however, because H1N1 has proven to be a very mild flu strain, the pressures it is likely to put on China's public health infrastructure are not going to overwhelm it. Moreover, unlike in the case of SARS or Avian Flu, there is no evidence of panic among the general public.

There are two aspects of China's response to H1N1 that seem especially noteworthy. The first is how H1N1 is perceived by public officials and how this affects the response. The relevant perceptions revolve around whether the infectious disease is believed to have domestic origins or to have been introduced in China by foreigners. This distinction is reflected in China's response to AIDS, which is perceived as a disease carried by foreigners into China and stemming from a lack of vigilance at the borders of the "Middle Kingdom." Internationally, of course, China's response to AIDS has been widely criticized for its inadequacy and human rights abuses.[35] SARS and Avian Flu, on the other

31 "Statement to Health Affairs."

32 Ministry of Health of the People's Republic of China, "Guide for the Medical Observation"; "Order No. 150"; "Scheme of Diagnosis and Treatment"; "The Technical Guide for Hospitals"; "Trial Project for Preventing A(H1N1)."

33 Ministry of Health of the People's Republic of China, "Scheme of Diagnosis and Treatment"; "The Technical Guide for Hospitals."

34 Ministry of Health of the People's Republic of China, "Trial Project for Preventing A(H1N1)"; "China's Schools Prepare."

35 "Locked Doors"; Jacobs and Potter, "Selective Adaptation"; Hyde, *Eating Spring Rice*.

hand, were accepted in China as being of domestic origin and in effect a genuine Chinese public health problem. H1N1, like AIDS, is perceived predominantly as a disease introduced into China by foreigners. This explains in particular the provocative use of quarantine for foreign travelers in the early months of the pandemic, especially those from Canada, Mexico and the United States. This fits with the fact that North America was and remains the epicentre of the H1N1 pandemic. During the SARS crisis, in contrast, China quarantined virtually no foreign travelers from North America.[36] The quarantining of Canadian students in May 2009 provoked a great deal of criticism here.[37] Likewise, in the United States, the State Department issued a travel warning for China on June 9, 2009, in response to the quarantining of American travelers. This alert was renewed on September 25, 2009. At that time, the State Department stated:

> In May 2009, China implemented a policy that allows it to quarantine arriving passengers who exhibit fever or flu-like symptoms. Although the overall percentage of U.S. citizens being quarantined remains low, the nature of the selection process makes it almost impossible to predict when a traveler may be placed into quarantine. From May to August 2009, the Department of State received thousands of reports of quarantined U.S. citizens. Since September, however, reports of U.S. citizens in quarantine have been infrequent.[38]

The other noteworthy aspect of China's response to H1N1 has been the vigour with which Chinese pharmaceutical companies have sought to develop a vaccine. As noted above, Minister of Health Zhu Chen identified it in his August statement as among the six highest priorities for China's response to H1N1. China's State Food and Drug Administration issued the first license in the world for an H1N1 vaccine on September 3, 2009. The license was issued to the Chinese pharmaceutical company SINOVAC for a vaccine for persons aged 3 to 60. The next day, it issued another license to Hualan Pharmaceutical for a vaccine that had no age restrictions. This licensing was six weeks ahead of Canada. China has insisted that the vaccines have been subject to careful testing and are safe. China initially ordered 7.3 million vaccines.[39] China was also the first country in the world to begin vaccinations, in Beijing on September 21, 2009. Beijing's Disease Control and Prevention Department insisted that vaccinations are free and voluntary.[40] Only 14 of the 39,000 people vaccinated in Beijing had adverse reactions.[41] "The efficacy and safety of the vaccine were well proven," said the Minister of Health Zhu Chen, "as no adverse effects had been reported."[42] The government realized its objective to produce 100 million vaccines and administer at least 65 million of them by the end of 2009.

Canada's Policy Window

It was emphasized earlier that the new IHR create some space for fostering global partnerships in the area of international public health security. It is in this space that a window of opportunity for policy development in Canada exists to support China's efforts to strengthen its national capacity to contribute to international public health security. One possible model is the partnership the United States has developed with China in the field of food-borne diseases. Recall that the scope of the new 2005 IHR include not only emerging infectious diseases but also diseases and illnesses caused by tainted food. In December 2007, the United States and China signed an agreement on food safety, which lead, on November 18, 2008, to the U.S. Food and Drug Administration (FDA) opening its first overseas office in Beijing, designed to monitor the safety of food being exported to the United States from China. Mike Leavitt, then U.S. Health and Human Services Secretary, said in Beijing at the time, "The opening of offices around the world is part of a desire we have to both build regulatory

36 Jacobs, "Rights and Quarantine."
37 "China Overreacts"; Schiller, "Canadians Press China."
38 "Travel Alert: China 2009."
39 "Chinese Gov't Orders."
40 "No Abnormal Reactions."
41 "Stockpile of Vaccine."
42 Lee, "Ministry of Health Keeps."

capacity with host governments, in other words, to improve our relationships and to work jointly, in collaboration."[43] Obviously, this partnership strengthens public health security in the United States and benefits American importers of Chinese food products.

There is an important opportunity for Canada to partner with China to support the building of its vaccine development and manufacturing capacity. Vaccines are a fundamentally important part of China's innovation in health biotechnology. Vaccines account for 11 of the estimated 75 major biotech products China is currently developing in this sector of its economy.[44] The Minister of Health, Zhu Chen, has stated explicitly that expanding manufacturing capacity is a priority: "The manufacturing of vaccine in China is still limited … but we are ready to support any region in China, including Hong Kong."[45] However, in the case of vaccines, China's leading companies are right now restricted to the Chinese domestic market. At present, the WHO recognizes internationally less than 20 vaccine producers, none of them based in China or indeed anywhere else in the developing world. (The WHO has, however, previously approved malaria drugs made in China and some generic pharmaceuticals produced in India.) This meant that although SINOVAC and Hualan Pharmaceutical rapidly developed an H1N1 vaccine, China had no prospect of selling that vaccine to external markets or even to license manufacturers elsewhere to produce the vaccine. From a Canadian perspective, what China really needs is a global partner like Canada that can help it to reach export markets.

There are at least two significant indicators that China is interested in developing its vaccine export capacity, which have relevance to the role Canada could play in a global partnership with China. One indicator is that SINOVAC has indicated its interest in joining the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) and, in particular, becoming involved in it Influenza Vaccine Supply International Task Force. (Actually, SINOVAC states on its website that it is a member company; however, IFPMA does not list them as a member company.) IFPMA is potentially an important place for Chinese vaccine manufacturers like SINOVAC to gain status as a respectable international firm. It puts a priority on respecting intellectual property rights and meeting high ethical standards for research and testing. Canada has close ties with IFPMA, and Canada's Research-Based Pharmaceutical Companies are represented by the association. SINOVAC, which is traded on the New York Stock Exchange, has posted on its website this month a call for overseas partners and distributors.

The other indicator revolves around the WHO's recognition of international vaccine producers. The Minister of Health has indicated that China will apply to the WHO for approval of its H1N1 vaccine.[46] The alleged reasoning is that this approval will make it easier for China to donate vaccines to other countries, presumably some of the countries in Africa with which it has close ties. The background is that the WHO functions as the clearinghouse distributor of donated vaccines from around the world. In the case of H1N1 vaccines, the United States and a number of European countries have donated vaccines; the WHO will distribute them, but it will only accept donations from internationally recognized vaccine producers. Hence, in order for the WHO to accept H1N1 vaccine donations from China, it must include SINOVAC and/or Hualan Pharmaceutical as among the internationally recognized producers. However, in order to reach most markets, the Chinese companies will have to register their vaccines with one or both of the two leading international drug authorities, the FDA in the United States and the European Medicines Agency. Health Canada, as well as the Canadian pharmaceutical industry, have extensive experience with both of these agencies as well as IMFPA, which could be invaluable for China. For Canada's pharmaceutical industry, establishing partnerships with Chinese firms, such as SINOVAC, may be an avenue into the Chinese market.

43 Ho, "US Food Safety Officials."
44 Frew, S.E., et al., "Chinese Health Biotech."
45 Lee, "Ministry of Health Keeps."
46 Ibid.

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21

FRÉDÉRIC LASSERRE

CHINA AND THE ARCTIC: THREAT OR COOPERATION POTENTIAL FOR CANADA?

Abstract

In the context of climate change in the Arctic, scenarios about the consequences of the ice melting underline the possibility of the opening up of the Northwest Passage to shipping and mineral exploration. These scenarios also point to China as a potentially active stakeholder in this opening up, given the fact that the distance between Europe and China is much shorter through Arctic sea routes than via the Panama Canal. A closer look at the shipping companies' strategies, on the one hand, and at China's Arctic interests, on the other, points to the idea that if China's interest in the Arctic is real, it is not fuelled by a long-term desire to force Canada to surrender its sovereignty over the Northwest Passage. However, China's interest in Arctic affairs could prove a good opportunity for Canada to voice its desire to foster cooperation in the region.

Introduction

With the onset of an accelerated sea-ice decline in the Arctic, discussion of the opening of Arctic sea routes—the Northwest and the Northeast Passages—and of increased mineral extraction in the Arctic has erupted. In these new Arctic shipping lanes, much shorter (for some carriers) than traditional routes using the Panama Canal or the Suez Canal, a large traffic flow could develop, all the more so with the extraction of hydrocarbons and mineral resources. China, in particular, is often described as being very interested in both Arctic mineral resources and the opening of these shipping routes.[1] In this characterization, there is a hint of a perceived threat, as commentators stress that China's appetite may lead Beijing into considering the Northwest Passage an international strait.

To be sure, China displays a real interest in the Arctic, as attested by its applying for observer status at the Arctic Council in 2008, and by its developing research programs in the area. These moves can be better understood in the general frame of China's policy to assert itself as a major power in the 21st century. However, China's initiatives can also provide an opportunity for Canadian policy regarding the Arctic. Indeed, China might not press for an unregulated rush to the Arctic, not least because many of the activities that it may be contemplating are already governed by settled rules of international law.

The first section of this paper will examine China's scientific program in the Arctic to assess its interest in the region; economic dimensions will be discussed in the second section. Given the Canadian interests in the area, a discussion will follow on the implications for Canada that stem from the growing Chinese interest in the Arctic.

1 See, for instance, Spears, "China and the Arctic"; Lalonde, "Legal Aspects"; Graham-Harrison, "China Stepping Up." The web abounds with sites displaying the common-sense-based idea that "China" (probably meaning the Chinese government) must be interested in Arctic routes since they will be shorter ways to reach European markets.

An Interest Embodied in Research Programs

Is China's interest in the Arctic rooted in science, in economic interests, in resources or shipping potential, or in global political objectives pursued by Beijing?

Over the past 10 years, China has developed a real interest in Arctic science, structured along four main axes: oceanography, biology, atmospheric science, and glaciology. In oceanography, Chinese research focuses on the interaction between water masses and their circulation, and on the ice shelf, in particular in the Beaufort and Chukchi Seas, north of the Bering Strait. Biology research programs focus on sea-ice ecology, coupled with the polar glaciology programs that examine the interaction between ice and marine life. The major objective of the upper-atmosphere physics research programs of the Polar Research Institute of China is to understand high-latitude space weather.[2] China actively participated in the organization of the International Polar Year (IPY) 2007–08 research programs.

To support the Chinese polar research programs, the Chinese Arctic and Antarctic Administration (CAA), a division of the State Oceanic Administration, developed an ice-capable ship[3] for polar science purposes: the *Xuelong* (the name means "blue dragon"), acquired in 1994, carried out three scientific expeditions to the Arctic, in 1999, 2003, and 2008, mainly in the Bering and Chukchi Seas. The *Xuelong* is reportedly famous in Canadian government and military circles because it showed up in 1999 in Tuktoyaktuk, on the Beaufort Sea, without having been detected en route, fuelling speculation at the time about China's interest in developing natural resources in Canadian waters or in fresh-water exploitation.[4] China opened a permanent Arctic research station in Ny-Alesund, Svalbard, in October 2003—it already had two Antarctic research stations, Great Wall and Zhongshan, and it began building a third one, Kunlun, in late 2008—and it funds important Arctic and Antarctic science programs to explore the impacts of climate change on the regions. From 1985 to 2009, the CAA had organized 3 Arctic and 23 Antarctic science missions. China also favours scientific cooperation: onboard the *Xuelong* during the Arctic 2008 voyage were an international team of scientists, including head researchers from the European IPY research program Damocles.[5] China has recently ordered a second research icebreaker.[6]

Thus, China's interest in polar research is not new. Although Arctic research certainly received renewed impetus recently, Chinese polar science is by far more focused on Antarctic research than on Arctic research.

What reasons underlie China's efforts in polar science? One may wonder if Beijing is studying polar climate change to gather information related to climate change affecting the Chinese landmass. However, there is no indication that this is the case in the policy statements of the scientific agencies responsible for Chinese polar research, the CAA and the Polar Research Institute. Polar research seems to be no more self-centred for China than it is for any of the other major countries developing substantial polar science programs: Canada, Russia, the United States, France, Britain, Australia, Norway, and Belgium. Science policy, whether in China or elsewhere, is thought of as promising long-term growth effects through knowledge development, not as merely providing answers to current local issues. China faces the challenge of making the transition from growth driven by foreign investment to growth that is sustainable from the social, economical, ecological, and environmental points of view. Innovation has been identified by the Chinese government as a main engine for this new growth model, and Beijing has launched a national strategy to build an innovation-driven economy and society

2 Polar Research Institute of China, "Polar Oceanographic Science," and "Polar Upper Atmosphere Physics."

3 Although often referred to as an icebreaker, the *Xuelong* was in fact built by a Ukrainian shipyard as a transport ship with strong ice capabilities.

4 Leblanc, "The Defenceless Arctic." Colonel Leblanc (retired) is a former commander of the Canadian Northern headquarters. Such scenarios are far-fetched since it is difficult to consider opening an invisible mine, even in remote Arctic places; and it is far more costly to transport fresh water over such a long distance than to desalinate sea water. China recently developed a comprehensive desalination plant building program.

5 Canadian political scientist Rob Huebert (University of Calgary) even goes as far as saying that China has developed a more substantial and vigorous polar research program than Canada. Krugel, "Chinese Interest in Arctic."

6 Cai, "China to Build Own Icebreaker for Poles."

by 2020.[7] To that end, China is developing a science policy that matches its ambitions as a major world player, and it is from this perspective that China's Arctic science interest must be interpreted; as China becomes a major power in the 21st century, its science must match its overall ambitions and compare positively with science produced by other developed countries.

The current international rules concerning marine scientific research are to be found in part XIII of the United Nations Convention on the Law of the Sea (UNCLOS), 1982. Canada, as a coastal state, clearly has the absolute right to conduct marine scientific research in its territorial sea and within its exclusive economic zone (EEZ) or on its continental shelf. While it has the right to prohibit such activities by the nationals of other states in its territorial sea, its EEZ, and its continental shelf, the rules are a bit different inasmuch as it cannot bluntly prohibit research, but it may do so if some criteria are not met.[8] In general, research activities are to be conducted for peaceful purposes, with appropriate scientific methods; must not unjustifiably interfere with other legitimate uses of the sea; and must be in conformity with international law and the protection and preservation of the marine environment.[9] Furthermore, marine scientific research activities cannot be used as a legal basis for a jurisdictional claim.[10] The convention also promotes international cooperation within the conduct of research activities. So far, there is no reason to believe China does not abide by these rules.

China's Involvement in Regional Arctic Cooperation

China applied for observer status to the Arctic Council and was nearly granted it in 2008; it would have been the first Asian country to be given this status. It seems that China, South Korea, and Italy are acting as ad hoc observers pending the next ministerial meeting in 2010.[11] Full membership is reserved for Arctic countries and indigenous peoples' organizations. Founded in 1996, in large part because of Canada's advocacy of the concept, the Arctic Council promotes "cooperation, coordination and interaction among the Arctic States."[12] Although decisions of the Arctic Council are not binding, it remains a valuable institution that promotes valuable scientific research—notably the Arctic Climate Impact Assessment, the Protection of the Arctic Marine Environment program, and the Arctic Marine Shipping Assessment program—as well as dialogue between members on technical cooperation and economic and social issues. It is in this political frame that China's Arctic interest must be understood; China is concerned with the global impacts of climate change, on the one hand, and on the other, it intends to have a say in international institutions so as to convey its position and fulfill its ambition to be a major power of the 21st century. The Arctic Council suits China's taste for discussion forums with no binding power, where global issues can be considered without giving China the feeling its sovereignty is being infringed upon.

China and the Arctic: What Economic Interests?

Shipping: Future Arctic Highways for Chinese Trade?

A number of observers have explained China's interest in the Arctic by linking its developing scientific presence with economic objectives. For example, in 2008, Robert Wade stressed a developing economic Chinese interest in the context of melting sea ice in the Arctic.[13] Indeed, as the ice recedes, the possibility of the opening of transit shipping routes (figure 1) is the object of discussions. Wade has also argued that China is heavily investing in Iceland, politically and economically.[14]

7 Organisation for Economic Co-operation and Development, *OECD Reviews*.

8 Article 239 of UNCLOS gives states and competent international organizations the obligation to promote and facilitate the conduct of marine scientific research. Article 246 gives states the right to regulate and authorize as well as conduct marine scientific research in the EEZ and on the shelf.

9 Article 240 of UNCLOS.

10 Article 241 of UNCLOS.

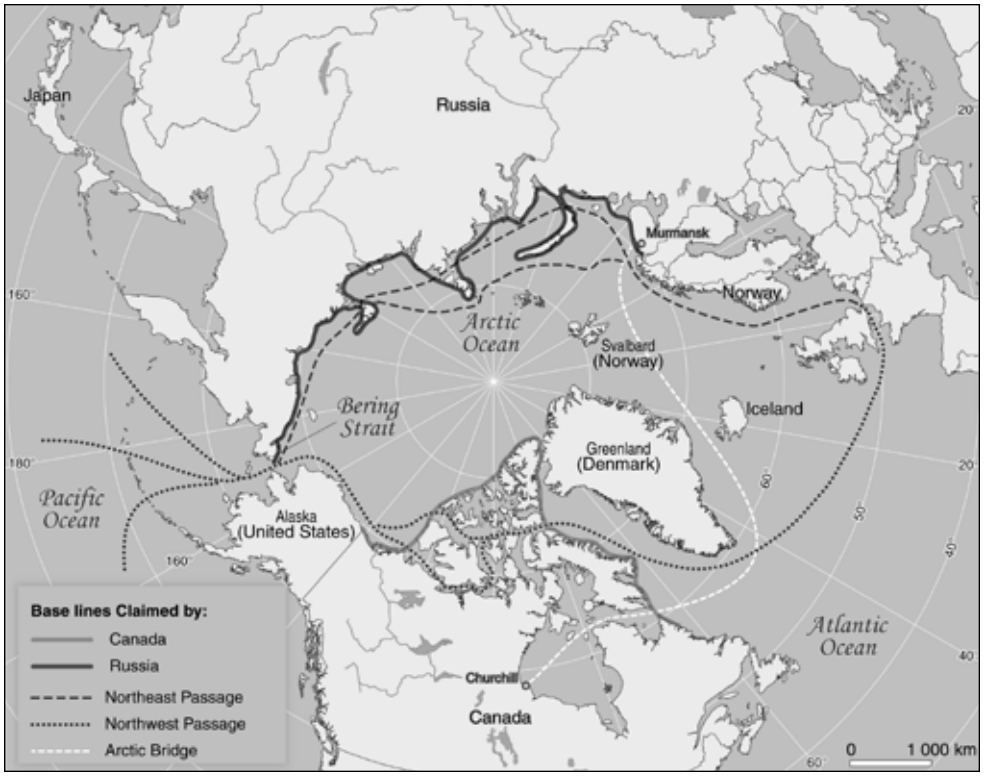
11 Arctic Council, *Senior Arctic Official (SAO) Report*, p. 3.

