



Chinese Uncertainties and Canadian Responses: After the Global Financial Crisis

November 20 to 22, 2009



Chairs' Report

By Richard King, Centre for Asia-Pacific Initiatives
and Derek Fraser, Centre for Global Studies
March 2010



University
of Victoria

Centre for
Asia-Pacific Initiatives

Table of Contents

Program	1
Lansdowne Lecture: Charles Burton	3
Session 1: China's Economic Response to the Global Financial Crisis	4
Session 2: The Implications of the Crisis for Chinese Political Stability	6
Session 3: International Relations and Regional Security Issues	7
Session 4: Resources and Environment	9
Session 5: Dissent in China: Ethnic, Religious, Political, and Economic	11
Session 6: Canada-China Relations: Points of Friction and Intersection	13
Session 7: Prospects for Cooperation: Economy, Politics, and the Environment	15
Session 8: Roundtable Discussion	17
Sponsorship	19

Program



Friday November 20, 2009:

6:00 pm – 7:00 pm Welcoming Reception

7:30 pm – 9:00 pm

Lansdowne Lecture

Speaker: Charles Burton, Brock University, Department of Political Science

Topic: *The Past, Present, and Future of Canada-China Relations*

Saturday November 21, 2009:

8:30 am - 9:00 am

Conference Opening

Speakers: Andrew Harding, Director, Centre for Asia-Pacific Initiatives and Gordon Smith, Director, Centre for Global Studies

9:00 am - 10:00 am

Session 1: China's Economic Response to the Global Financial Crisis

Chair: Richard King, Centre for Asia-Pacific Initiatives and Department of Pacific and Asian Studies

Speaker: Ralph Huenemann, Emeritus Professor, Faculty of Business, University of Victoria, and Founding Director, Centre for Asia-Pacific Initiatives

Interlocutor: Connie Carter, Royal Roads University and Centre for Asia-Pacific Initiatives Associate

10:30 am - 11:30 am

Session 2: The Implications of the Crisis for Chinese Political Stability

Chair: Helen Lansdowne, Associate Director, Centre for Asia-Pacific Initiatives

Speaker: Wu Guoguang, Centre for Asia-Pacific Initiatives China Chair and Departments of Political Science and History, University of Victoria

Interlocutor: B. Michael Frolic, York Centre for Asian Research, York University, Toronto

11:30 am - 12:30 pm

Session 3: International Relations and Regional Security Issues

Chair: Derek Fraser, Senior Research Associate, Centre for Global Studies

Speaker: Brett Witthoeft, Maritime Forces Pacific, Department of National Defence

Interlocutor: Rajeev Chaturvedy, International Development Research Centre

1:30 pm - 2:30 pm

Session 4: Resources and Environment

Chair: Chris Garrett, School of Earth and Ocean Sciences and the Department of Physics and Astronomy, University of Victoria

Speaker: Art Hanson, International Institute for Sustainable Development

Interlocutor: David Rodenhuis, Centre for Global Studies

Saturday November 21, 2009 continued:

2:30pm - 3:30 pm

Session 5: Dissent in China: Ethnic, Religious, Political, and Economic

Chair: Andrew Harding, Centre for Asia-Pacific Initiatives and Faculty of Law, University of Victoria

Speaker: Pitman Potter, Director, Institute for Asian Research, University of British Columbia

Interlocutor: Zhang Qianfan, Peking University

4:00 pm -5:00 pm

Session 6: Canada-China Relations: Points of Friction and Intersection

Chair: Joe Kess, Emeritus Professor, Department of Linguistics, University of Victoria and Centre for Asia-Pacific Initiatives

Speaker: Eric Walsh, Director, North Asia Relations, Foreign Affairs and International Trade Canada

Interlocutor: Michael Webb, Department of Political Science, University of Victoria

5:15 pm – 6:15 pm

Session 7: Prospects for Cooperation: Economy, Politics, and the Environment

Chair: Aegean Leung, Faculty of Business, University of Victoria and Centre for Asia-Pacific Initiatives Visiting Japan Chair