12 Arctic Council, "About Arctic Council." Arctic Council members are Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden, and the United States. Six Arctic indigenous groups are also permanent members. Observers, as of early 2010, include Germany, France, the Netherlands, Poland, Spain, and the United Kingdom.

13 Wade, "A Warmer Arctic." The information was repeated in Jakobson, "China Prepares for an IceFree Arctic."

14 China's embassy in Reykjavik was described as being the biggest of all, so as to take a firm foothold on an island promised to become a major Arctic shipping hub. However, the author of this paper had a look at the Chinese and other embassies in Reykjavik in January 2009. It is no bigger than most Chinese embassies in Europe, and much smaller than the French, Danish, American, and Russian embassies in Iceland, for instance. Linda Jakobson admitted she merely repeated information from Wade in her interesting 2010 article; email to the author, May 20, 2010.

Figure 1: Arctic Shipping Routes



Source: Lasserre, "Les détroits arctiques canadiens et russes."

Table 1: Distances between Selected European, North American, and Chinese Ports (kilometres)

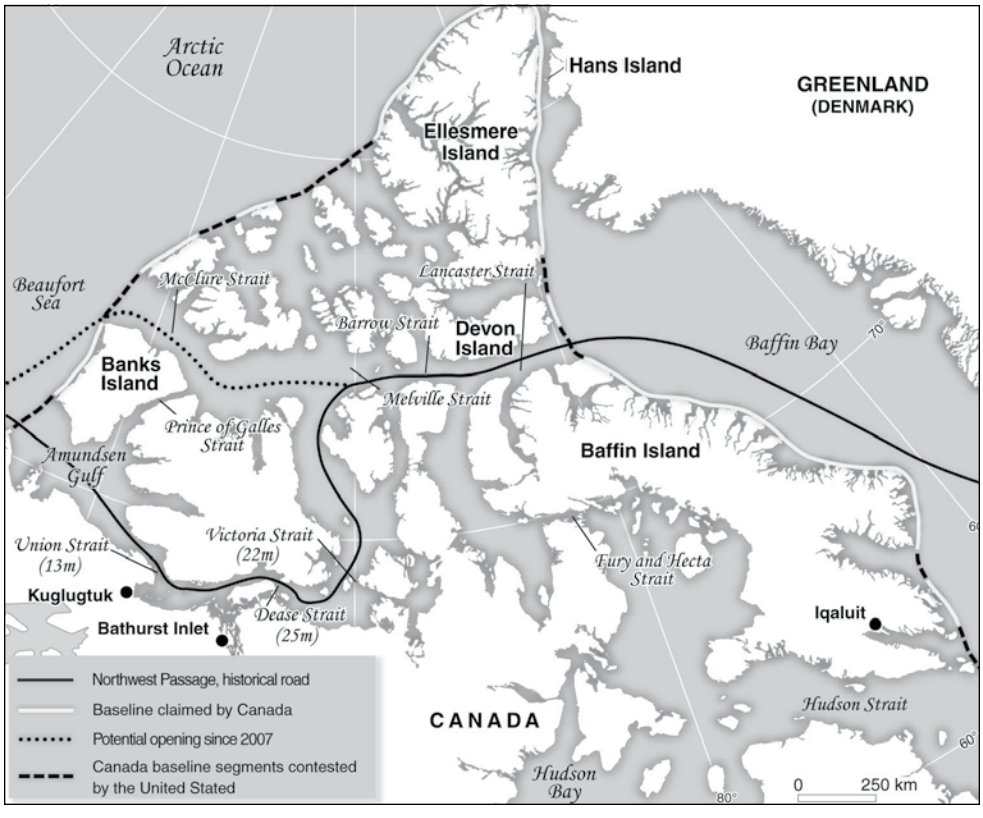
Origin—Destination	Panama	Northwest Passage (across McClure Strait)	Northeastpassage (Across kara gate and south of Russian Archipelagos)	Suez and Malacca
Bordeaux—Shanghai	25,588	16,100	15,793	19,550
Marseilles—Shanghai	24,980	16,100	16,750	19,030
Gioia Tauro (Italy)—Hong Kong	26,038	19,160	19,718	16,460
Barcelona—Hong Kong	25,934	20,230	20,950	14,093
New York—Shanghai	25,044	18,950	20,090	14,693
New York—Hong Kong	20,880	17,030	19,893	22,930
Rotterdam—Shanghai	21,260	18,140	20,985	21,570

Grey indicates the shortest distance. Light grey indicates less than 15 percent difference.
Source: Author's calculation using MapInfo and ArcGIS.

His conclusions, however, are far-fetched: no Arctic shipping route from Iceland is seriously being developed for now. Although it is a scenario considered by the Icelandic government, no shipping firms are showing interest. No transhipment port for Arctic shipping is being built by the country either. However, Chinese delegates did participate in a seminar on the Arctic and its potential for shipping in Iceland, held in March 2007.[15] They expressed the Chinese government's willingness to cooperate with the Arctic states in research and development of Arctic transportation and climate science.

This low-key position nonetheless reinforced prevailing assumptions in the general literature about the Arctic that the Chinese government and Chinese shipping companies are merely waiting for the Northwest Passage (figure 2) to open up a bit more before launching full-scale service across Arctic Canadian waters between Asia and Europe. The premise is that a shorter route would naturally be more attractive for shippers of Chinese goods. But as shown in table 2, the Northwest Passage is not necessarily the shortest route in any case.

Figure 2: The Northwest Passage



Source: Lasserre, "Le passage du Nord-Ouest." Map prepared by the Department of Geography, Université Laval.

Here again, exaggeration or ignorance seems to be at the base of these assertions. Chinese shipping firms are largely globalized and make business decisions mostly according to standard cost-benefit analysis. Among these shipping firms, according to interviews conducted by the author in December 2008, neither Orient Overseas Container Line (OOCL) nor China Ocean Shipping Company (COSCO) nor China Shipping Container Lines (CSCL) expressed a definite interest for opening Arctic shipping routes in the short or medium term, because of slower speeds across these routes, higher insurance

15 "Breaking the Ice: Arctic Development and Maritime Transportation," conference organized by the Icelandic government, Akuyeri, Iceland, March 27–28, 2007.

costs, the high probability of delays, and serious risks of damage to the cargo.[16] On the contrary, these companies have heavily invested in modern, larger, but not ice-strengthened cargo ships to serve European, North American, and Asian markets, and port management companies like Hutchison Port Holdings from Hong Kong have taken major stakes in Balboa and Cristobal, ports in Panama, as well as in other canal operators. In March 2008, the Panamanian government said China's largest shipping conglomerate, COSCO, was still interested in establishing a new billion-dollar port that could be located at the Pacific entrance of the Panama Canal, not far from Cristobal and Balboa.[17] China's interest in the Arctic, and in the Canadian Arctic in particular, is not focused on a rapid opening of shipping routes, the economic interest of which remains to be proven for container shipping lines, as surveys of several shipping companies proved.[18]

Indeed, the Northwest Passage is not a deepwater passage: larger tankers and carriers will not be able to use it, at least not if they are loaded with cargo, unless they use McClure Strait, which only recently (2007) saw the ice disappear for a very short period of time.[19] Furthermore, with the intrusion of very hard multi-year ice actually projected to increase, due to the melting of the ice cover that has acted as a barrier, and with the permanence of drifting ice, some parts of the Canadian Arctic Archipelago may be impossible to transit.[20]

Natural Resources: A Magnet for China—but in the Arctic?

To what extent are China's research programs in the Arctic designed to directly advance its economic interests? China has witnessed a long growth period that has made the country dependent on imports for its supply of raw materials, especially base metals and hydrocarbons. Some authors even defend the idea that Arctic "resources already have led Arctic nations—including Russia, Canada *and even non-Arctic China*—to make aggressive claims to areas of the Arctic,"[21] thus suggesting that China is largely focused on resource politics in the region.

But nothing of the sort can be demonstrated; China's research does not relate to the geology of the continental shelf in the Beaufort Sea, where oil and gas exploration by North American and European oil firms has been very active for many years now. China has never laid claim to any expanse of the Arctic Ocean, the EEZ, or the continental shelf, and even if it wished to do so, its claim would be invalid because it has no coastline in the area. Besides, if there are indeed interesting prospects for mineral exploitation in the Arctic, most potential fields are located in Arctic countries' EEZs and, therefore, will be subject to their sovereign rights regarding exploration and production under international law.

As of April 2009, there were no Chinese mining firms investing either in Canadian Arctic mining or in oil and gas exploration and exploitation, since they lack cold-weather operation know-how.[22] Companies exploring in the Canadian Arctic are all Western firms: Petro-Canada, BP, Chevron, Imperial Oil, Shell, ConocoPhillips, Nytis (Kentucky), Talisman Energy, and AltaGas. There are geopolitical reasons for China's absence. To develop alternative oil supplies, China has turned to Africa (now supplying close to 20 percent of China's oil), to Central Asia (Chinese oil companies have been buying oil fields in Kazakhstan and building an oil pipeline to China), and to Siberia, much closer to China and more promising than Arctic Canada as far as oil is concerned. If China is involved in any market struggle to get access to oil and gas from northern territories, it would be in Siberia, where Russia is more than eager to sell its hydrocarbons to its neighbour, and where Moscow is arbitrating a dispute between Japan and China as to where pipelines will be built.[23] An oil pipeline is being built by the Russian firm Transneft from central Siberia (Irkutsk Oblast), where it would connect with pipes from western

16 Only COSCO expressed a theoretical interest, reflecting what the firm reckoned was very preliminary thinking about Arctic routes.

17 Beatty, "Panama Ports Expect Boom"; "China's COSCO Takes Over Container Business at Greek Port"; Hutchison Whampoa Limited, "International Operations—Americas."

18 Lasserre, "Vers l'ouverture"; Lasserre, "Étude des impacts géopolitiques."

19 Union Strait is only 13 metres deep, thus restricting transit to ships of about 50,000 dead-weight tonnage. Lasserre, "Les détroits arctiques."

20 Lasserre, "Vers l'ouverture"; Falkingham, Melling, and Wilson, "Shipping in the Canadian Arctic"; Wilson et al., "Shipping in the Canadian Arctic"; Howell and Yackel, "A Vessel Transit Assessment."

21 Sands, "Oil, Natural Gas Development," emphasis added. See also "Arctic Holds."

22 Letter from Ginette Bouchard, head, analysis, systems, and dissemination, Natural Resources Canada, Ottawa, April 6, 2009; letter from Kerry Newkirk, director, Northern Oil and Gas Directorate, Department of Indian Affairs and Northern Development, April 14, 2009.

23 Baker, "Old Rivalry Flares."

Siberia, to Daqing in Northeastern China; it was to be completed in 2009[24] but work was delayed and started only in 2010.[25] Chinese oil firms have not so far developed Arctic oil exploitation know-how and do not seem willing to do so.

Should vast amounts of oil be discovered in the Canadian Arctic (a low-probability event,[26] since oil and gas are known to be there, but in moderate quantities), they would lie within the Canadian EEZ or continental shelf and their exploitation would be subject to Canadian law. We still don't know enough because much more exploration will be required. Furthermore, the limits of the Canadian Arctic shelf are still uncertain. Ottawa may be able to make a claim for extended jurisdiction beyond 200 nautical miles under article 76 of UNCLOS. So far, no Chinese oil company has applied for a licence block, nor has any invested in an oil company exploring there. In 2004, the Chinese oil giants Sinopec and China National Petroleum Corporation (CNPC) considered investing in Petro-Canada, but the idea was to develop the Alberta oil sands, not Arctic oil reserves, a move confirmed with Sinopec's purchase of Conoco's shares in oil sands in 2010.[27] In August 2005, CNPC took over the Canadian company PetroKazakhstan, to gain access to its Kazakh oil fields.[28] In February 2009, CNPC did buy the Canadian oil firm Verenex Energy Inc., not for its Canadian assets but rather for its Libyan oil fields.[29] More recently, CNPC unveiled plans to buy equity from Petro-Canada to gain access to fields in Syria and Libya.[30] Here again, Canadian Arctic oil does not seem to be high on Chinese firms' agendas. Access to potential Canadian Arctic oil could eventually be sought through regular market processes.

As far as economic interest is considered, if the Chinese government does not have a clear policy regarding the Northwest Passage and other Arctic routes, that does not preclude interest in potential Arctic development by others, as climate change is an ongoing process and business plans by shipping companies can evolve. Some 60 percent of international vessels passing through the Malacca Strait at present are reported to be either Chinese-flagged ships or vessels transporting cargo for China. China's dependence on major international straits is not unique, even in Asia, but the country's growing economic clout suggests China could voice its concerns regarding commercial shipping. There is a growing sense that overcapacity in the Malacca Strait and security issues are becoming a threat to the Chinese economy; the development of alternative routes could be welcome should they be profitable—which does not seem to be the case for now.

As energy resources start to be exploited in the Arctic and transit shipping increases in the Arctic Archipelago, China has not publicly stated its position concerning the status of the Northwest Passage,[31] but it would certainly be interested in securing a mechanism that could provide for a safe and fast passage to its energy-hungry markets. That does not mean it will seek to undermine Canada's stance on sovereignty over the Northwest Passage; Beijing has remained neutral on the sovereignty issue. This can partly be explained by the fact that China faces a number of domestic issues involving passage through straits. It has always insisted that the Taiwan Strait should be regarded not as an international waterway but as Chinese waters, and it is even more insistent on this point as regards the Hainan Strait, separating Hainan Island from the mainland. Countries such as the United States routinely insist these straits should be open for navigation and send naval vessels through them to underline this point.

24 Helmer, "China Beats Japan in Russian Pipeline Race" and "China Ties up Russia's Crude—Again."

25 Business Monitor International, "Transneft Starts Work on New Yamal Oil Line."

26 Offerdal, "High North Energy"; Lasserre, "High North Shipping." See also Bird et al., *Circum-Arctic Resource Appraisal* and Schenck et al., *Assessment of Undiscovered Oil and Gas*, showing oil and gas reserves are likely to be much more abundant in the Russian and Greenlandic continental shelves.

27 "Sinopec Buys Conoco's Oil Sands Stake for £3Bn."

28 Associated Press, "Chinese Oil Company."

29 Agence France Presse, "China's CNPC."

30 Reuters, "China's CNPC Eyeing Petro-Canada Assets—Report."

31 Press Officer, Embassy of the People's Republic of China in Ottawa, direct communication with the author, February 16, 2009; Embassy of the People's Republic of China in the Kingdom of Norway, "Ambassador Tang Guoqiang." China will not interfere with coastal states' claims.

Canada's Interests in the Arctic

Canada's policy regarding the Arctic revolves around the idea that Canada's sovereignty must be preserved, on two fronts. The first one relates to the ongoing disagreement with the United States concerning the status of the Northwest Passage: an international strait according to Washington, lying within Canada's internal waters in Ottawa's view. Regarding this point, Canada puts forth the argument that to protect the environment, Canadian sovereignty in the Northwest Passage would better serve the regulation of developing traffic than international strait status.

The second point relates to the process of defining the extent of the continental shelf, which provides for potential overlapping claims. Indeed, this process requires states first to fix their outer limits in accordance with UNCLOS, and also by agreements with opposite and adjacent states. Article 76 sets out a series of criteria that permit a country to exercise exploration and exploitation rights over areas of seabed beyond 200 nautical miles if the natural prolongation of the continental margin extends there. As regards delimitation with opposite and adjacent states, the guiding principles are median distance and equidistance. Canada insists that the extent of continental shelves must be set up in the frame of international law. Foreign ministers from the five Arctic states bordering the Arctic Ocean convened at the Ilulissat Conference in May 2008 and all agreed, Russia included.

Opportunities for Engaging China on Arctic Issues

Canada could take advantage of China's potential interest in Arctic shipping routes, as attested by the statement of the Chinese delegates to the Iceland-sponsored conference in 2007. The Canadian government, confronted with the Americans' refusal to recognize its claim of sovereignty over the waters of the Northwest Passage, could engage China as well as other countries in discussing the need to implement tight shipping rules in the Arctic. If the United States will not discuss conflicting claims at the Arctic Council, it may agree to a Canadian proposal to begin talks on cooperation on that matter, provided those could yield a regulatory framework for the development of potential shipping. The International Marine Organization (IMO) has issued *Guidelines for Ships Operating in Arctic Ice-Covered Waters* (2002),[32] which specify naval architecture features that are needed to ensure that ships are adequately ice-strengthened in Arctic waters. Canada would have preferred a more binding document—a Polar Code—but resistance from countries like the United States prevented the IMO from promulgating more stringent regulations. The IMO guidelines must be considered in relation to the International Association of Classification Societies *Unified Requirements for Polar Ships* (October 2007), which standardize classification for commercial ships and to which China is a party. Under pressure from notably the Arctic Council,[33] the IMO in early 2010 seemed to be moving toward the drafting of a mandatory Polar Code for 2014.[34]

Even if the United States and Canada amicably agreed to disagree with the 1988 Arctic Cooperation Agreement, progress toward agreement on the creation of well-governed sea routes, with search and rescue facilities, repair facilities, ship capability controls, and transhipment ports, would be a very constructive step toward the promotion and development of safer Arctic shipping.

The European Union has also applied for observer status at the Arctic Council. There is a developing idea among several EU states that economic development and maritime claims in the Arctic should be coordinated by an Arctic treaty, somewhat modelled on the Antarctic Treaty. The European Union published its Arctic policy in November 2008 and called for deeper political discussions on this idea. Several Arctic states, especially those bordering the Arctic Ocean and with claims to continental shelves,

32 Updated in 2009 with the IMO *Guidelines for Ships Operating in Polar Waters*.

33 In the Tromsø Declaration, April 2009, the Arctic states declared that the ongoing IMO work regarding Arctic shipping must be updated, with "its relevant parts be made mandatory." Arctic Council, "Tromsø Declaration."

34 Upcraft, "Moving Towards a Mandatory Polar Ship Code."

including Canada, reject the proposal on the grounds that there already is an international treaty, UNCLOS, with provisions for environmental protection. Three other Arctic Council countries, Iceland, Finland, and Sweden, were displeased not to be invited to the Ilulissat Conference in May 2008, which focused on Arctic claims but discussed other issues like shipping, security, and indigenous rights. In order to avoid the ongoing appearance of a territorial grab by countries refusing multilateral cooperation with other states, Canada could take advantage of China's observer status and step up a dialogue with Arctic Council members and observers, so as to enhance cooperation and transparency. This idea was already floated by a 2005 review of Canadian policy, which underlined that more can be done by the government on the questions of sovereignty, Arctic sustainable development, and cooperation between Canada and Russia, the European Union, and other circumpolar countries.[35] Canada should therefore take a more assertive stance toward the development of internationally negotiated regulations, as it has already done with the Convention on Persistent Organic Pollutants or the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities.[36]

Engaging China and Asia on Arctic Matters

China is not the only Asian country developing a keen interest in Arctic affairs. Japan has long been carrying out Arctic research. It launched a new icebreaker in 2008, and its National Institute of Polar Research set up its first Antarctic expedition in 1956. Tokyo has not yet applied for observer status at the Arctic Council because of internal political and administrative bickering, but China's own admission could trigger Japan's application. Since 2002, Japan has conducted, in coordination with Canadian scientists, important research projects on gas hydrates off the coast of Canada, in the Beaufort Sea and Mackenzie Delta. This research is scientifically relevant because of the potential impact of these gas hydrates melting and accelerating climate change; the research could also lead to a process to economically exploit these methane hydrates. Japan's interest in polar science predates China's. In 1956, there was no mention of the climate change issue, and Japan's interest in Arctic and Antarctic research is very likely rooted in the same goals as China's: to develop credible international scientific capacity to support its claim to great power status.