Speakers: Barry Carin, Centre for Global Studies; Douglas Horswill, Senior Vice-President, Sustainability and External Affairs, Teck Resources

Interlocutor: Xu Feng, Department of Political Science, University of Victoria

6:30 pm

Conference Banquet

Sunday November 22, 2009:

9:30 am – 11:30 am

Session 8: Roundtable Discussion

Facilitator: Richard King, Centre for Asia-Pacific Initiatives and Department of Pacific and Asian Studies

Lead Speakers: Henry Han, Greater China Section, BC Ministry of Small Business, Technology and Economic Development; Douglas Horswill, Senior Vice-President, Sustainability and External Affairs, Teck Resources



Lansdowne Lecture: Charles Burton

The opening event of the Conference was the Lansdowne Lecture, sponsored by the Faculty of Social Sciences at the University of Victoria and delivered by Charles Burton of the Department of Political Science, Brock University. Dr. Burton's title was "*The Past, Present, and Future of Canada-China Relations*".

In his talk, Dr. Burton cited the aphorism that "the future is uncertain, and the past is always changing." He summarized Canada's early recognition of China as, in Pierre Trudeau's words, "reason over passion." He also noted the attitude of friendship, often unquestioning, towards China in the years preceding the 1989 massacre of student protesters. The relationship at present combines a desire to increase trade with a concern for human rights and the treatment of minorities within China, positions which Dr. Burton does not regard as mutually contradictory or exclusive. For the future, Dr. Burton anticipated that China's comprehensive rise to power would continue, and that Canada's interests would be best served by having diplomats with advanced knowledge of China's language, history, and political culture, by better branding of Canada, and by diversification of Canada's engagement with China.

In answer to questions, Dr. Burton noted that the Approved Destination Status would probably not make a difference in making Canada more attractive for students and visitors, since a process for student visas already exists. Canada needs to be more cautious than other countries in deciding whom to admit, as our Charter of Rights and Freedoms can lead to asylum.

Dr. Burton observed that for Canada to have any influence with China on human rights issues, we will need a sustained dialogue, and improved relations between professional groups (such as police and lawyers) rather than simply between governments. He noted that the Chinese government does not want an internal dialogue on human rights, which it fears could lead to social unrest. Dr. Burton declared that there has been no progress towards democracy in China, and there will not be until the Chinese people demand it of their government. History indicates, however, that democratic change can come quickly and unexpectedly. Our past dealings with the former Soviet Union provided a good precedent for our relations with China. We should use multilateral pressure on human rights and encourage exchanges to make the population more aware of lifestyles and values outside. We must not accept the argument that we all have problems on human rights and thus none has the right to comment on others.

Dr. Burton emphasized that we cannot push to invest in China and not allow Chinese investment here.

Additional Resources

- Listen to [Charles Burton's Lansdowne Lecture](#) on CAPI's website
- Visit [Charles Burton's website](#) at Brock University
- Read [Charles Burton's paper](#)



Session 1:

China's Economic Response to the Global Financial Crisis

Speaker: **Ralph Huenemann**, Emeritus Professor, Faculty of Business, University of Victoria, and Founding Director, Centre for Asia-Pacific Initiatives

In his presentation on "China's Role in the Global Financial Crisis," Dr. Huenemann analyzed how three countries (Canada, China and the US) have responded to the recent global economic crisis. He pointed out that the current crisis has two components (the short-term recession and the longer-term fundamental global imbalances) and noted that for all three countries the policies favoured for curing the recent recession can easily make the long-term imbalances worse. At the core of his talk was a hard truth drawn from basic macroeconomics—that the massive US trade deficit cannot be solved by adjusting the exchange rate between the US\$ and the Chinese yuan but will only be resolved when the US either cuts back on government spending or increases its taxes. Thus the measures taken by the US to cure the recession (such as "cash-for-clunkers," TARP, mortgage subsidies, etc.) inevitably will make the long-term problem worse. China faces a similar dilemma. The Chinese measures taken to solve the recession (such as a spurt of bank lending, a temporary re-freezing of the exchange rate at 6.83, etc.) will also make it harder for China to achieve healthy, long-term growth, with high-productivity investment and low inflation. And what of Canada? To expand on Trudeau's famous metaphor, an uneasy beaver must sleep between two twitchy elephants.