The South Korean shipyards Daewoo and Samsung (both private firms) have been building ice-strengthened cargo ships for the past 10 years. In 2007, they purchased the leading shipyard in the sector, Aker Finnyards of Finland, which had developed a promising new technology for ice navigation, the double-acting ship.[37] Aker's order books are full for the next few years, and it will provide cargo ships mainly for the Barents and Kara Seas. South Korea has run a scientific base in Svalbard since 2002 and applied for observer status at the Arctic Council in May 2008. Seoul justifies its political interest in Arctic affairs in a more straightforward way than does Beijing: it seeks to be consulted on regional environmental protection matters and on climate change mitigation; to be consulted on matters regarding regional development; and to discuss potential development and the impacts of marine transportation and resource exploitation—all topics that are high on the Arctic Council's agenda.[38] This accounts for the Arctic Council's decision to launch the Arctic Marine Shipping Assessment, part of the Protection of the Arctic Marine Environment research program.

Conclusion

Engaging China and supporting the admission of other Asian countries as observers at the Arctic Council could prove useful for Canada in keeping its own agenda prominent in cooperation discussions. Because Arctic countries underlined in May 2008 the idea that UNCLOS will be the basis for the definition of continental shelves, thus rejecting the idea of internationalizing the issue, it is possible that a legal framework will eventually be devised for mineral exploitation and shipping, as Arctic

35 Canada, Department of Foreign Affairs and International Trade, *Summative Evaluation*.

36 Crawford, Hanson, and Runnals, *Arctic Sovereignty*.

37 Ice-strengthened ships could help develop Arctic shipping, but they are also much more secure than classic cargo ships. They cost, however, about 60 percent more to build. Canadian regulations under the Arctic Waters Pollution Prevention Act (1970) do require ships to be ice-strengthened to ply Canadian Arctic waters.

38 Kim, "Korea Wants to Join in Arctic Projects."

Council states called for in the Tromsø Declaration on April 29, 2009. Ignoring other countries' suggestions or demands may mean the Arctic agenda could escape from Canada's control. On the other hand, working on building common ground with China and taking its concerns and interests into account could prove profitable inasmuch as China could, in turn, consider Canada's specific interests in the Arctic.

The Arctic Council, for all its limitations, has garnered real credibility for cooperation and dialogue about Arctic issues between states and indigenous political organizations. It is true that the Arctic Council is suffering from difficulties, the most prominent being that the United States refuses to consider the institution as a forum to discuss political issues and make binding decisions. Yet, enhanced official and expert interactions by Canada and China are warranted on several fronts. The option of engaging China within the Arctic Council could be a real opportunity to advance Canadian interests in the area, as our interests overlap in areas of research, environmental regulation of maritime shipping, interpretation of maritime treaties, and the need to cooperate and engage in multilateral mechanisms to reach an international compromise on these issues.

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22

ARTHUR J. HANSON

CHINA AS AN ENVIRONMENTALLY RESPONSIBLE GLOBAL CITIZEN

Abstract

China's remarkable economic growth and development has placed it among leading nations, where it is therefore open to demands about what it should do in order to meet global norms of responsible international behaviour. There are many points of view internationally and within China on what such behaviour might entail. Chinese leaders consistently point out that, while the country intends to meet its major international obligations, it should not be expected to achieve the same level of performance as richer countries, since it still has important development needs both in its cities and, especially, in its rural areas. China also wishes to take development pathways that differ from the trajectories that produced unsustainable outcomes elsewhere. The rising significance of the environment and development, including climate change, is leading to new pressures in the country's relationships with the global community. This paper examines China's response, ways in which Canada could become more effective in its sustainable development relationships with China, and the mutual benefits of doing so. China is probably in a transformative stage of deciding how it will deal with the environment and development both domestically and internationally; it is turning the problems into new economic growth and trade opportunities and placing emphasis on improved science and technology solutions. Self-interest on the part of China will prevail, with new patterns of international investment within countries such as Canada and also in the developing world. But China can be expected to play an increasing role individually and through partnerships to address global environmental problems. Canada must be proactive to avoid being sidelined in this process by other powerful nations seeking relationships with China in new fields, such as green growth and the low-carbon economy.

Introduction

Over the past three decades since "opening up" under Deng Xiaopeng, China has become the world's sleeping giant nation. Remarkably, many aspects of its growth have been accomplished without much of the clamour and bluster often associated with ascendancy to the world stage. China generally has shunned an overt leadership role in global relations, even when it seems to other nations that it should be playing a major, even dominant role on some matters. China has made it abundantly clear that it wishes to contribute toward global peace and prosperity, and to global sustainable development. At the same time, its leaders continually point out that China is still very much a developing nation, even though it is now the world's largest exporting nation, expects to soon pass Japan as the world's second-largest economy, and is still managing to maintain the highest economic growth rate of any large nation. They point out that China cannot be expected to take on too many international obligations, or to meet all expectations of others concerning any number of important global issues, ranging from human rights to limiting the growth of greenhouse gas (GHG) emissions.

People outside China are becoming more demanding about what China should or should not do in order to meet global norms of responsible international behaviour. Some focus on matters of defence and security, worrying about China's growing defence expenditures and its expanding reach into space and on the high seas. Others focus on China's rapid rise to become the world's workshop, a trend that has created trade imbalances and concern that it is a pollution haven, a place where workplace and food safety are ignored, and a country where intellectual property rights are not fully respected.[1] China has gone through a steep learning curve over the past decade on AIDS, SARS,

1 Elizabeth Economy has documented many aspects of the environmental downside of China's rapid growth in "The Great Leap Backward?"

and other public health matters—amounting to a trust-building effort with its own people and with the international community. There is a strong international lobby pressuring China to adopt more democratic and participatory approaches in governance of its own people, and to take a larger role in international cooperation and development globally.

Chinese leaders point out that they have undertaken serious international obligations, often outperforming other nations. An example is China's commitment to meeting the United Nations Millennium Development Goals; it has taken some 300 million Chinese out of poverty since 1990.[2] Another is China's successful effort under the Montreal Protocol to reduce chlorofluorocarbon (CFC) emissions in order to protect the ozone layer in the atmosphere.[3] A third example in recent years has been China's expansion of development assistance and investment in Africa and other parts of the world.[4] China insists that it intends to meet obligations under the international agreements that it signs, and it does sign a substantial number.[5]

Today's international cooperation frameworks are certainly much more complex than those of even a decade ago. China's gradual ascendancy within the United Nations, its membership in the World Trade Organization, its participation in the G20 and with the G8, its association with the other BRIC (Brazil, Russia, India, and China) nations, and its bilateral relationships (especially with the United States, a pairing known as the G2) all signal its growing influence and level of responsibility in world affairs. But at the same time, these relationships point to a fundamental dilemma. China's development ambitions are high and its domestic governance is adaptive enough to have supported a very rapid rate of change. Yet, in the international arena, its decision-making is slow and often not consistent across a range of factors. Therefore, to some considerable extent, the domestic benefits to China from international cooperation could be constrained by these inefficient mechanisms. Another way of looking at it is that China could take advantage of these inefficiencies to avoid or delay international obligations while playing its card as a developing nation.

This short introduction has laid out many of the key arguments heard about China—inside and outside the country. The country's senior leaders have made it very clear that they wish to play a larger and more constructive role in securing future global well-being. But their route to this better place would not exactly follow the path of past Western industrialization, capitalist systems, or Western democratic systems. When it comes to international matters, it is rarely clear how much China wishes to shape the future of other nations, whether via globalization, international development, or international accords. China is, however, adamant that it does not want to engage in a rearmaments race or set off a new cold war.

China is seen by some outside the country as neglecting or ignoring important international norms and minimizing its global stewardship responsibilities. Others see China as on a global rise, taking on new obligations, often in an innovative fashion, and behaving in a more responsible way than some other major countries have over the past decade.[6] Yet, understanding what has sometimes been described by China's leaders as "China's peaceful rise" still entails guessing as to what the future will hold. It is, therefore, useful to anchor general observations with information about specific directions and actions taken by China. In this regard, environment and development concerns, generally now described as sustainable development, make an interesting and globally significant case study, which will form the main topic of this paper.

2 *China's Progress*; Sachs, *Common Wealth*.

3 Zhao and Ortolano, "Chinese Government's Role."

4 Wilde and Mepham; Broadman; Branigan and Borger, "China Looks to British Experience."

5 China, State Council.

6 Bergsten et al.

China's Participation in Global Environment and Development Accords

Influence of the Earth Summits

Sustainable development emerged as a global concern in the aftermath of the 1992 Earth Summit in Rio, where political leaders, including China's, signed the United Nations Framework Convention on Climate Change (UNFCCC) and various other global conventions (those on biodiversity and desertification were particularly relevant to China) and reached agreement on Agenda 21, a sector-by-sector set of guidelines on sustainable development strategy. The Earth Summit built upon decades of experience with global environmental agreements[7] that China and others had ratified: on the 1972 Stockholm Conference on the Human Environment, which China attended, and on the work of the United Nations Environment Programme.[8]

China benefited more than most other nations from participation at the Rio Summit. It came three years after the Tiananmen Square incident, when China was trying to bolster its international standing again, but also at a time when economic growth was beginning to accelerate dramatically through international trade and foreign direct investment. By 1994, China had produced its own Agenda 21, judged to be the most outstanding of any such national guidance document.

In 1992 China, with assistance from the Canadian International Development Agency, put in place a senior-level international advisory body called the China Council for International Cooperation on Environment and Development (CCICED), now chaired by the executive vice-premier of China and reporting directly to the State Council on environment and development issues. The intent was to provide the national government at the highest levels with an independent source of knowledge and advice drawing on the best possible international and Chinese sources. This council has met with the premier of China annually ever since and has established dozens of task forces over the years on a wide range of topics including: pollution, conservation and sustainable resource use, urbanization and transportation, agriculture and the environment, energy and the environment, the environment and trade, health and the environment, environmental governance in China, business and the environment, and market-based instruments for environmental protection. This council is unique in that, over the years, it has been used by senior Chinese officials not only for advice, but also for informal dialogue on China's interests in international environmental cooperation. It now receives financial support not only from China and Canada, but also from at least 10 other countries and several international non-governmental organizations, foundations, and UN agencies.

Since the early 1990s, China's pollution problems have increased dramatically and changed from national to regional and global concerns, largely as a consequence of China's export-driven economic growth, its huge construction boom, and its reliance on coal. China is now the world's largest GHG emitter. The effects of pollution have been described by Premier Wen Jiabao as "a grim situation." Added to these concerns are low rural incomes and poor living conditions, reforestation and biodiversity conservation needs, urgent water and energy problems, agricultural pollution on a massive scale, the emerging environmental health, waste disposal, and urban environmental design issues associated with the planet's largest ever rural-to-urban migration. Each of these sustainable development matters has important international connotations.

By the turn of the new century, China already had moved into the big leagues of global polluters, and its neighbours, especially Japan, raised concerns about acid rain and other long-range transport of air pollutants. The Stockholm Convention on Persistent Organic Pollutants (POPs), intended to address the problem of trans-boundary movement of pesticide-type pollutants, was signed by China at the time of its negotiation in 2001.[9]

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7 The Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, the United Nations Convention on the Law of the Sea, and others.

8 China was a founding member of the Governing Council of UNEP in 1973.

9 The Stockholm Convention is particularly relevant to Canada since these contaminants are transported from Asia and elsewhere into the Arctic, where they concentrate through marine and terrestrial food chains, creating health risks for residents dependent on "country food" and also for marine mammals and other creatures feeding at the top of food chains.

In 2002, when the second Earth Summit took place in Johannesburg, world attention moved beyond these pollution matters to address social and ecological concerns, including the links between the environment and poverty, and the alarming rate of biodiversity loss in the world. China highlighted its efforts under the UN Millennium Development Goals, and also committed itself to the lofty global goal of achieving by 2010 "a significant reduction of the current rate of biodiversity loss at the global, regional and national level as a contribution to poverty alleviation and to the benefit of all life on Earth."[10] China believes that it is well on the way to achieving this objective, even though there are many obstacles, especially to protection of genetic resources such as rice varieties, and threats such as invasive species.[11] China now has designated more than 15 percent of the country's area as nature reserves.

China's ecological stewardship is the subject of considerable international interest since it is a "megadiversity" country.[12] The major global conservation organizations, including the International Union for Conservation of Nature, the World Wide Fund for Nature, and Conservation International, are very active in China, with considerable cooperation from national and local authorities. Since the 2002 Earth Summit, China has received substantial bilateral and multilateral donor support for nature conservation, especially from the Global Environment Facility, and bilaterally from the European Union and Norway among others. The rationale for such support is to help China protect biodiversity and maintain ecological services that assist in preserving national, regional and global environmental conditions.

Climate Change

China has very rapidly increased its greenhouse gas emissions since its entry into the World Trade Organization, becoming the leading global emitter over the last few years. China makes the following points to the world community in post–Kyoto Protocol climate change negotiations under the UN Framework Convention on Climate Change (UNFCC):[13]

- It will be seriously affected by climate change and therefore, is interested in both mitigation and adaptation.
- The major burden for action should lie with the historic polluters—the rich nations of the Organisation for Economic Co-operation and Development (OECD), which China proposes should achieve GHG reductions of 40 percent by 2020.
- China and other low per capita emitters need to develop before they can accept binding targets for reductions, and indeed their emissions will rise in the coming decades.
- Access to money and technology from industrial countries is required if China and other developing countries are to be active participants.
- Over the long term (2020–50), China expects to make substantial contributions to solving this global issue, including stabilizing and eventually reducing its own emissions, with a peak perhaps sometime during the decade 2030–2040.

Postponing the peak of Chinese GHG emissions until 2030 or later is unsettling for various observers outside of China; some analysts suggest that the peak could come sooner with concerted effort. Within China there is still a debate about whether carbon dioxide should actually be considered a pollutant, a matter settled now in the United States. While China is prepared to set domestic intensity targets as a voluntary measure, it insists that it will not establish binding internationally monitored targets.[14] Furthermore, China does not wish to be subject to full international verification of its efforts, although during the Copenhagen meeting, it agreed to some level of external verification.

10 This biodiversity objective was set at the sixth Conference of the Parties to the Framework Convention on Biological Diversity in 2001 and affirmed in the agreements reached at the Johannesburg Earth Summit.

11 China, Ministry of Environmental Protection, *China's Fourth National Report.*

12 There are 12 to 17 "megadiversity" countries, together holding 60 to 70 percent of the world's living species.

13 These negotiations started with the Bali Action Plan in December 2007, which China strongly supported, and were targeted at reaching agreement in Copenhagen in December 2009 on post-2012 climate change action at meetings of the UNFCC parties and a parallel meeting of those countries which ratified the Kyoto Protocol. However, the Copenhagen meeting was inconclusive in its outcome.

14 Premier Wen announced on November 26, 2009, that China would lower carbon intensity by 40 to 45 percent from 2005 levels by 2020. This intensity target, based on carbon dioxide output per unit of GDP, would still mean a rise in total greenhouse gas levels given continued high levels of economic growth.

China is seen by some as a laggard or even as a disruptive force in the efforts to achieve a new global accord on climate change,[15] a view that is hotly disputed by the Government of China[16]. Another way of looking at it is that unless China and the United States can reach a constructive accord on this subject, the global effort will be doomed or at least seriously constrained.[17] Some of the richer countries, including Canada, took the line at various times in the preparations for the Copenhagen climate change conference that as long as China and India do not agree to binding targets, why should they?

Climate change is now the cutting edge of environment, economy, and development relationships. It is a mainstream political and economic topic, where China's attitudes and actions are examined from a geopolitical perspective. China is indeed displaying considerable bluster and sending somewhat confusing signals at the international bargaining table. Yet, it is quietly preparing itself for major changes in its energy and environment relationships at home and through international cooperation, trade, and investment. This point is now starting to be recognized by the world's media and commentators.[18]

In reality, China has taken these actions to date:

- China has developed a Climate Change Action Plan backed up by changes in various laws and regulations and by studies on likely climate change impacts the country will face.
- China has established a leading group on energy, the environment, and climate that is chaired by the premier.
- China (along with India) has been by far the largest user of the Kyoto Protocol's Clean Development Mechanism.
- China has signed major accords with the European Union, with many individual countries such as the United Kingdom, and with private sector firms for technology cooperation on energy efficiency, advanced technologies for coal combustion, and other climate change actions.
- China is moving toward world leadership on some renewable energies, particularly wind and solar power applications.
- China's energy intensity (energy per unit of GDP) has declined substantially over the past years, and in the 11th Five Year Plan (2006–10) it is targeted for a 20 percent reduction. Even though this goal is very difficult to achieve, China believes that it will be successful.
- Chinese cities and enterprises are being encouraged to engage in energy conservation, with dramatic results in some sectors such as steel.
- China and the United States have placed energy and climate change among a small number of key topics for intense discussion and agreement through their Strategic and Economic Dialogue.[19]
- China is seriously exploring the implications of a shift toward a low-carbon economy development pathway.[20]

China's public positioning on climate change shifted almost weekly during the summer of 2009 partly as a result of bilateral discussions between China and the United States, but mainly as a result of internal meetings within China. The United States and China have agreed to cooperate on new technology development for carbon sequestration, on smart electrical grid development, and, in general, on finding solutions that will lead toward a low-carbon economy. China has announced at the United Nations that low-carbon approaches should be incorporated into development plans, with carbon intensity targets (similar to the approach currently being followed for energy efficiency).[21]

15 Vidal, "Ed Miliband: China Tried to Hijack Copenhagen Climate Deal."

16 "Endeavors to Build Global Hope."

17 During President Obama's visit to China in mid-November 2009, accord was reached on a number of matters including significant long-term cooperation on energy and environment. See United States, The White House, "U.S.-China Joint Statement." This agreement focuses attention on mutual interests in achieving a low-carbon economy in both countries and in advanced environmental technologies.

18 Osnos, "Green Giant."

19 On July 28, 2009, China and the United States signed a cooperation agreement on energy, climate change, and environment, pledging a joint commitment for seeking agreement at the Copenhagen climate change conference and on technological cooperation.

20 Low-carbon economy (LCE) is a concept promoted particularly in Europe but more recently in the United States. It refers to a reduction in carbon content required per unit of economic activity, either by energy conservation or by shifts in the mode of energy production. At the UN meeting on climate change in September 2009 and elsewhere, President Hu Jintao indicated that China intends to move toward a low-carbon approach.

21 Speech by President Hu Jintao at the UN General Assembly on September 22, 2009.

It is still an open question that may take several years to work out on whether China will yield to international pressure to establish binding targets on GHG emissions, with full international scrutiny beyond its own published data.

China can draw upon some past successful experience as it becomes engaged with this new threat to the global atmosphere. The Montreal Protocol on Substances That Deplete the Ozone Layer, ratified by China in 1991, is widely regarded as one of the most successful multilateral environmental agreements. Under its provisions, China and other developing nations could continue to produce CFCs (gases such as freon) even as rich nations were phasing out their use during the 1990s. A multilateral fund was established to assist the developing countries in this process. For a decade or more, a thriving global black market existed for trade in CFCs, operating at a level close to that of the world drug trade. Chinese CFC sources and illegal trade were difficult to eradicate, becoming a major challenge for the government as recently as 2005.[22] However, this activity has now been greatly reduced, and China is viewed as a major contributor to the success of the Montreal Protocol.

This example of Chinese experience and others described later suggest that China is well aware of the potential benefits of active participation in multilateral environment agreements. These benefits can include direct cash flows, capacity development, and technology cooperation. Less tangible, but of considerable importance to China, are good standing within the international community and improved understanding of how to engage with other nations. What also has become clear is the pattern in which China actively avoids taking on an overt international leadership role. Overall, there is reason to believe that when China does sign an international accord, it intends to fulfill its obligations. The very tricky question is whether China should continue to be regarded solely as a developing nation at the international table, and therefore well protected behind the shield of "common but differentiated responsibility."[23]

China's Environment and Trade Relationships

By entering the World Trade Organization (WTO), China redefined its economic relationship with the rest of the world. However, becoming the world's workshop has come with a heavy environmental cost. Arguably, this is a cost not only to China but to other countries as well, since there is justifiable concern that by producing goods without adequate environmental safeguards, countries undercut the environmental protection initiatives of other nations. To what extent the responsibilities lie with countries like China, India, or Vietnam, and to what extent the responsibilities should be with the consuming nations and consumers themselves is intensely debated. But it is clear that trading arrangements and illegal trade play a major role in environmental outcomes—in the forests of Indonesia and Latin America, in the world's oceans, and in the polluted rivers of China.

China began its environmental preparations for entry into the WTO as far back as 1995, when it initiated studies through the CCICED with both the State Environmental Protection Administration and the Ministry of Trade (now called the Ministry of Commerce). Once China entered the WTO, studies on trade's environmental impacts within China were undertaken.[24] Estimates are that at least 20 to 30 percent of the pollution load in China comes from goods produced for export.

In recent years, there have been several market supply-chain analyses concerning the environment and sustainable development implications of China's activities,[25] and more are needed. The topics deserving of study are wide-ranging, including forest products; seafood; commodities such as cotton, soybeans, and various minerals such as copper and steel; electronic wastes; and recyclable materials such as paper. As China develops new export sectors such as chemicals and automobiles, very demanding standards will need to be met, perhaps including more attention to embedded carbon,

22 Perrement, "Corruption Stalls Government Attempts."

23 This principle was incorporated into the Rio Declaration on Environment and Development at the 1992 Earth Summit. It recognizes the historical differences of developed and developing countries as sources of global environmental problems, and also differences in capacity to contribute to their solution. The principle was incorporated into the Framework Convention on Climate Change and has been a part of UN climate change accords reached ever since that time.

24 China Council for International Cooperation on Environment and Development, Task Force on WTO and Environment, *Environmental Impact Assessment.*

25 Potts and Runnalls.

pollution during production, and, in the case of autos, stringent emission control technology, at least for markets in Europe and North America.

The fear of China and other developing countries is that environment and climate change will be used to restrict trade. While there are some safeguards under the WTO intended to prevent such actions, powerful countries do try, including the United States and European Union nations. Thus, it is in China's interest to develop various "green" and safe approaches, whether via voluntary certification programs, such as those of the Forest Stewardship Council, organic agriculture labels, strict adherence to the Food and Agriculture Organization's Codex Alimentarius, or via regional and global trade negotiations. In the wake of a series of scandals involving lead in painted toys, melamine contamination, and other problems such as antibiotic residues in aquacultured fish, China has tightened its health and safety regulatory framework, but consumer confidence will need to be rebuilt, likely both domestically and abroad.

China also hopes to develop substantial export product lines from its rapidly expanding environmental and sustainable development sector. Here China has distinctive advantages: the ability to rapidly re-engineer and improve upon environmental technologies, substantial domestic markets that complement international demand, low production costs, and the possibility of substantial government incentives.

China's rapid growth in production of solar panels is an example. Using imported technology and imported pure silica blocks, China has increased yield efficiency and is now upgrading the technological efficiency of its panels. The product had been heavily underwritten by subsidized purchases in Germany, which is switching toward greater use of renewables and found it cheaper to import solar panels from China. However, in the aftermath of the 2008 financial crisis, this market has dried up. China, therefore, has recently instituted on a trial basis very substantial subsidies for domestic use of solar panels. Another example is the removal of export credits by China for products with high embedded-carbon content. This rollback occurred in the past few years but has been threatened by the desperate effort to maintain exports following the global financial meltdown. This type of adaptive response is a hallmark of Chinese decision-making, which creates confusion on the part of external observers seeking signals of definitive shifts in behaviour.

Some environment and trade issues are covered by the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) and under the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal. These are important trade agreements for China. CITES officials are concerned about China's importation of items ranging from ivory to animal parts and plants for medicinal purposes. And China has struggled with a noxious and illegal trade in imported electronic wastes that it has banned, but that still continues, abetted by the non-adherence of some countries such as the United States to the Basel Convention. In this instance, China has actively sought the cooperation of other countries to eliminate this trade, carried out by smuggling container shipments of electronic wastes into ports in eastern China.

Finally, China has brought about a remarkable transformation of the world's recycling industry, especially for paper, various metals, and plastics. These materials enter into China's "circular economy" via shipping containers that might otherwise return to China empty from Europe and North America in particular. This trade is not without its problems, especially in relation to the control of pollution and waste disposal during reprocessing, and because of price instability with the downturn of commodity prices over the past year. But the recycling effort has not simply been a redirection of materials. It has helped various industries abroad (e.g., iron and paper) to reach globally high levels of recycling. And it has saved on the environmental costs of using virgin raw materials.

There is more to this story of China's trade and environment relationship, because it also involves foreign direct investment within China and the activities of Chinese enterprises operating abroad, plus Chinese efforts to invest in businesses in other countries. There is wariness about the overseas investment interests of China in countries like the United States and Canada, in part because of worries about whether environmental considerations will be respected. The Ministry of Commerce (known as

MOFCOM) and the Ministry of Environmental Protection are said to be developing regulations that will hold Chinese firms abroad responsible for obeying both the host country's and China's environmental laws and regulations.[26] The capacity of China to enforce such regulations may be a limiting factor on their success, but this is an important step forward.

China also has created a set of regulations covering environmental aspects of foreign direct investment within China. Many of the multinationals operating within China have environmental codes and watchdogs concerning their global operations, and these enterprises can be important positive examples for domestic firms. This is true, for example, in the chemicals sector. But it is important for government to develop an appropriate regulatory framework, rather than expect that businesses will be motivated of their own accord. An example is that some foreign auto-makers operating in China did not introduce available emissions control technologies until standards were strengthened.[27] On the other hand, Walmart has engaged in an extensive dialogue with China about introducing environmental considerations into its store operations there, and about introducing environmental considerations into its market supply chains for products exported from China.

There are many more topics that could be covered on Chinese trade and environment relationships; for example, reducing GHG emissions from China's huge shipping fleet and eliminating unsustainable practices in the fisheries trade. Also of concern is the potential for China to place more emphasis on trade relationships within Asia, and with countries in Africa and elsewhere that have lower expectations concerning the environment than Western developed countries. Trade and the environment is a subject where "greenwash" is frequently encountered, and where certification or other voluntary processes can be hijacked or phony. The WTO has moved slowly and relatively ineffectively on the environment, even though sustainable development is supposed to be a priority for it. Regional trade agreements that China is negotiating with the Association of Southeast Asian Nations and others are not heavily weighted toward environmental performance.

Despite these shortcomings in the international framework for the environment and trade, there are good reasons why China will wish to continue strengthening its own performance. First, it is a victim of bad practices, whether it is from invasive species introduced into China, pollution from illegally imported wastes, or the contamination that remains in China from goods produced for export. Second, China has experienced the prejudice against Chinese firms that seek to invest in companies abroad but are rebuffed, in part due to concerns over environmental protection. Third, China worries about barriers to entry of its products into markets abroad as a consequence of production methods or market supply chains. Fourth, China sees economic opportunity in "going green." Thus, being a "globally responsible citizen" on trade and the environment can be justified on purely pragmatic, self-interested grounds.

China's International Development Efforts and the Environment

China has been active in development assistance since the 1950s, with much of the early effort very ideologically driven.[28] Today, the motives of China's development efforts in Africa, Asia, and elsewhere are often considered to be driven by the need for reliable sources of oil, minerals, forest products, and other commodities; by support for Chinese views at the United Nations; and by the cultivation of future markets for Chinese goods and services. These certainly may be collateral benefits for China, but there could also be substantial development benefits for poorer countries, which may learn from China's successes and from transfer of appropriate technology. Some of these benefits to other countries will be directly related to environmental improvements: for example, clean water, waste treatment, improved agricultural practices, and watershed management. China is already the world's largest producer and user of solar-powered rooftop water heaters. Transfer of this technology and, in the future, other renewable energy technologies developed in China will be part of China's relationship with developing nations.

26 Li, "Green Rules."

27 Gallagher, *China Shifts Gears.* Also, Beijing adopted stringent Euro 4 standards for auto emissions in January 2008.

28 Chin and Frolic, *Emerging Donors.*

China is meeting one of the demands of developing nations: the opening of trade opportunities. African trade with China has gone from US$10 billion in 2000 to US$106 billion in 2008.[29] The trade balance is in favour of Africa, reflecting commodities such as oil and minerals. The key factor is ensuring that this trade wealth reaches people, rather than being skimmed off at higher levels within countries. This should be a concern for China. Mechanisms are needed to link China's trade and aid in practical ways.

China is working with various countries and international agencies with development expertise to increase the quality of its assistance. But China clearly is also interested in establishing its own approach—posing a challenge to existing international development cooperation. Emphasis is being placed on the role of Chinese business, which includes purchase of mining companies, turnkey engineering projects, investment in fishing fleets, and relationship building, for example via the China Africa Business Council. How much attention is given to environmental impacts of the various activities is uncertain. The China Export-Import Bank and the China Development Bank are organizations that should take an interest. They are developing relationships with the World Bank, and there are other mechanisms by which China can incorporate environmental safeguards into its international development and expanding trade relationships with developing countries.

In China's international cooperation with developing countries, the environment and development may best be described as a work in progress, with many rough edges, of which only a few have been mentioned here. This topic should be one of major concern to the OECD countries in the coming years. At the moment the Department for International Development, the British development assistance agency, appears to be the most proactive among bilateral donors. It has entered into working relationships with China on some Sino-African international development.

Cooperation in Science and Technology Innovation

Solving today's environmental problems and meeting tomorrow's sustainable development needs require not only expanded application of available technologies, but also a commitment to science and technology (S&T) innovation. Some problems such as carbon sequestration, advanced coal combustion, nuclear fusion, and monitoring environmental changes in the oceans cannot be resolved by any single nation in isolation. China is better placed than any other developing nation, and indeed better than some G8 nations, to initiate work on environment and development S&T. China aspires to be among the top five nations engaged in science and is investing accordingly. Much of this investment is directed to meeting sustainable development objectives over the coming decade.[30]

China has many S&T environment and sustainable development international cooperation efforts under way via the Ministry of Science and Technology and leading universities and academies. China has maintained diverse linkages with international bodies such as the United Nations Environment Programme, the International Council for Science, and UNESCO (e.g., its Intergovernmental Oceanographic Commission). China is a partner in ITER, the international consortium attempting to develop fusion energy. The significance of China's participation in many of the advanced efforts is that cooperatively developed S&T can make such technology, including highly efficient power plants and advanced pollution prevention, available in time to be deployed in China's massive upcoming investments in infrastructure. China complains that it is forced to pay a very high price to get access to the newest technologies if they are developed abroad. It wants to avoid lock-in to older generations of technology that are less efficient or fail to deal adequately with the complex problems of today.

The intellectual property that China is beginning to accumulate in its own right will provide an interesting situation for the future. Will China be prepared to share the fruits of its substantial S&T investment with other nations, especially poorer nations? The locus of some environmental research

29 United Kingdom, Department for International Development, "Why China Is Important."

30 China's Mid-term S&T Plan is the basis for efforts to build a science-based economy; Cao, Suttmeier, and Simon, "China's 15-Year Science and Technology Plan."

and development eventually shift to China, for example on reforestation, desertification mitigation, clean coal technologies, and some elements of biotechnology for sustainable development such as cellulosic ethanol?

The Environment and Security

The expanding definition of security to include environmental and human development concerns is a relatively new approach to global cooperation. This raises intriguing possibilities for China's relationship with other countries, especially the Western democracies.

The Chinese Communist Party's leaders have made the case over the past three years that what is needed is the development of an "ecological civilization" within China and elsewhere in the world.[31] Presumably such a transformation would reduce the ecological footprint of our species, which is believed to already exceed the earth's carrying capacity to sustain life.[32] It would be a means to reduce threats to ecosystems while safeguarding food supplies, fresh water, and other necessities and gradually reducing the risk from climate change, pandemics, and other threats to human security. Such a vision is far removed from what is actually happening in the world today, where multiple and convergent crises are the order of the day.

Environment and development scenarios about the future prepared by various think tanks[33] have tended to focus on responses to insecurity such as a "fortress world," in which those nations that can afford it will build barriers and defence mechanisms, with others left in a disadvantaged situation. At the other extreme is a "sustainability world," where there is a much greater collaborative effort and participation by people and communities in the shaping of their future. The question is where to place the two powers likely to dominate international relations in the coming decades—the United States and China—and where to place others such as the European Union nations and other major countries such as India, Russia, South Africa, and Brazil.

Democratic governance, human rights, and public participation intersect with these scenarios, of course. Environment and development turn out to be valuable entry points to the dialogue, both nationally and globally. Environmental progress depends on people's participation in decision-making, as nations such as Japan and Korea have discovered. And political change can be brought about through the rise of environmentalism, exemplified by the Green Party in Germany and the role played by environmental organizations during the disintegration of the former Soviet Union.

Globally, the debates over who is indeed a good and responsible global citizen are being led not so much by governments as by the many citizen watchdog groups and by a wide array of lobby forces. Thus, perception plays a large role in defining whether a country is meeting its responsibilities. China is very aware of this, and in recent years has expanded its efforts to tell the world about what it is doing for environment and development. It has not explicitly tied these matters to those of human rights, although it places much emphasis on increasing public participation in environmental assessments. By Western standards, this appears to be mainly rhetoric. But within China, it is clear that environmentally based protests occur frequently over pollution, ecological degradation, industrial siting, mining activities, and land grabs by some corrupt officials at local levels.

Looking Ahead

China has moved into an important transformative phase on environment and development. It has started down a domestic pathway toward environmental improvement that would be difficult to stop even if the government wished to do so. It appears to be heading along a similar path internationally, even if the signals often appear inconsistent during international negotiations, such as those currently under way on climate change. As the various examples of action above have revealed, China certainly is engaged with the international community on issues of the environment and development. This

31 Statement by President Hu Jintao at 17th Communist Party of China Congress, October 2007.

32 World Wide Fund for Nature, and China Council for International Cooperation on Environment and Development and World Wide Fund for Nature.

33 Raskin et al;, See also Stockholm Environment Institute and United Nations Development Programme China.

is being done through multilateral and bilateral agreements for environmental cooperation, but also via efforts linked to poverty reduction and to economic growth and trade. The question is how much more effort is needed, and whose criteria will determine whether China is really pulling its weight sufficiently at the global level.

China will have to build a relationship between the environment and the economy that is robust for its domestic circumstances, including its goals of poverty reduction, urbanization, and continued economic growth. The current global interest in "green growth"[34] is, therefore, likely to dominate within China as well. This will balance today's challenges with tomorrow's opportunities, an approach that is appealing to China's traditional way of addressing crises. It is also a positive means for China to continue strengthening its engagement with other countries on matters related to globalization and global environmental security.

Self-interest, not altruism, is the key factor in determining the extent of China's action on global cooperation for the environment and sustainable development. But, it is important to recognize that China's perspective is long-term and strategic, thus, opening more options for action. Also, important is China's ability to be adaptive when faced with changing circumstances. This has been demonstrated by the more open and proactive way in which China has recently addressed international public health crises after problems with how it addressed SARS in 2003. This new approach bears similarities to what is starting to happen in China's efforts to meet global responsibilities on the environment and development.

The ongoing pressure for China to act responsibly in its global environmental relations will come from many sources, but clearly one of the most important will be the views of the Chinese people. The rising public interest within China on environmental issues is not confined to domestic concerns. The capacity within universities and other institutions to understand China's international concerns and positioning has become much more sophisticated in recent times.

Other countries can shape China's global contributions in a number of ways. First, the richer nations can demonstrate through their own actions a very high standard that will force China to move upward more quickly. This has been the case with China's adoption of the very advanced Euro 4 standards for auto emissions. Second, trade barriers or other sanctions might be applied, for example on products with high amounts of embedded carbon in their makeup. This will be fiercely resisted by China. Third, key developing nations can band together to provide their own demands and standards of environmental behaviour. To some extent this is already being done via the G20. There is speculation about the direction climate change negotiations might take if India and China form a strong alliance,[35] or if China links strategically with other major developing countries.[36] In fact, there was evidence of such alliances at the Copenhagen climate change meeting. On the other hand, China could become a powerful bridge between the developing nations and OECD countries on environmental matters.

Finally, what happens at the international bargaining table is only the start of real action. International accords, whether with China, the United States, or other nations, have to be translated into implementable plans at home. Here most countries have great difficulties, including China. Implementation of climate change agreements is a particular concern, because energy demand will continue to rise and any shift toward a low-carbon economy will be challenging, especially with China's reliance on coal and given its need to stimulate domestic consumption.

34 Organisation for Economic Co-operation and Development, "Declaration on Green Growth."

35 China and India signed a memorandum of agreement on climate change in October 2009, under which the two countries "would build partnership on climate change and strengthen cooperation in alleviation, adaptation and empowerment projects concerning climate change. The two countries would also set up a Joint Working Group, which would hold annual meetings alternately in China and India, to exchange views on major issues on global climate talks, domestic policies and measures, and implementing related cooperative projects, according to the MoA. See "China-India MoA on Climate Change," *China View*.

36 Senior officials from Brazil, China, India, South Africa, and Sudan (current G77 chair) met in Beijing at the end of November 2009 to discuss joint strategy for the Copenhagen Conference.

The dance between China and the world community on environmental concerns has moved from the pace of a waltz to a much faster beat as global problems worsen. But the slow speed of the international response to problems of monumental difficulty will probably work against China's longer-term prosperity and well-being. China can address this in several ways: by leading through best-practice actions and policies at home and abroad; by taking a highly proactive and positive role in reform of international organizations in order to make them operate more effectively; and by investing cooperatively in the development, adoption, and dissemination of innovations for sustainable development—especially for poorer nations.

Implications for Canada

Stewardship Expectations

Together, Canada and China constitute about 13 percent of the world's total land area. They share a common need to understand how they can sustainably manage at internationally acceptable standards their vast lands and waters, plus their other natural resources and their overall ecosystems. This challenge has to be undertaken at a scale and complexity far beyond the scope of the comparable challenges facing countries such as Germany, Japan, and other populous but smaller nations. As well, China and Canada face huge challenges of dealing with climate change across their territories, including the problems of coastal sea-level rise, diminishing glaciers, melting permafrost (China ranks behind only Russia and Canada in total area of permafrost), and areas affected by changing rainfall patterns.

There is good reason for China to learn from some of Canada's experiences in environmental management. There are also advantages for both countries to cooperate on international mechanisms that will be advantageous for large countries in dealing with forest and agricultural land management, freshwater and marine issues, mineral development, and biodiversity management. The two countries can work together on how ecological services, such as carbon sequestration in soils, can lead to carbon credits and advantageous eco-compensation arrangements. Over time, learning would become mutual as in which Chinese experience in managing ecosystems under very intensive use would become of interest to Canada, as would some of China's environmental technologies for land and water management.

Intercontinental Pollution Control

Canada is the recipient of pollutants that cross the Pacific Ocean in the atmosphere and via ocean currents. The people and ecosystems in the Canadian Arctic receive POPs and mercury, among other noxious chemicals. There are concerns about toxicity in marine mammals and other ocean life along Canada's west coast, and about mercury levels in freshwater bodies throughout North America. China is not the only source, but it is believed to be a major one for such contaminants. These are delicate issues where the receiving countries are highly vulnerable, and the trails leading back to sources are unclear because of limited scientific understanding. Ideally some of the uncertainties could be resolved through greater scientific cooperation. This is a problem area where Canada-U.S. cooperation with China might be productive, as well as cooperation carried out via the Arctic Council, where China is now an observer.

Sustainable Urban Development

By 2025, China is expected to have about 220 cities with a population greater than 1 million each, including eight with populations greater than 10 million each. Although Canada has only a small number of large cities, our urban experience is of considerable relevance to China. Canadian cities' reputation for quality of life, environmental management, and governance relationships make them of interest. The massive urbanization of China already under way and slated to continue for several decades offers many business opportunities, as companies such as Bombardier have already discovered. Chinese urban environmental management focuses on cost-effective infrastructure for solid waste management, drinking water, and sewage; on green development, such as energy-efficient buildings and transportation and liveable neighbourhoods; on land reclamation and brownfield redevelopment;

and on pollution prevention. There is a strong interest in addressing urban sprawl since agricultural land is so scarce. There are many difficulties in developing adequate funding relationships among the various levels of government and in regional urbanization arrangements.

Similar urban development problems have been tackled with varying degrees of success in many parts of Canada. Many Canadian communities have developed sustainable action plans that have been followed up with major investments. Planning and governance experience, and private sector design, construction, and technology development experience are relevant to China. This is the time for Canada's experience to be transferred, via a variety of mechanisms including the private sector, and via direct city-to-city exchanges. Indeed, China's needs are urgent and massive, since design and construction today lock Chinese development into patterns for generations to come.

Investment, Trade, and the Environment

Both China and Canada depend upon foreign direct investment and international trade for their wealth creation. China is Canada's second-largest trading partner, and Canada is China's 12th-largest.[37] Environmental matters have not yet played a very significant role in bilateral trade and investment. But times are changing.

An example is the attitude of Canadians toward Chinese investment in Canadian businesses, especially in the resources sector. China has been rebuffed in several efforts to invest in Canadian mining companies, and frustrated on others such as the oil sands. Initially, concern was expressed by Canadians over the possibility that China's investments might lead to reduced environmental and safety efforts on activities carried out in Canada. Chinese firms encountered these problems elsewhere, although their efforts in some Latin American, Asian and African countries have led to substantial investments, often with allegations that indeed environmental and social issues were not adequately addressed.

Now, in the aftermath of the global financial crisis, Chinese businesses, with the full backing of their government, are making deals throughout the world, including recent investments in Canada. They are taking advantage of low prices to buy or invest in companies, with the expectation of greater security in access to needed resources, and even taking over agricultural lands and lands for biofuel production in some countries. The Government of China has signalled that it intends to make companies responsible for following both Chinese laws and relevant environmental laws in the countries abroad where they operate. In the future, more Chinese manufacturing and other enterprises will operate abroad, and Canada will need to be prepared to address the environmental aspects of such activities as well as the operations of Canadian firms that are at least partially owned by Chinese interests and are operating in third countries.

Another way the two countries can benefit is by increasing the investment by Canadian enterprises in China's sustainable development and transferring Canadian environmental experience through this mechanism. China's laws governing foreign direct investment now include environmental safeguards, with some expectation that there will be demonstration value for similar Chinese firms. Some Canadian firms, Sino-Forest Corp. being an example, have built their business around sustainable development approaches. This firm has become the largest forest plantation operation in China, making substantial profit by comparison with most Canadian forestry companies.[38]

The recent agreement of China to include Canada on its list of "Approved Destination Status" countries for Chinese visitors is expected to create a major infusion of visitors, including tourists who presumably will be influenced by the parks and other outstanding examples of the Canadian environment. They will return home with enhanced awareness of the value of nature conservation and protection.

37 Zhu Taoying, "China's Policy on Environmental Protection and the Industrial Cooperation between China and Canada in the Environmental Protection,"welcoming remarks at the Third Annual Canada China Environmental Forum, Toronto, June 8, 2009.

38 Galt, "Sino-Forest's China Advantage."

Canada has conducted prolonged negotiations concerning a Canada-China FIPA (Foreign Investment Promotion and Protection Agreement). One of the preparatory elements was an initial environmental assessment completed in 2008. It concluded that the level of investment by Chinese businesses in Canada was still very modest and posed no major environmental threat.[39]

Greater cooperation between China and Canada would be advantageous on environmental issues related to international trade agreements, including embedded carbon and many other market supply-chain concerns; import and export of wildlife products; invasive species and disease organisms; trade involving genetically modified species, including fish and forest products; and trade issues related to recycling, including electronic wastes and possibly other types of banned products that are smuggled into China for recycling. These matters are covered under a range of international agreements including those of the WTO and environmental agreements such as CITES and the Basel Convention. But, trade and environmental relationships are still not fully worked out. Trade barriers are set up on environmental grounds even when they are unwarranted. Supply chains are a major problem when illegal trade is involved or when countries are willing to buy or sell commodities and finished products not produced in an environmentally acceptable way. Canada has a big stake in these matters, especially as they affect our forestry, agriculture, fisheries and aquaculture, mining, and oil and gas industries.

Climate Change

Canada and China both face the difficult situation of having rapidly growing GHG emissions. China's emissions can influence the global outcome of climate change, while Canada's represent a relatively small overall contribution. But, both countries face strong international scrutiny: Canada because it failed miserably on a goal it agreed to under the Kyoto Protocol and China since its emissions, already the highest in the world, are unlikely to peak before about 2030 at the earliest, under current projections. For both countries, a large portion of their emissions is exported as embedded carbon to countries that hold no responsibility for these emissions on their carbon scorecards. Clearly both countries have a substantial stake in the post-2012 agreement that is to replace the Kyoto Protocol, and in other efforts to address climate change.

Canada was not a leader in the two years of meetings leading up to the December 2009 Copenhagen climate change conference. China's positioning is governed by its own strongly held views, which emphasize substantial reduction progress by rich countries and assurance that its own development will not be affected; by its concern to build a mutually acceptable approach with the United States; and by a desire to turn this large problem into new opportunities through a green growth strategy. Certainly at the bargaining table, Canada has not had any strong influence on moving China toward targets, or toward accepting any particular position. But that does not mean Canada and China should go their separate ways on this issue, or that either can afford to ignore the other in what will be a long-term struggle.

First, both countries will likely be bound by the limited outcomes of the Copenhagen meeting and by the later negotiations still needed to produce a workable framework covering action for 2013 to 2020 and beyond. Over that time period, there will be a remarkable change in carbon trading relationships globally and in the pricing of carbon. These changes will affect our biggest exports, including hydrocarbon products, forest and agriculture products, and the types and sources of automobiles we import and produce. For example, if China is successful in producing robust electric autos, as it is trying to do, will Canada become the testing ground for the North American market, and an attractive place to assemble Chinese-designed cars by 2020? How will our trade in auto parts to car companies around the world, including China, be affected? Canada and China should both be able to take advantage of any agreement that gives greater recognition to carbon sequestration through improved agricultural and forestry practices. But, such a regime will require better monitoring and careful carbon bookkeeping. On the other hand, melting of permafrost may well become a major

39 Canada, Department of Foreign Affairs and International Trade, "Initial Environmental Assessment."

new source of GHG emissions, and here both Canada and China are vulnerable. They may wish to work with other countries, such as Russia, that have a similar problem.

The second reason for building stronger cooperation with China on energy, the environment, and climate change is the growing set of linkages across the Pacific on these issues. Chinese investment in Canadian energy sources, including coal and the oil sands, will expand, with a variety of environmental implications. These include the need to ensure safe transport via Pacific Coast ports, including those in Prince Rupert, Kitimat, and Tsawwassen. The problem of atmospheric pollutants, especially those from coal burning, travelling from China to the eastern Pacific and the Arctic will need to be solved. There will also be growing international pressures to produce in a more environmentally-friendly way "dirty" energy sources, including coal and oil sand products, slated for export from Canada.

The third reason is the great need for technological cooperation. This point is stressed by China and other major developing countries. Chinese researchers have identified more than 60 energy and environment technologies that they need but do not have full access to. Canada does have direct experience with various types of low-carbon energy and environment solutions and is prepared to invest more money in their development. Examples include cellulosic biofuels, hydrogen as a fuel source, advanced models for coal burning, sequestration of carbon dioxide from oil sands into oil and gas wells, advanced wind-power use, and advanced building technology. There will be interest within China not only in gaining access to these and other technologies, but also in drawing upon the many secondary and ancillary technologies required—for example, energy storage systems for wind and solar power, and improved electrical grid systems. Some of the technologies of the next 20 to 30 years will emerge from China through joint ventures and research consortiums. Canada should be working with China and other countries to take full advantage of what will be a remarkably large R&D investment in sustainable energy. It is promising that China and Canada have taken steps in this direction in the accords made at the time of Prime Minister Harper's visit in December 2009.

Yet, so far, Canada and China have failed to produce a strategic relationship on energy and climate change issues. At least half a dozen European Union nations believe they have such a relationship, generally focused on a low-carbon economy, on the basis of nuclear reactors (France), economy-wide approaches (UK and Sweden), transformation to renewable energy sources (Germany and Denmark), or advanced remediation technologies (Norway). The new economic dialogue established at the highest levels between the United States and China is strongly focused on technology cooperation for green growth. Canada needs to appraise carefully what its best advantages may be for environment and sustainable development technology with China, and move quickly in order not to lose competitive advantage. Success in China will translate into global green market advantages later.

The United States, China, and Canada

In the near future, China's most significant relationship building on environmental matters will be with the United States. The need for stronger ties has been apparent for a number of years, but with the proactive efforts of the Obama administration to improve overall U.S.-China relationships, prospects are better than at any time in the past decade. These two superpowers will put the planet's environment at risk if they fail to stem their substantial GHG growth, and they will put the world's economic recovery at further risk unless they can provide leadership on financial and trade reform. Beyond these aspects, of course, are a variety of security issues. What is important to recognize is that the global environment for the first time is being treated as one of the top matters in the China-U.S. relationship.

Canada, Europe, and Japan are not being shown the same degree of attention by China as it is giving the United States on the environment. This is not for lack of trying in the case of many European Union countries, especially the United Kingdom, Germany, France, and several Nordic nations. Many accords are in place on energy and environment cooperation, and during visits to China their leaders have emphasized environment and climate change action. Canada has sent mixed signals. For at least a decade, starting in the mid-1990s, it made the environment a key priority of its development assistance with China; it initiated programs such as the CCICED, started cooperation with the Central

Party School and several provincial party schools to introduce the environment and sustainable development into their curricula, and undertook a joint project for cleaner production. In addition, Canada environmental technology companies participated in various trade missions to China.

More recently, Canada has sent very ambivalent signals to China concerning environmental interests. It has given a lower overall profile to the subject in its development assistance and in other relationships involving government-to-government contact. The message on climate change at one point was severe—and was sometimes formed as a question. Why should Canada sign on to targets for addressing GHG reductions as long as China and other countries such as India will not? While the situation may be changing as Canada and China rebuild their general relationship, it is not very clear yet where environmental matters will fit. This should be a concern for both countries, as significant opportunities are likely to be lost and the costs to both may be significant without a clear and actionable relationship on environment and development. There are economic and competitiveness implications, of course, but also strategic concerns.

Our proximity and the depth of our relationship with the United States give Canada a certain level of advantage compared with European nations as we develop environmental relationships with both China and the United States. We have built a solid suite of arrangements with the United States on many environmental topics, and we often cooperate during international negotiations as well. We take the environment into account in our substantial economic cooperation on commodity and industrial trade, for example in cross-border softwood lumber and agricultural product flow, and in standards for auto emissions. This experience, and particularly the likely efforts over the next few years to build a North American continental approach to GHG emissions trading and on other energy and environment matters, should protect some of our economic interests with China.

Yet, Canada needs to be proactive with both China and the United States to ensure that it is not a victim of U.S. success in building a strong environmental working relationship with China. We stand at some risk of being left in the dust as China-U.S. cooperation leads to new technology development favouring U.S. environmental industry, or international environment or trade accords that might harm Canada's interests. For example, Canada could be sideswiped on the use of an ice-free Northwest Passage for shipping, or by bilateral arrangements between China and the United States on product environmental health and safety standards.

Some Recommendations for Canada

We must assume that serious efforts will be made sooner rather than later to strengthen ties with China on environmental matters, including climate change. These have to be addressed in the context of an overall improvement in Canada-China relationships. And the relationships must be long-term, ideally fostering not only desirable actions between the two governments, but also bilateral linkages between provinces, enterprises, communities, research organizations, universities, and civil society bodies. Putting it bluntly, each country needs the other as we move into a future where sustainable development becomes an overarching and attainable goal for society at local, national, and global levels. But, success will depend upon the breadth and depth of the linkages.

A number of steps could be taken to improve Canada's relationship on the environment and development with China—for the betterment of the two countries, and in order to help both become more responsible environmental contributors globally.

Retain and Strengthen Existing, Successful Environmental Initiatives

Over the past several years, it has become more difficult to maintain environmental initiatives through the China Program of the Canadian International Development Agency (CIDA), which has been reduced in both overall scale and scope. While it is certainly true that China is now more capable of funding development activities, it is still difficult for international cooperation activities to be fully funded through domestic Chinese sources. Indeed, if there are strong mutual cooperation interests at stake, it is wise to ensure that funding comes from outside as well as within China. In some instances, such as the CIDA support for CCICED, this need has been recognized, so that an environmental

policy activity started by Canada is now financially supported by more than 10 other countries, plus several other sources, and by China itself.

Canadian governmental organizations, civil society groups, universities, sister-city programs, and research organizations have emphasized environment and development in many instances—too many, in fact, to describe here. These include a long-standing cooperation agreement between Environment Canada and China on cleaner production and other topics; the work of Statistics Canada with its Chinese counterpart to introduce internationally acceptable resource and environmental accounting; research support from the International Development Research Centre on a number of agricultural and natural resource topics and on science and technology; International Institute for Sustainable Development initiatives on trade and environment with MOFCOM and other parts of the Chinese government; environmental planning efforts in Chinese cities via the Vancouver-based International Centre for Sustainable Cities; and the Harmony Foundation.

External funding for initiatives with China tends to be fragmented, and not always fully in line with the needs. Some other countries flow their resources through environmental agencies, but that does not seem to work well for Environment Canada, already hard-pressed to meet its core priorities. CIDA now has limitations that seem to make it difficult to secure a full range of long-term commitments for environmental activities, including both those that have a primary purpose of addressing global environmental concerns and those specifically related to China. And so it goes across government.

Canadian private sector investment linkages on the environment within China have been backstopped by a range of mechanisms and organizations including Export Development Canada, the Canada-China Business Council, the Asia-Pacific Foundation, and the Globe Conferences on Environment held every two years in Vancouver. In addition, Canada organizes trade missions, and of course many individual companies, provincial trade bodies, and others have their own initiatives. The problem is that, with the exception of the Globe Conferences, there is no single body with the environment as its main focus. Furthermore, the signals sent by Canada on bilateral trade with China have not been very strong in general, and certainly not powerful, especially in relation to the emerging green growth approach of other nations such as the United States.

With a central strategy to address the joint interests of Canada and China on the environment and development, it would be much more possible to strengthen the links among Canadians working on these topics and to build more robust ways to deal with the types of problems discussed in this paper. It is interesting to see how even the signals that the United States is moving toward such a strategy are working in that country to bring a more coherent approach there, and certainly this is true for Great Britain, Sweden, and other countries. In Canada, there have been recent efforts outside of government to link interested groups, for example, the Canada-China Environmental Forum.[40]

Strengthen Cooperation in Environmental Science and Technology

Canada has a strong S&T base that is mature and productive, including many achievements and ventures that are relevant to complex environmental issues. Canada also has backstopped its S&T with bodies such as the Canada Foundation for Innovation, the IDRC, and Sustainable Development Technology Canada (SDTC). China is investing much more money in S&T than Canada could ever hope to do, much of it for environmental technology. For now, much of this funding will go toward capacity development, but ultimately, China wishes to be among the top five nations in S&T. Getting there depends on international cooperation. China has a strong interest in having Canada as a significant partner. Why should Canada wish to do so? Certainly in relation to the environment, such a partnership would permit Canada to access one of the world's largest markets for environmental technology. It would help the Canadian science and technology sector become a more important player in speeding the implementation of new technologies that will help to save the global environment.

40 The Third Annual Canada-China Environmental Forum was held on June 8, 2009, in Toronto. http://www.canadachinagreen.com/splash.asp.

In 2007, Canada and China signed a bilateral treaty called the Canada-China Science and Technology Cooperation Agreement, focusing on four sectors: energy, environment, health and life sciences/ biotechnology, agricultural foods and bioproducts. Under this agreement, funds can be accessed from a few sources, including those administered by ISTP Canada,[41] which supports technology cooperation between Canada and several countries in addition to China. This could be a stable and sizable source of international cooperation funding, although perhaps only a limited portion will be allocated for environmental technology.

An important need is to link this funding to Canadian environmental private sector initiatives in China, perhaps with the assistance of organizations such as Sustainable Development Technology Canada, or by other means. The bigger challenge is how to grow the still relatively modest funding available under the agreement into the bigger pots of money, on the order of tens of millions of dollars or more, that will be needed to address specific problems related to climate change. Here is where there may be substantive opportunities to link Canadian, international, and Chinese sources of funds. Hopefully a strong vision will emerge that could justify such efforts.

Use Political Opportunities Well

There are numerous political, where Canada could facilitate China's growing interest and abilities to make a larger contribution to solving global problems. Some of the best, of course, are those where Canada is the host, particularly the G8/G20 gathering in 2010. The G8 meetings have focused considerable attention on issues of the environment and development in recent years, including climate change and African development. The G8 must soon take the step of expanding to include China among its members. Could this be brokered with the assistance of Canada, as some commentators have suggested? And could part of the deal be that China would take on greater international cooperation roles on both international development and on environmental matters? Whether China would agree is a question that might well hinge on the concessions necessary.

Certainly there are other opportunities and needs in the restructuring of institutions where China could take on a more important role. It is already cooperating with the OECD on some environmental matters; for example, it subjected its environmental policies and practices to international benchmarking in an OECD review in 2007.[42] Both Canada's and China's activities in the G20 have been constructive, helping this body to become a significant voice in climate change matters.

Whether Canada can or should support Chinese positions on the environment and development in international political gatherings will continue to depend upon a variety of factors: our own domestic interests, the views of the United States, and sometimes the positions of European nations or others. What has been lacking in recent years is consistency on how to deal with a rising China. We can assume that with the Copenhagen climate change conference behind us, the air has been somewhat cleared among all the leading nations, even though the immediate results were not what was hoped for—a clear path ahead for this vital topic. We have a better sense of which statements were only political rhetoric, and which are likely to open avenues for real action. What remains is the challenge of building a stronger, more cooperative global relationship for addressing climate change. If this challenge can be addressed more constructively in the coming few years, it will also transfer into positive action on other global environmental problems. We can hope to see the start of a new era emphasizing the environment, the global economy, and the well-being of people throughout the world. Canada should not lose sight of the opportunities ahead, and should work very closely with like-minded countries. China should be considered one of those countries.

41 ISTP Canada, "Partnership Development Activities in China."

42 Organisation for Economic Co-operation and Development.

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23

BARRY CARIN AND GORDON SMITH

WORKING WITH CHINA TOWARDS A NEW INTERNATIONAL INSTITUTIONAL ARCHITECTURE: A STRATEGIC PARTNERSHIP WITH CANADA ON GLOBAL ISSUES OF MUTUAL INTEREST

Abstract
Canada must pursue international cooperation in order to deal effectively with a number of global issues that may compromise our security and prosperity. In the areas of international finance, climate change, pandemics, nuclear proliferation and terrorism, for example, international collaboration and agreements are required to resolve problems. The premise of this paper is that China will become an ever more significant and influential, if not indispensable, player on the world stage.

This paper reviews Chinese priorities in foreign policy, focusing on China's perspectives on global issues. It then proceeds to review an agenda of global issues where Chinese and Canadian interests are congruent. International arrangements where the two countries can reinforce each other's efforts include global financial institutions, the International Energy Agency, the World Trade Organization and the United Nations. Specific areas for collaboration are proposed, including on Security Council working methods and emergency disaster relief, climate change negotiations, internationalization of the nuclear fuel cycle and peacebuilding in Afghanistan.

Introduction
Canada must pursue international cooperation to deal effectively with a number of global issues that may compromise our security and prosperity. In the areas of international finance, climate change, pandemics, nuclear proliferation and terrorism, for example, international collaboration and agreements are required to resolve problems. The premise of this paper is that China will become an ever more significant and influential, if not indispensable, player on the world stage.

This paper reviews Chinese priorities in foreign policy focusing on China's perspectives on global issues. It then proceeds to review an agenda of global issues where Chinese and Canadian interests are congruent. International arrangements where the two countries can reinforce each other's efforts include global financial institutions, the International Energy Agency (IEA), the World Trade Organization and the United Nations (UN). Specific areas for collaboration are proposed, including on Security Council working methods and emergency disaster relief, climate change negotiations, internationalization of the nuclear fuel cycle and peacebuilding in Afghanistan.

Chinese Interests
Deng Xiaoping is credited with a widely quoted Chinese maxim on foreign policy in the 1990s:

> Observe calmly.
> Secure our position.
> Cope with affairs calmly.
> Hide our capacities and bide our time.
> Be good at maintaining a low profile.
> Never claim leadership.

As recently as last year, Fred Bergsten characterized China's foreign policy as "not to assume a large role in the world but avoid international entanglements that could disrupt the country's ability to focus on huge domestic challenges […] China's international mindset has not kept pace with its breathtaking economic ascent. China continues to act like a small country with little impact on the global system at large and therefore little responsibility for it."

China's rapid development over the last 20 years has rendered Deng's maxim and Bergsten's characterization out-of-date. China has tremendous strengths. Indicators of its growing power include two trillion dollars of international reserves, a booming middle class, and its growing weight in the global economy. While Chinese core values are constant, its perception of its interests certainly has changed. Respect for state sovereignty is China's mantra, but support for UN peacekeeping operations is a good example of the shift from non-interference to a more pragmatic foreign policy. Economic growth and energy security are top priorities that will lead to further Chinese engagement in international affairs. China will be receptive to ideas to re-engineer international institutions to better reflect Chinese national interests.

China's preeminent objective is to continue its high rate of growth. Internal stability depends on it. The scale of China's labour market challenges is daunting. Unemployment is a major preoccupation for China's leaders. Two groups of concern are unemployed migrant workers who have become "urbanized" and have no land to return to and unemployed university graduates. Estimates of new rural emigrants seeking work in the cities are in the order of 15 million per year. Each year, China must find jobs for about 6 to 7 million university graduates. One estimate reports that, of 5.6 million university graduates in 2008, 1.7 million were unable to find a job. The Chinese Academy of Social Sciences has reported 7.8 million graduates will search for jobs in 2009.

Thus, it is a political imperative for the Chinese economy to generate jobs. Each percentage of gross domestic product (GDP) growth rate is calculated to be equivalent to at least one million more jobs, but some estimates are much higher. Because layoffs are concentrated in labour-intensive industries, total non-agricultural employment in 2009 may contract by 1–1.5 percent, even with 7.5 percent GDP growth. Economic growth is highly dependent on maintaining vigorous growth in international trade, in significant part by virtue of the openness of the Chinese economy.

To maintain economic growth, China is dependent on a stable global economy, but, as Fred Bergsten has observed, China is uncomfortable with the idea of integrating into an international system it had no role in developing. China's interests mirror Canada's on a wide range of issues. Indeed, Canada could frame a potential partnership with China around key global objectives, including:

- Global financial stability—maintaining the value of the U.S. dollar and modernizing the International Monetary Fund (IMF);
- Nuclear non-proliferation—realizing the benefits of internationalizing the nuclear fuel cycle;
- Climate change—developing technologies for "clean coal" and carbon capture and sequestration;
- International trade—mitigating American and European protectionism and
- UN peacekeeping.

Other congruent interests might include preserving safe international shipping; actions dealing with the risk to low lying coastal zones from rising sea levels from climate change; further developing the Canadian oilsands and peaceful resolution of the insurgency in Afghanistan and Pakistan.

In addition, in the medium term, there may be scope for exploring potential synergies in working together in the development field. China will soon be one of the largest foreign aid donors, and it is important to build a dialogue to address China's challenge to existing norms by ignoring the conditionality that has evolved in the donor community. One way to proceed is to champion the transformation of international donors' arrangements to include China as a full member.

G20

The G20 is the route to establishing a strategic diplomatic partnership. Why would China work with Canada? Four factors would probably stimulate Chinese interests if Canada approached China with the suggestion to cooperate on a spectrum of global issues:

- Canada is not a threat and is perceived as an honest broker;
- Canada has a wide range of multilateral credentials—in the G20, the Commonwealth, la Francophonie, the Organization of American States, NATO and many others;
- China, while enjoying musings about a G2 with the United States, is unlikely to enter into any formalized "condominium" relationship with the U.S. and
- China has repeatedly emphasized the significance and legitimacy of the UN and wants international institutions to work effectively.

Canada is host of the 2010 G8 Summit, and co-chairs the 2010 G20 with South Korea. The G8 Presidency in 2010 is a valuable asset. China has made it clear that it does not wish to be added to the G8, even if it were in the company of, for example, India. On the other hand, China has been very open since the Gleneagles G8 to being one of the five countries regularly invited to meet with the G8. China is open to meeting at the Heads of Government level in the G20. Moreover, China's leadership had indicated to former Prime Minister Paul Martin that they would have been prepared to co-host a G20 meeting with Canada—if Prime Minister Martin could have ensured President Bush would come. Bush demurred and, therefore, a G20 at the Heads' level had to await the present global financial crisis.

It is in both Canada's and China's interests to have the G20 agenda broaden beyond dealing with the global financial crisis. While some in Canada believe Canadian interests would be best served by maintaining the G8, there is growing recognition that the G8 cannot continue unchanged in the face of the existence of the G20. The G8 agenda for 2010 appears to be limited to issues of G8 accountability, food security and possibly global health issues. Other critical issues will have to be dealt with in a more inclusive forum. If the G20 does not become the main summit forum, the U.S. (and others) may very well decide that summits should be smaller than 20 (or the 24 or 25 of the current G20). A new calculus of global power could very well exclude Canada from a smaller group. So it is in Canada's interest that the G20 be successful. Canada could assure China that under its co-chairmanship in 2010, the G20 will not operate as an executive, decision-making body (it has no legal authority), "but rather as an instrument to shape consensus on major transnational issues, which would ultimately be adjudicated by other organs with universal or near-universal membership, such as the United Nations." Within this context, the role of a more inclusive grouping, such as the G20, could serve as a pre-negotiation forum bringing together the smallest possible grouping of necessary stakeholders; a mechanism for building knowledge, trust and patterns of cooperative behaviour among the most powerful states and a device for such states to encourage one another to take responsibility for their global obligations. Canada could approach China with the proposal to work closely together to prepare the 2010 G20 Summit. China could help craft the agenda and together prepare the "pre-negotiation" process for a series of global issues. Canada could offer to hold one of the preparatory Sherpa meetings in Beijing as part of this partnership.

Global Financial Institutions

The global financial crisis has not hit China as hard as the U.S. or Europe. China's financial system is maturing; the domestic financial situation is much improved over the last decade. There is considerably less worry about non-performing loans. Transparency has improved to some extent; three of China's biggest banks (China Construction Bank, Industrial and Commercial Bank of China and the Bank of China) are listed on the Hong Kong stock exchange. As of May 2009, China's stock market has increased by 47 percent. China's stake in the effective functioning of the global financial system has increased considerably by virtue of its massive holdings of foreign currency reserves.

At last November's G20 Leaders meeting, China argued that its role was to keep its own economy, constituting one-tenth of global output, moving at 8 percent growth, with a US$570 billion fiscal stimulus. Ahead of the London summit, China let it be known that the U.S. could not expect China to

help fund its enormous deficit without something in return. It lectured the new Obama Administration on the need to follow stimulus spending with a renewed effort at fiscal consolidation. In March 2009, Zhou Xiaochuan, the Governor of the Chinese central bank, released a policy paper suggesting the creation of a "super-sovereign reserve currency" to replace the dollar as a reserve currency over the long run. China has begun to indicate aspiring to someday making the Chinese renminbi (or yuan) an internationally accepted currency in its own right. In the weeks surrounding the G20 summit, China established US$95 billion worth of currency swaps with Indonesia, Belarus, Malaysia, Argentina, Hong Kong and South Korea—all of which indicate a more confident diplomacy and a larger future role in international finance for the Chinese currency. Realizing that its holdings of U.S. Treasuries give it little leverage over U.S. policy, China has assumed a more assertive stance, responding to the criticism that its large current account surplus and reserves in part helped create the crisis.

British and Australian Prime Ministers Gordon Brown and Kevin Rudd encouraged China to strike a "grand bargain" at the April 2 London summit. The pitch was that China should take on a greater role in the international financial system in exchange for keeping down protectionist barriers. Funding of the IMF would be increased, China would be given more appropriate voting rights and the IMF would be given powers to direct governments to respond to its surveillance reports. A greater role for China in the IMF, and easier access to its financial assistance, would be exchanged for China playing by global rules and not trying to build up surpluses and reserves as insurance.

Canada could work with China on IMF voting rights, on increasing the power of IMF surveillance and on the evolution of votes and Special Drawing Rights. The Chinese position has been clear with respect to the future of the IMF, arguing that it should give priority to surveillance of the ongoing financial turmoil, deepen its analysis, learn lessons and listen to the opinions of member countries. "In providing a practical and effective guide for the Fund's surveillance and in adapting to global economic developments, the *2007 Surveillance Decision* should be reviewed and revised as soon as possible so that the Fund can determine where the true risks lie, and adopt effective measures to maintain a stable and orderly global economic and financial system."China has called for the Fund to "address the inherent deficiencies of the current international monetary system and foster an international financial architecture adaptive to the evolving global economy and financial markets." China has generally supported the G20 push to strengthen financial regulation—supporting measures that would boost regulation in western countries, such as controls on hedge funds and ratings agencies.

It is clear that China is an indispensable player in the ongoing geopolitical transformation. China has been characterized as one the most difficult countries to read. "They want everything and nothing," says a senior IMF official. "What they really want is just to be among the big players. The coming 20 to 30 years will be the era of the U.S. and China. They are preparing for this game." One observer concluded that China was the big winner at the London Summit. The final communiqué adopted at the meeting included almost every demand made by Chinese President Hu Jintao. Five out his six proposals were approved.[1] A Credit Suisse economist has written, "In my 16 years of covering China I have never seen the country approach an international forum in such a proactive way. China has traditionally been passive on the international stage, being a listener rather than an opinion leader, but this time it's different. China wants to make sure [its] voice is being heard."[2]

Beijing wants a bigger share of votes at the IMF to reflect its rapidly growing economy. But before the G20, it did not want to contribute from its massive foreign reserves to increasing the Fund's resources because China is still, per capita, a poor country. In the end, Prime Minister Brown announced that Beijing would contribute US$40 billion, alongside US$100 billion each from the European Union and Japan, as part of a US$500 billion total. "The crisis emphasizes that China is a pivotal world player,"

1 "Hu Prevailed at G20," Blowin' in the Wind, April 3, 2009, http://www.pressrun.net/weblog/2009/04/hu-prevailed-at-g20.html (accessed December 14, 2009).

2 Dong Tao quoted in Geoff Dyer, "China Assumes Lead on World Economy," *Financial Times*, April 2, 2009, http://www.ft.com/cms/s/0/0de6a26a-1f1e-11de-a748-00144feabdc0.html (accessed December 14, 2009).

says Bobo Lo of the Centre for European Reform in London. "It might not be a global superpower yet, but it has accelerated that trend."[3]

At Pittsburgh, G20 leaders committed to a "shift in IMF quota share to dynamic emerging markets and developing countries of at least 5% from over-represented countries to under-represented countries using the current quota formula as the basis to work from." The IMF quota review is to be completed by January 2011. They referred to the need for "adopting a dynamic formula at the World Bank which primarily reflects countries' evolving economic weight and the World Bank's development mission, and that generates an increase of at least 3% of voting power for developing and transition countries, to the benefit of under-represented countries."[4]

Canada could propose to China to work together on a detailed solution to IMF and World Bank quota and voting rights, until recently a moribund issue afflicted with countless declarations of intent and risible inaction. Perhaps a forceful joint proposal could catalyze action. In the IMF, the 11 major European countries[5] have 27.69 percent of the votes; the U.S. has 16.77 percent and China 3.66 percent; together they have just over 48 percent. A realistic proposal—given China's creditor position—would be that the European group of 11 countries, the U.S. and China should each have 15.01 percent of the votes.[6] Such a dramatic Canadian proposal, if it were energetically promoted, would be most welcome by China. In other words, the Europeans are the villains in blocking pragmatic reform. The U.S. would probably accept this proposal—maintaining its veto for initiatives that require 85 percent of the votes. But so should the Europeans. With respect to Executive Board seats, the Europeans should cede two of their seats to provide voice for the African constituencies.[7] It is time for the rest of the world to insist that the Europeans end their hypocrisy on reform.

Canada, based on its comprehensive understanding of the technical details, could propose a package of administrative and regulatory reforms to enhance the effectiveness and impact of IMF surveillance activity. Of equal importance is the evolution of Special Drawing Rights. Canada could offer to work with China on medium term plans for options to strengthen reserve currency arrangements.

Climate Change & Energy

Climate change is recognized as a serious challenge by China. China's 2006 *National Assessment Report on Climate Change* projected that yields of major agricultural crop production could decrease by up to 37 percent in the second half of the century.[8] China suffers from desertification, with one-quarter of its land mass already desert and the Gobi Desert expanding,[9] and with annual direct economic losses estimated at US$6.5 billion. China may have lost as much as one-fifth of its arable land to soil erosion and economic development in the past 60 years.[10]

Unrest from migration due to environmental factors will reinforce the already substantial rural-to-urban movement. China's reliance on abundant dirty coal has resulted in extensive air pollution. The World Bank has reported that 16 of the world's 20 most polluted cities are in China, while around 400,000 people die prematurely each year of respiratory problems related to air pollution.[11] The Times reported in July 2007 that climate change storms "have affected 200 million" in China. "The floods,

3 Quentin Peel, "A Wider Order Comes into View," *Financial Times*, April 5, 2009, http://www.ft.com/cms/s/0/6d14d88a-220f-11de-8380-00144feabdc0.html (accessed December 14, 2009).

4 "Leaders' Statement: The Pittsburgh Summit," The Pittsburgh Summit, September 24–25, 2009, http://www.pittsburghsummit.gov/mediacenter/129639.htm (accessed December 14, 2009).

5 Germany, France, UK, Belgium, Netherlands, Spain, Italy, Sweden, Norway, Denmark and Finland.

6 This would allow increasing Japan's votes from 6 to 9 percent in recognition of its weight and support.

7 China would welcome an initiative to increase Africa's voice. China is on record discussing seats in the World Bank; see "Statement by the Hon. Dr. YI Gang Governor of the Fund for the People's Republic of China, at the Joint Annual Discussion," International Monetary Fund, Press Release No. 16, October 13, 2008, http://www.imf.org/external/am/2008/speeches/pr16e.pdf (accessed December 14, 2009).

8 Ling Li, "China Releases First National Report on Climate Change," Worldwatch Institute, January 11, 2007, www.worldwatch.org/node/4848 (accessed December 14, 2009).

9 "The Environment in the News," United Nations Environment Programme, April 1, 2004, www.unep.org/cpi/briefs/BRIEF01April04.doc (accessed December 14, 2009).

10 "Chinese Environmental Performance Index," Yale Center for Environmental Law and Policy, http://envirocenter.research.yale.edu/programs/environmental-performance-management/environmental-performance-index/chinese-environmental-performance-index (accessed December 14, 2009).

11 "Environmental Challenges of Development in the East Asia and Pacific Region," World Bank, March 2005, http://siteresources.worldbank.org INTEAPREGTOP ENVIRONMENT/Resources/EAP_Env_Strat_Chap_1.pdf (accessed December 14, 2009), 2.

an annual threat for China, have affected nearly 20 percent of the country's 1.3 billion population. The economic losses from flooding are estimated officially to be 52.5 billion yuan (£3.5 billion)."[12]

The United Nations Framework Convention on Climate Change (UNFCCC) process is stalled. Canada could work together with China in the G20 to design a draft package deal that would satisfy both Annex 1 and Annex 2 countries. Canada could engage China, proposing that we work together, with Korea and the U.S., as friends of the UNFCCC. A package deal would involve simultaneous commitments on emission targets and fiscal measures, research collaboration, funds to prevent deforestation, technology transfer initiatives and resources for adaptation, monitoring and evaluation.[13] China is already on record urging that the World Bank should vigorously encourage the transfer of low-carbon technologies and provide recipient countries with practical aid in facilitating their response to climate change.

Volatile oil prices and the need to cut global carbon emissions have led to calls for China to join the IEA, the energy forum for the world's oil consuming countries—sometimes denoted as a counter cartel to the Organization of Petroleum Exporting Countries. Canada could lead the effort to persuade the G20 to urge amending the IEA's constitution, which currently requires membership in the Organization for Economic Cooperation and Development (OECD) for participation in the IEA, as well as promote China's membership in the OECD. It would be to the IEA's advantage to have China as a member. China's participation would strengthen the IEA's collective emergency response system.

A more powerful IEA would help to stabilize the world energy market through coordinated actions in adjusting oil stocks and exchanging key information and technologies. If it joined the IEA, China would assume obligations, coordinating actions on oil stocks and making its energy data measurable and reportable. But the benefits (exchanges of information and expertise, improving transparency, identifying barriers to technology transfer, research and development and wider policy cooperation on oil stock management) would allow China to rely primarily on market mechanisms and reduce the pressure to line up secure sources of supply with long-term contracts.[14]

Security and the United Nations

China's approach to the world is supremely rational, based on a carefully honed calculus of its national interests. These interests include China's national security and integrity as well as its economic development and increased prosperity.

The "non-interference" cornerstone of Chinese foreign policy should be understood in the context of China's concerns about "independence" regarding Taiwan and separatist pressures in Tibet and elsewhere in the country, such as Xinjiang. China's history is made up of cycles of expansion and then contraction. It is hardly surprising that the Chinese leadership should worry about the territorial integrity of the country. There is no reason to believe that the objective of a "peaceful rise" of China is in any way a strategy of deception. Stability is important to China's security as well as to its prosperity.

China sees the UN as being an important institution engaging all sovereign governments, reflecting broader global interests rather than simply the interests of the rich and powerful. The UN gives China a symbolic as well as substantive major role as one of the Permanent Members of the Security Council.

There are two areas for possible cooperation at the UN with China—reform of the Security Council and the evolution of UN Peacekeeping activities.[15]

12 Jane Macartney, "China Climate Change Storms 'Have Affected 200 Million'," *Times Online,* July 31, 2007, http://www.timesonline.co.uk/tol/news/world/asia/article2169802.ece (accessed December 14, 2009).

13 "Key Elements in Breaking the Climate Change Deadlock: The Deal," Centre for Global Studies, http://www.l20.org/publications/The_Deal.pdf (accessed December 14, 2009).

14 Hepeng Jia, "Closer Ties Urged between China and IEA," RSC, August 6, 2008, http://www.rsc.org/chemistryworld/News/2008/August/06080801.asp (accessed December 14, 2009).

15 Issues to avoid in this partnership where Canada has few assets are Taiwan, North Korea and contested claims in the South China Sea.

The Security Council

China's official position is in favour of conducting "appropriate" and "necessary" reform in the Security Council, and takes the view that the reform should follow the principle of equitable geographic distribution with priority given to the increased representation of developing countries. "China is also supportive of the idea of taking appropriate measures to improve the work method of the Security Council by making its work more transparent, ensuring a fair listening to the views expressed by non-Security Council members … "[16]

China opposes "hasty" reform and would block any move to give others permanent seats, which is in line with Canadian interests. State Councillor Tang Jiaxuan has been quoted stating that the purpose of any reform must be to strengthen rather than weaken the UN.[17] China has called for a greater representation of developing countries, in particular those from Africa, in a reformed UN Security Council. "In the reform of the Security Council, priority should be given to the greater representation of developing countries, in particular African ones."[18] However, any reform of the Security Council is likely to diminish prospects for a Canadian seat, decreasing the frequency from one term every ten years to perhaps every 20 years. Any cooperation with China should focus on improving work methods, not on composition. Canada could approach China with ideas on transparency and "ensuring a fair listening to the views expressed by non-Security Council members." An example would be to propose regular scheduled "Arria Formula" meetings. The Arria Formula enables a member of the Council to invite other Council members to an informal meeting, held outside of the Council chambers.[19] The Chair can decide on who should be invited. China and Canada could agree to resurrect General Assembly President Razali Ismail's March 1997 proposal to make "greater use" of the formula "to facilitate consultations between members and non-members of the Council." For example, Canada could propose that China and Canada work together to promote the idea that the Security Council President would host an Arria Formula meeting each month on the topic of most immediate concern, as a matter of routine.

Peacekeeping

China plays a role in United Nations peacekeeping operations that is not widely known. At the present time, there are almost 2,000 Chinese military personnel serving with the UN in the Democratic Republic of the Congo, Liberia, Lebanon and the Sudan.[20] China has sent more than 10,000 peacekeepers to participate in 18 UN peacekeeping missions over the years.[21] Of the total of 110,000 military personnel in UN missions around the world, China is the 13th largest contributor. China prefers to commit its troops mainly in non-combat positions. It has lost nine soldiers so far in UN peacekeeping operations.

China's financial contribution has also not been encouraging and it contributes less than three per cent of the UN peacekeeping budget, against 25 percent by the U.S. and 17 percent by Japan. China's participation in UN peacekeeping functions has been characterized as "self-serving."[22] For instance, China has been criticized for extracting the maximum financial gain from its peacekeeping role. It sends its own planes to ferry the troops to mission areas and seeks optimum reimbursements from the UN. China sends more civilians than any other country as part of "military personnel" (such as geologists, scientists, political analysts and so on) who, amongst other duties, study local business opportunities.

16 "China and Security Council Reform," Ministry of Foreign Affairs of the People's Republic of China, September 27, 2003, http://www.mfa.gov.cn/eng/wjb/zzjg/gjs gjzzyhy /2594/2595/t15136.htm (accessed December 14, 2009).

17 China's State Councillor Tang Jiaxuan said "It will inevitably intensify the conflict among many countries if an immature plan is put to the vote or adopted," at a meeting of the Chinese-Arab Cooperation Forum in Beijing. See "Security Council Reform: Where it Stands," Deutsche Welle, June 18, 2005, http://www.dw-world.de/dw/article/ 0,1564,1618479,00.html (accessed December 14, 2009).

18 China's UN Ambassador Zhang Yesui to an informal plenary of the General Assembly. See "China: Security Council Needs More Developing Members," *China Daily,* February 20, 2009, http://www.chinadaily.com.cn/china/2009-02/20/content_7496463.htm (accessed December 14, 2009).

19 James Paul, "The Arria Formula," Global Policy Forum, October 2003, http://www.globalpolicy.org/component/content/article/185/40088.html (accessed December 14, 2009).

20 Wang Xiangjiang, Gu Zhenqiu, and Bai Jie, "Interview: China Playing Bigger Role in UN Peacekeeping Operations," *Xinhua*, May 30, 2009, http://news.xinhuanet.com/ english/2009-05/30/content_11454984.htm (accessed December 14, 2009).

21 "China's Growing Role in UN Peacekeeping," *China.Org.Cn,* July 1, 2008, http://www.china.org.cn/international/2008-07/01/content_15914038.htm (accessed December 14, 2009); International Crisis Group, "China's UN Peacekeepers Exceed 10,000 with Latest Sudan Deployment," *Asia Report,* No. 166, April 17, 2009, http://www.crisisgroup. org/home/index.cfm?id=6062 (accessed December 14, 2009); "Contributors to the United Nations peacekeeping operations," United Nations, April 30, 2009, http://www.un.org/ Depts/dpko/dpko/contributors/2009/apr09_1.pdf (accessed December 14, 2009).

22 Bhartendu Kumar Singh, "China and the Politics of UN Peacekeeping," Institute of Peace and Conflict Studies, March 13, 2009, http://www.ipcs.org/article_details.php? articleNo=2831 (accessed December 14, 2009).

Canada and China will continue to disagree on the implications of greater "authority" and "efficiency" in the UN.[23] In particular, Canada and China will part on initiatives that may lead to "interference" in the domestic affairs of other countries. China is not likely to subscribe to the "responsibility to protect" norm with any enthusiasm. But discussions on these contentious issues will be more productive if Canada is seen as a valued partner in other respects.

Disaster relief is a promising area for collaboration; it builds on China's significant military capacity. China has been praised for its disaster preparedness and recovery efforts.[24] Canada could build on Chinese pronouncements to strengthen the United Nation's "severely inadequate" global humanitarian relief resources.[25] China has argued for intensifying fundraising efforts, encouraging non-earmarked contributions, and supporting the Central Emergency Response Fund. China has called for support for capacity building, early-warning systems, increasing material reserves for disaster relief and conducting exchanges and training.

Canada could propose to work together with China on the question of material reserves, especially manpower. One idea is to establish a program of "Green Helmets," analogous to UN Peacekeepers with their blue helmets. Canada could suggest co-sponsoring concrete proposals for the UN to arrange for countries' disaster assistance response teams to be available for international deployment on an ongoing basis. Discussion of this use of military personnel is likely to be fruitful, given China's allergy to involving their UN deployments in potential combat roles.

Nuclear Proliferation and Safeguards

Canada and China both support limiting the proliferation of uranium enrichment technology. Hans Blix, the former Director General of the International Atomic Energy Agency (IAEA), has observed that uncertainty about the assurance of supply of low-enriched uranium could persuade states to start indigenous enrichment, even though it would not be economically justifiable. "Uncertainty about the assurance of supply [of low-enriched uranium] could persuade states to start indigenous enrichment, even though it would not be economically optimal. To avoid such incentives, it would be rational to create mechanisms for the assurance of supply of enriched uranium for nuclear fuel."[26]

To avoid such incentives, it would be rational to create mechanisms for the assurance of supply of enriched uranium for nuclear fuel. The outgoing IAEA Director General, Mohamed El-Baradei, has called for the internationalization of the entire nuclear fuel cycle. This would entail international agreement to provide guaranteed supplies of nuclear fuel to all states on a non-discriminatory basis. One straightforward option is for the IAEA to own and maintain an enriched uranium fuel bank, a body that would lease and take back fuels. Credible guarantees of the international supply of enriched nuclear fuel would require both political and commercial diversity. Otherwise countries would seek development of independent national fuel cycles.

Both Canada and China are members of the Global Nuclear Energy Partnership. Its objectives are to "Establish international supply frameworks to enhance reliable cost-effective fuel services and supplies to the world market, providing options for generating nuclear energy and fostering development while reducing the risk of nuclear proliferation by creating a viable alternative to acquisition of sensitive fuel cycle technologies."[27]

23 "The Security Council should focus more on conflicts themselves; and we are not in favour of establishing a Security Council working group on the question of civilians. Governments bear the primary responsibility of protecting their civilians. While the international community and external forces can provide constructive support, they must follow the provisions of the UN Charter, fully respect the wish of the countries concerned and refrain from undermining the sovereignty and territorial integrity of the countries concerned and even more from forceful intervention." See "Statement by Ambassador Zhenmin LIU at the Security Council Open Debate on Protection of Civilians in Armed Conflict," Permanent Mission of the People's Republic of China to the UN, January 14, 2009, http://www.fmprc.gov.cn/ce/ceun/eng/gdxw/t532205.htm (accessed December 14, 2009).

24 "UN Relief Chief Lauds China's Work on Disaster Recovery, Preparedness," *UN News Centre*, April 22, 2009, http://www.un.org/apps/news/story.asp?NewsID=30557&Cr=china&Cr1=disaster (accessed December 14, 2009).

25 "Statement by Minister Counselor YAO Wenlong of the Chinese Delegation to the Humanitarian Affairs Segment of the 2008 Substantive Session of the ECOSOC," Permanent Mission of the People's Republic of China to the UN, July 15, 2008, http://www.mfa.gov.cn/ce/ceun/eng/hyyfy/t475430.htm (accessed December 14, 2009).

26 "Symposium on Strengthening the Nuclear Nonproliferation Treaty," Pugwash, 2008, http://www.pugwash.org/reports/nw/nptreport-dec08.pdf (accessed December 14, 2009).

27 "Global Nuclear Energy Partnership Statement of Principals," Global Nuclear Energy Partnership, September 16, 2007, http://gneppartnership.org/docs/GNEP_SOP.pdf (accessed December 14, 2009).

One approach is to supplement Russia's proposal, announced in 2006, to develop a network of multilateral nuclear fuel cycle centres. In 2007, Russia's pilot enterprise incorporated the International Uranium Enrichment Center—a multilateral fuel enrichment enterprise and a fuel bank with low-enriched uranium fuel. To date, Kazakhstan, and more recently the Ukraine, are partners in this project, which is open to all other interested parties.[28]

International political diversity would be reinforced if China provided commercial enrichment services. Canada could promote an initiative with China, under IAEA auspices, where internationally-owned and operated enrichment plants would be established in Australia, Canada China and Mongolia. This would provide the required commercial diversity. Subsequently, China and Canada could work together to lead an initiative to deal with the back end of the fuel cycle—long-term storage of wastes and minimizing transportation risks.

Afghanistan

The future of Afghanistan remains uncertain. Canada will withdraw its combat troops by 2011. It seems highly unlikely that any country other than the United States will substantially increase its contribution. The process of building up Afghanistan's army and police is slow. In any event, it is increasingly apparent that there is no military solution. While there are substantial commitments of development assistance to Afghanistan, delivery has lagged. It is also evident that assistance cannot be delivered to areas that are or will become insecure. Unarmed NGOs are attacked and Afghans suspected of working with the central government are all too often kidnapped, physically hurt or killed. This reality is not likely to change.

Canada is committed to continue assisting Afghanistan beyond 2011 and will not walk away. President Obama has stated clearly that he sees a serious threat from al-Qaeda emanating from the mountains of Pakistan, a threat that he does not want to see migrating back into the southern parts of Afghanistan. Canada agrees. It is clear, therefore, that a political solution is required, both inside Afghanistan and in the region. Canada has an interest in the future of Afghanistan, both as Canada shares President Obama's concerns with respect to al-Qaeda but also because Canada has made a substantial investment of lives and money in that country.

There is a major potential for cooperation with China. China's relations with Afghanistan and the Government of President Karzai have been good and in the last couple of years the relationship has developed very substantially. The most tangible evidence is that Beijing is making a US$3.5 billion investment in Afghanistan's Aynak copper field. The Aynak investment is by far the largest in Afghanistan's history. It will employ 10,000 people and generate US$400 million in royalties, half the current state budget. China is actively pursuing other investment opportunities in Afghan resources. These opportunities are substantial. While such investments in mineral and energy resources are occurring elsewhere in Asia and indeed the world, the investment in Afghanistan seems also to have a strategic component. China does not wish to see the return to power of the Taliban or al-Qaeda in Afghanistan any more than does the United States or Canada. This is both because of concerns about the stability of the region but also because China has important Muslim populations with which it does not want outside interference. China has similar interests in the stability and security of Pakistan.

It follows that China is a natural partner for Canada and other Western countries working to achieve stability and relative security in the region. While China has provided some assistance to Afghanistan, the amounts have been modest. China has made clear that it will not send troops to fight alongside the UN-mandated International Security Assistance Force and the United States. But, it is conceivable that if there were to be some international agreement negotiated under the auspices of, or at least closely connected to, the UN that China could provide peacekeepers, of course in a non-combat role.

28 Russia must finalize an agreement with the IAEA on safeguarding the nuclear materials at the centre and the fuel bank and find creative ways to engage additional countries in the project. See Anya Loukianova, "The International Uranium Enrichment Center at Angarsk: A Step towards Assured Fuel Supply?" Nuclear Threat Initiative, October 2007, http://www.nti.org/e_research/e3_93.html (accessed December 14, 2009).

The conclusion is that China and Canada have converging interests in Afghanistan and Pakistan. These should be developed in bilateral talks and pursued in multilateral fora.

There is a common interest in ensuring Afghanistan and Pakistan are not used as a place to train global jihadists, whether they are al-Qaeda or any other breed. Canada has lost over a hundred lives and expended more than $1.3 billion in aid in the ten years to 2011. There will need to be an international political solution to Afghanistan. Canada can play a catalytic role to bring together the key regional and global players.

Conclusion

Canadian and Chinese national interests with respect to many global issues are, perhaps surprisingly, relatively congruent. Congruence of interests is a necessary, but not sufficient, condition to attract Chinese attention and eventual agreement to work together to re-engineer international institutions and arrangements. Canada would also have to present a credible plan.

Imagine if Canada decided that it would aggressively pursue a partnership with China. Imagine if Canada declared that its theme for the 2010 G20 Summit was to gain agreement on various means to strengthen the effective operation of the G20 at Leaders level, with the agenda expanding beyond the inaugural issue of dealing with the global financial crisis. Canada could approach China to work together to design the future G20 agenda. Potential elements for discussion include:[29]

- Propositions for serious reform of the governance and mandates of the Bretton Woods institutions, enhancing China's role concomitant with their global position;
- Reform of the membership and governance of the OECD, IEA and the Egmont Group,[30] to encourage, among other things, Chinese membership;
- A global collaborative research effort, analogous to the Large Hadron Collider and the International Space Station, on clean coal and carbon capture and sequestration;
- Empowering the IAEA to effectively guarantee supplies of enriched uranium, with a global network of suppliers and
- Encouraging a Chinese role in stabilizing Pakistan and Afghanistan.

This Canadian gesture, combined with a well-prepared package of elements of ideas for cooperation revitalizing UN peacekeeping capacity and financing, would certainly capture Chinese interests. The Chinese may very well respond positively—thus ensuring that the 2010 G20 Summit was truly a historically important event—securing Canada's place at the High Table and contributing to significant progress on a series of global issues.

29 Cooperation on North Korea is not suggested because unlike the elements proposed, Canada does not have the necessary assets to bring to the table.

30 The Egmont Group is an informal international network designed to improve interaction among national financial intelligence units in the areas of communications, information sharing and training coordination. The goal of the Egmont Group is to provide a forum to improve support to their respective governments in the fight against money laundering, terrorist financing and other financial crimes. "Egmont Group of Financial Intelligence Units," Financial Crimes Enforcement Network, United States Department of the Treasury, http://www.fincen.gov/international/egmont/ (accessed December 14, 2009).

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XUECHENG LIU, PH.D.[1]

CHINA AND CANADA IN THE GLOBAL ARENA

China and Canada are among the largest countries in terms of land size in the world, and they are among the world's leading economies separated by the Pacific Ocean. The two countries have had a long history of interaction and communication without any sovereign and territorial disputes. The two countries have shown good-will towards each other and have engaged in close commercial interactions. There is no reason for confrontation but support for cooperation between the two great nations with their own civilizations nurtured in the long course of their respective historical development. Representing Eastern and Western civilizations, China and Canada have different political and cultural traditions but share common interests and responsibilities in maintaining peace and security and promoting development and prosperity in the Asia-Pacific region and in the world.

Since the establishment of diplomatic relations on October 13, 1970, China and Canada have made long strides in their bilateral relations. The two countries have suffered setbacks and difficulties in developing the bilateral relations in the early years of the Conservative government. During Prime Minister Stephen Harper's visit to China in 2009 and President Hu Jintao's visit to Canada in 2010, the leaders of the two countries reaffirmed their commitment to developing the China-Canada strategic partnership. Since then, China-Canada relations have gained encouraging momentum and have entered a new stage of development.

The two countries have actively implemented the consensus reached by the two leaders and have abided by the principle and spirit of the China-Canada Joint Statement signed in 2009. They have maintained frequent exchanges at top and other levels and have conducted productive cooperation on trade, investment, energy resources, public health, environment, education and culture. Under the current situation, furthering China-Canada relations is not only in the fundamental interest of both countries and their people, but also conducive to promoting regional and world peace, stability and prosperity.

China always looks at the China-Canada relationship from a strategic and long-term perspective. China is ready to work with Canada to take advantage of the current favorable opportunities to enhance exchanges at all levels, increase political trust, deepen pragmatic cooperation, expand humanities exchanges, and keep closer multilateral coordination so as to jointly push bilateral strategic partnership to a new level. As Wenran Jiang points out, Canadian Foreign Minister Baird's recent visit to China has "sent a clear signal to Beijing that China is back at the top of Canada's foreign policy agenda."[2]

This paper is intended primarily to explore the possibilities of policy coordination and pragmatic cooperation on major global issues. It starts with the assessment of the general development of the bilateral relations between China and Canada. It then identifies possible areas where the two countries can work together in the Asia-Pacific region. It further addresses several urgent leading global issues for their coordination and cooperation. It concludes with some observations and arguments for a better future of the bilateral relations between China and Canada.

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2 Wenran Jiang, "Sino-Canadian relations: 'Strategic Partnership' II," in *The Star*, July 23, 2011.http://www.thestar.com/opinion/editorialopinion/article/1029373--sino-canadian-relations-strategic-partnership-ii.

Cordial Bilateral Relationship as the Prerequisite of Global Cooperation

China and Canada established diplomatic relations in 1970, one of the first Western countries to do so. The bilateral relationship has since made great progress with the joint efforts of their governments. In addition to increasingly frequent exchanges of visits by government leaders at different levels, they have created more than forty mechanisms for cooperation in various areas including trade, law enforcement, energy, environmental protection, science, education, culture and health. Both countries have also worked together in multilateral, regional and global institutions such as the United Nations (UN), the World Trade Organization (WTO), Group of 20 (G20) and the Asia-Pacific Economic Cooperation (APEC).

In 2001, Team Canada visited Beijing, Shanghai and Hong Kong. It was the largest trade mission in the Canadian history. Prime Minister Chrétien was accompanied by nearly six hundred business participants, eight provincial premiers, three territorial leaders, the Minister for International Trade, Pierre Pettigrew, and the Secretary of State (Asia-Pacific), Rey Pagtakhan. In 2003, Premier Wen Jiabao visited Canada. President Hu Jintao visited Canada in 2005 and met with Prime Minister Paul Martin. The two leaders announced a "strategic partnership" and said they would double trade within five years.

Despite the remarkable progress, however, bilateral relations experienced difficulties and setbacks after the Conservative government came to power in Ottawa in 2006. Canada's China policy adjustments cast a chill over China-Canada relations. Since the early days of the Conservative mandate, China-Canada relations began to deteriorate as Prime Minister Stephen Harper and his party took a harsh view of China. China came down hard on Canada for playing up human-rights issues and awarding the Dalai Lama honorary Canadian citizenship. Prime Minister Stephen Harper bluntly stated that Canadian values should not be trumped by the "almighty dollar". Ottawa offended Beijing with a series of irritating diplomatic moves, including making overtures toward Taiwan and Harper choosing not to attend the opening ceremonies of the Beijing Olympics.

Their relations did not turn around until July 2008, when President Hu Jintao and Prime Minister Stephen Harper met on the sidelines of the Group of Eight outreach session in Japan. At the meeting, the leaders reached major agreements on re-boosting China-Canada relations, which gave impetus to improving their bilateral relations.

After the current global recession and falling trade with the United States, the Harper government began to mend relations with China, whose economic growth remained robust. Trade Minister Stockwell Day, Foreign Affairs Minister Lawrence Cannon, and Transportation Minister John Baird visited China in 2009. Chinese Foreign Minister Yang Jiechi made a well-received visit to Canada in June 2009. Finance Minister Jim Flaherty led a high-profile delegation to China to enhance economic and financial ties. Prime Minister Stephen Harper paid a state visit to China for the first time between December 2–6, 2009. Before a bilateral meeting with Prime Minister Stephen Harper in Beijing, Chinese Premier Wen Jiabao suggested that too much time had elapsed without a visit to China by a Canadian Prime Minister. After the meetings between the leaders, Hu Jintao, Wen and Harper decided to mend and rebuild stronger bilateral relations between the two countries.

Prime Minister Stephen Harper's December 2009 visit to China worked to strengthen bilateral ties and enhance dialogue between China and Canada. During the visit, China's granting of Approved Destination Status for Canada was announced. His visit also resulted in the signing of bilateral agreements on climate change, mineral resources, culture, and agricultural education. Both sides agreed to enhance the role of the Strategic Working Group, a bilateral mechanism established in 2005 to facilitate regular, high-level bilateral exchanges between officials. In the joint statement issued during Harper's visit, the two countries were committed to a "steady and positive forward momentum" in their overall relationship. The two sides agreed to increased dialogue on human rights. In terms of business ties, the two countries acknowledged the complementary nature of their economic and

trade relations, with each promising to welcome investment from the other. With these commitments, Harper's visit successfully turned over a new page in the history of China-Canada relations. The relations between China and Canada started to come back on the constructive track.

Chinese President Hu Jintao's visit to Canada in June 2010 came as part of the celebrations commemorating the 40th anniversary of the establishment of their bilateral diplomatic relations. During his visit, President Hu held talks with Prime Minister Stephen Harper and Governor General Michaëlle Jean, addressing issues concerning bilateral relations as well as regional and international affairs. He met with other Canadian officials while engaging extensively with people representing all walks of the Canadian society. The two sides also signed a series of agreements. All these diplomatic moves made President Hu's second trip to Canada a great success.

The summit meetings between the two countries have put two-way trade and investment on the top priority of their diplomatic agenda. Chinese President Hu Jintao put forward five proposals on promoting China-Canada trade relations in his speech at a welcome banquet hosted by Canadian Prime Minister Stephen Harper in Ottawa on June 24. These proposals included increasing bilateral trade volume, promoting two-way investment, deepening cooperation in energy and resources, exploring new areas of cooperation, and opposing protectionism in various forms.

The focus of two-way trade and investment has been a bright spot in the China-Canada relations. Two-way trade jumped to $34.52 billion in 2008 from $150 million when the two countries first established diplomatic relations in 1970, making China Canada's second largest trading partner and Canada China's 13th largest.[3] This shows that they have fulfilled the target their leaders set in September 2005 to raise bilateral trade volume to more than $30 billion by 2010 ahead of schedule. China is now Canada's second biggest trading partner, its third biggest export market, and its second biggest source of imports.

Nearly 300 Chinese entrepreneurs from industries such as mining, water treatment, alternative energy, construction, real estate and automobiles, as well as the agricultural sector, traveled with President Hu to Canada in June 2010. An economic and trade cooperation forum was held in Ottawa during President Hu's visit. They exchanged views with their Canadian counterparts on investment opportunities, market access, and innovation strategies. Their exchanges and discussions are conducive to charting the future course for two-way trade and investment.

After President Hu's visit in June 2010, economic cooperation and trade promotion rapidly expanded. In September 2010, the third China-Canada Business Forum was held in Toronto, with over 400 Chinese and Canadian entrepreneurs present. In October of the same year, the China-Canada forum on infrastructure was held in Vancouver with representatives from nearly 70 companies participating in the forum. The 21st Meeting of the China-Canada Joint Committee on Economy and Trade and the meeting of the working group on infrastructure were held in Beijing and Ottawa respectively. Moreover, the third phase of the Qinshan Nuclear Power Plant in East China's Zhejiang Province, which operates with Canadian nuclear reactors, offers a successful example of the bilateral collaboration in developing nuclear energy for civilian purposes.

There is hope for increased two-way trade and investment in the future. There is significant Chinese investment in Canada, $14 billion versus $4 billion of Canadian investment in China. China-Canada trade only represents a small fraction of the two countries' total foreign trade volume—one percent for China and six percent for Canada. Canada's investment in China accounts for less than one percent of the total foreign investment China has received. Therefore, there is huge potential for China and Canada to increase trade and investment.

3 Bill Schiller, "New, historic starting point' for Canada, China," in *The Star*, June 18, 2011. http://www.thestar.com/news/world/article/825808--new-historic-starting-point-for-canada-china.

After President Hu's trip to Canada, the Canadian Governor General, Michaëlle Jean, visited China from June 30 to July 5. She is the first Canadian Governor General to visit China in 15 years. "It is with pride that I will tell the people of China, on behalf of all Canadians, how much we cherish the strong, historical ties that unite us," Jean said, when announcing her trip.

After a short chilly spell, China-Canada relations are gaining great momentum once again. As a matter of fact, there are currently no fundamental conflicts between China and Canada. Instead, they share common interests and responsibilities in handling the global financial crisis, promoting world economic recovery, addressing common global challenges, and maintaining peace and sustained development in the Asia-Pacific region. All these demonstrate that it is of historic significance for the two countries to ensure the healthy and stable development of their strategic partnership. It is very clear that cordial bilateral relations have paved the way to broader regional and global cooperation between China and Canada.

Cooperation to Meet the Challenges in the Asia-Pacific Region

China and Canada are the major countries standing across the Pacific Ocean, each having important influence in the Asia-Pacific region. As a major Asia-Pacific power, China attaches great importance to developing mutually-beneficial cooperation with other Asia-Pacific countries, including Canada.

Over the past three decades, the strategic landscape of the world has changed with East Asia's robust economic rise and regional integration. Since the start of the global financial crisis in 2008, East Asia has become a leading engine of the world's economic growth. As Richard Ellings observes, the Asia-Pacific has replaced the Atlantic as the locus of global power, challenges, and opportunities.[4] The strategic power shift was caused by the collapse of the Soviet Union, as well as by the rise of Japan, South Korea, China, and now India. Current economic weakness in the United States and Europe is further accentuating China's rise.

As Colby observes, "East Asia represents the economic future and its strategic developments will determine which country or countries set the international rules that shape that economic future."[5]

Asia-Pacific countries (particularly East Asian countries) are making efforts to seize the opportunities provided by world economic recovery and work towards steady and sustained growth of their own economies. To achieve this goal, China and Canada should enhance policy coordination and economic cooperation, invigorate their economies by actively participating in regional cooperation, facilitate intra-regional and inter-regional trade and investment, and expand regional market demands.

China and Canada, as developing and developed economies characterized as complementary, can jointly explore new patterns of economic growth. Many countries in the region have problems such as over-reliance on exports, waste in resources, and environmental pollution. Our two countries can work together as partners to facilitate scientific and technological innovations, adjust economic structure, develop green economy and circular economy, and seek balanced growth of domestic and external demands and sustainable development.

In order to strengthen and consolidate the linkages between Canada and Asia, Canada launched its Asia-Pacific Gateway and Corridor Initiative in 2006, facilitating global supply chains by creating a transportation network that links North America with Asia. The Canadian government has announced it will invest nearly CAD $2.5 billion ($2.4 billion) in infrastructure construction, including more than CAD $900 million ($865 million) from the federal government. The Chinese Government welcomes and supports this initiative. China has an advantage in the construction of infrastructure such as seaports, railways, highways and telecommunication networks. It hopes to take a greater part in Canada's Asia-Pacific Gateway and Corridor Initiative.

4 Richard J. Ellings ed., "Preface," in Ashley J. Tellis, *Strategic Asia 2010–2011: Asia's Rising Power and America's Continued Purpose*, NBR, Seattle, 2010, p.x.

5 Elbridge Colby, "Getting Foreign Policy Right," PacNet #41, August 4, 2011.

China and Canada have advocated new security concepts of comprehensive and cooperative security. Both countries have advocated multilateralism and promoted regional integration and cooperation in dealing with traditional and non-traditional security challenges. China and Canada have been important members or partners of multilateral security and economic cooperation mechanisms, such as APEC, the ASEAN Regional Forum (ARF), Council for Security Cooperation in the Asia Pacific (CSCAP), Shangri La Dialogue and so on. All these dialogues or cooperation mechanisms are conducive to maintaining peace and security, enhancing mutual trust, and facilitating regional cooperation. China and Canada can make substantial contributions to building up a peaceful, cooperative, and prosperous Asia-Pacific region.

Cooperation on the Leading Global Issues

Since the establishment of their diplomatic relations, both countries have enjoyed an active working relationship in international fora, such as the UN, APEC, and WTO. Baird stated that China is a strategic partner in the fields of energy, natural resources and international affairs and that the two countries can both benefit from closer and deeper ties.[6] In the 2009 joint statement, the two countries also highlighted the fact that they have conducted close cooperation at the UN, the WTO, G20, APEC and other multilateral mechanisms.

Partnership on Climate Change and Environmental Protection

China and Canada started to work together on climate change and environment protection as early as the 1990s. The two countries have had a successful, collaborative relationship on climate change and environmental protection over the past three decades.

When Canadian Prime Minister Stephen Harper visited China in December 2009, both sides issued a joint statement. The two sides acknowledged that climate change is a common challenge confronting humanity and that international cooperation is key to meeting this challenge. The two countries decided to work together toward an agreed outcome at the Copenhagen Conference consistent with the principles established by the United Nations Framework Convention on Climate Change: particularly the principle of common but differentiated responsibilities and respective capabilities, and Bali Roadmap. Both sides also agreed to enhance their policy dialogue and bilateral cooperation on climate change and on clean energy technologies. Both sides also signed the Memorandum of Understanding on Climate Change Cooperation.

During President Hu's visit to Canada in June 2010, the two sides signed a Memorandum of Understanding on setting up an energy conservation and environmental protection task force under the China-Canada Joint Economic and Trade Committee.

In November 1998, the two countries signed The Framework Statement for Cooperation on Environment into the 21st Century. This is an important and historic document, which has guided the two countries' bilateral environmental cooperation relationship into the 21st Century. Under the umbrella of the Framework Statement, the two countries agreed on the main elements of a joint Action Plan on an annual basis. The Action Plan reflects a mutual interest in expanding cooperation on a broad array of priority environmental issues and a desire to develop and implement cooperation projects to address the relevant challenges. This Action Plan builds on efforts related to a number of specific bilateral agreements, such as the Memorandum of Understanding on Environmental Cooperation and the Memorandum of Understanding on Renewable Energy and Energy Efficiency.

This bilateral cooperation on clean development and environmental protection has already been institutionalized. China and Canada have worked bilaterally (Canada-China Committee on Environmental Cooperation, Canada-China Climate Change Working Group), as well as multilaterally on a broad array of key environmental issues, such as ozone (the Montreal Protocol) and climate change

6 Tobi Cohen, "It's a 'new era' for Canada-China relations," *Postmedia News*, July 20, 2011. http://www.canada.com/business/Canada+China+relations+Baird+says/5131304/story.html.

(G8 Outreach, the Asia Pacific Partnership on Clean Development & Climate). During the visit of Prime Minister Stephen Harper to China in December 2009, China and Canada signed a Memorandum of Understanding on Climate Change Cooperation, signaling enhanced cooperation in this area.

Partnership on Non-Proliferation of Nuclear Weapons

Today's world is facing various security challenges. Transnational security issues cannot be addressed by one country or one group of countries. Traditional and non-traditional security issues are closely interwoven, including the proliferation of nuclear weapons and the safety of nuclear facilities. Therefore, interdependence between the countries in the nuclear security field is increasingly deepened. Exchanges and cooperation among the countries are remarkably strengthened in this field. The concepts of common security and cooperative security are accepted by more and more countries. China and Canada are the major countries that possess advanced nuclear technologies. They share common interests and responsibilities in furthering the process of non-proliferation of nuclear weapons.

In order to further push forward the multilateral non-proliferation process, the two countries embrace a security concept featuring mutual trust, mutual benefit, equality, and coordination. It also includes adhering to multilateralism, strengthening the collective security system with the UN at its core, and attaining the goal of common security through mutually beneficial and cooperative means.

To prohibit completely and destruct nuclear weapons thoroughly and realize a world free of such weapons is the common aspiration of all peace-loving countries, including China and Canada. China and Canada should take this opportunity to work together in the following ways:

- Nuclear non-proliferation and nuclear disarmament are mutually reinforcing and supplementary to each other. All the nuclear-weapon states must also fulfill their own obligations specified in the non-proliferation treaty.
- Urge the nuclear-weapon states to sincerely fulfill their nuclear disarmament obligations as specified in Article VI of the Treaty on the Non-proliferation of Nuclear Weapons, and not to seek permanent possession of nuclear weapons.
- Urge all nuclear-weapon states unconditionally not to use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-weapon-free zones, and urge nuclear-weapon states to negotiate and conclude a treaty on no-first-use of nuclear weapons against one another.
- Adhere to resolving non-proliferation hotspot issues through dialogue and negotiation. Sanctions and pressure can hardly offer fundamental solutions to the issues.
- Ensure the impartiality and nondiscrimination of the international efforts in nuclear non-proliferation, and respect and ensure the legitimate rights of each state to peaceful use of nuclear energy. Abandon the practice of double standards.
- Take credible and effective measures to ensure the security of nuclear facilities and materials. Prevent the diversion of nuclear materials, and intensify cooperation in combating nuclear terrorism.

China has stood for the complete prohibition and thorough destruction of nuclear weapons. China will not be the first to use nuclear weapons at any time and under any circumstances, and China will not use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-weapon-free zones. Canada, as a non-nuclear-weapon state, undoubtedly supports China's position.

China and Canada have called for peaceful resolutions to the nuclear issue on the Korean Peninsula and the Iranian nuclear issue through dialogue and negotiation. China is ready to work with Canada and other countries to actively promote the denuclearization of the Korean Peninsula and proper settlement of the Iranian nuclear issue, with a view to safeguard international non-proliferation regime and maintain regional peace and stability.

Dialogue on the Human Rights Issue

China and Canada have quite different political systems and civilizations. The two countries have been developing against distinctive historical backgrounds. The levels of their socio-economic developments are also different. It is normal that there are differences of opinion on issues such as human rights

and democracy. Despite these differences, they are not the obstacles that cannot be surpassed in developing the cooperation based on common interests and shared responsibilities as the members of the international community.

Canadian Foreign Minister Baird said that it is better to discuss things face-to-face than to stand back and preach.[7] He also pointed out, "You're more likely to be able to project Canadian values abroad by engaging than by staying in Ottawa." Baird emphasized that Canada has two primary goals in its foreign policy. "One is to promote Canadian interests and the other is to promote Canadian values, and I believe we can do both at the same time." He also said that he raised human rights concerns during his meetings with Chinese leaders and stressed the importance which Canadians place on things such as religious freedom.[8]

In the course of state-to-state interactions, interests and values, as well as trade and democracy are substantially different issues. China and Canada can work together in the areas where they have common interests. China and Canada can also co-exist in a harmonious way when they disagree on certain issues. China and Canada have already created a dialogue platform for promoting exchanges and mutual understanding.

All the countries are sovereign states, and they are equal in the international community. Any bilateral or multilateral dialogue, consultation, or negotiation should be conducted on an equal footing and in the spirit of mutual respect. No single country's will can be imposed upon the other. Democratization of international relations has been increasingly accepted by the international community.

Working towards a Better Future of China-Canada Relations

If Canadian Prime Minister Stephen Harper's visit to China in December 2009 led to a thaw in the frozen Sino-Canadian relations in recent years, Chinese President Hu Jintao's trip to Ottawa in 2010 ushered in another warm period for these deep-rooted relations. The meeting between President Hu Jintao and Prime Minister Stephen Harper heralded "a new, historic starting point" for China-Canada relations. The recent Canadian Foreign Minister Baird's visit to Beijing has made new contribution to furthering their good-will and increased determination to develop the bilateral strategic partnership. The China-Canada relationship has come back on the right track. The development of China-Canada bilateral relations has gained new momentum with the joint efforts of our two governments.

Recently, Canadian Foreign Minister Baird said that the Canadian government attaches great importance to ties with China and takes developing the ties as one of the core objectives for the country's overall foreign policy. Canada hopes to work with China to enhance high-level exchanges and advance mutually beneficial cooperation on trade, investment, education and humanities based on the spirit of the consensus reached by the leaders of the two countries and China-Canada Joint Statement. Baird also said that Canada is ready to work closely with China to push bilateral ties to a new high based on mutual trust, mutual benefit and win-win outcomes. Baird reiterated Canada's adherence to the one-China policy.[9] Canada's new China policy orientation forebodes a new constructive and cooperative period of China-Canada strategic partnership.

Our healthy and constructive relations are built on the shared principles of international relations. In the joint statement signed by Canadian Prime Minister Stephen Harper and Chinese Premier Wen in December 2009, they were committed to a "steady and positive forward momentum" in their overall relationship. They reaffirmed that they would adhere to the fundamental principle of respecting each other's sovereignty, territorial integrity, core interests and major concerns. Neither side supported any attempts to undermine this principle. Both sides also recognized that each country and its people have the right to choose their own development path, and that all countries should respect each other's choice of development model.

7 "Canada-China relationship improving," *The Canadian Press.* July 20, 2011. http://www.cbc.ca/news/politics/story/2011/07/20/pol-baird-china-trade.html.

8 "Canada-China relationship improving," *The Canadian Press.* July 20, 2011. http://www.cbc.ca/news/politics/story/2011/07/20/pol-baird-china-trade.html.

9 Foreign Minister Yang Jiechi Holds Talks with Canadian Counterpart Baird, July 19, 2011. http://www.fmprc.gov.cn/eng/wjb/zzjg/bmdyzs/gjlb/3382/3384/t841404.htm.

With these agreements and commitments, Prime Minister Stephen Harper's visit to China and President Hu Jintao's visit to Canada have turned over a new page in developing the China-Canada strategic partnership in the 21st century.

Strong people-to-people ties also exist between the two countries. Sino-Canadian relations are deeply rooted in the close contacts between the Chinese and Canadian people. Every year more than 700,000 visitors cross the Pacific between the two countries—an average of 2,000 on a daily basis. More than 1.4 million people of Chinese origin currently reside in Canada, while nearly 60,000 Chinese students study there. Chinese immigrants have become one of the largest ethnic groups in Canada's immigrant population, making Chinese the third most popular language in Canada next to English and French. Moreover, there are 44 pairs of sister cities and provinces in the two countries. The Canadian Embassy in Beijing issues as many as 2,000 visas a day for Chinese tourists planning to visit Canada. Mutual understanding, friendship, close exchanges, and communication between the two nations will constitute a solid foundation supporting a better future of their bilateral relations in the 21st century.

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