Interlocutor: **Connie Carter**, Professor of Law, Faculty of Management, Royal Roads University and Centre for Asia-Pacific Initiatives Associate

In her comments, Dr Carter noted that among the many stories of China's triumphant recovery from the global financial crisis, there have been concerns expressed about increasing inequalities, especially between China's urban and rural populations. She also called to question many of the economic statistics coming from the regions within China, where officials craft reports to please their superiors as much as to reflect the real situation, and these superiors are insistent on growth levels of at least 8%. Beijing's power over the provinces to implement central policies remains very limited. Dr. Carter predicted that China will need to concentrate on developing domestic markets, and said that Canada might have a role to play in developing social infrastructure.

Discussion:

The discussion that followed this session focussed on the relationship between the centre and provincial and local authorities in China. The first issues related to the reliability of statistics: it was observed, for example, that the sum of provincial GDP figures is invariably greater than national GDP. The reason for this is that, while provincial and local officials are instructed to monitor dangerous and destructive industries (particularly coal-mining) and to reduce corruption, they are also aware of the state's target of at least 8% growth per annum, and realize their own advancement depends on reporting figures equal to or higher than this figure. Problematic statistics tend to remain underreported or unreported for fear of punishment or reprisal.

Session 1: China's Economic Response to the Global Financial Crisis cont'd...

With particular reference to the banking sector, one expert noted that the central government has made considerable attempts to reform the banking system and impose more central control, but that this process is by no means complete, and local branches maintain much of their former autonomy. Banks still lend money to those the Communist Party tells them to, regardless of economic viability (notably in the case of SOEs); there remain no formal structures to regulate transactions of this kind. In the final analysis, political considerations trump economic ones at central and local levels.

Additional Resources

- View [Ralph Huenemann's presentation](#)
- Read [Ralph Huenemann's comments](#)
- View [Connie Carter's presentation](#)



Session 2: The Implications of the Crisis for China's Political Stability

Speaker: **Guoguang Wu**, CAPI China Chair, Departments of Political Science and History, University of Victoria

Dr. Wu reported a sharp rise in unemployment in China, particularly among migrant workers and recent college graduates. He noted that the state stimulus package largely benefited the public sector, leaving individuals hard hit by the rise in prices of staples like pork. Environmental concerns have been sidelined by the perceived need for continued GDP growth. There have been widespread protests over job losses, as well as the unrest in the Northwest reported recently.

Interlocutor: **B. Michael Frolic**, York Centre for Asian Research and Professor Emeritus, Department of Political Science, York University

Dr. Frolic noted that the recent crisis did not appear to have destabilized the political system or reduced the power of the regime. The Party has combined economic stimulus and political repression to ensure compliance, and has the support of an increasingly influential urban middle class as long as economic growth continues.

Discussion:

Following the discussant's comments about relative improvements within the system of one-party rule, the topic of recent unrest in Tibet and Xinjiang was raised. One participant argued forcefully that events there had essentially not been "ethnic" violence: rather unrest in these areas had been a case of peaceful demonstrations brutally suppressed. It was the actions of the (Han) authorities and the reporting of the events that established these events as a conflict between the Han majority and the ethnic minorities in those two areas.

On the subject of official corruption, it was suggested that we need to be more nuanced in our analysis; in the Qing dynasty, for example, a distinction was made between corruption for public and private purposes, with the latter being the criminal offence. Another speaker agreed, and noted that public corruption was largely tolerated, though attempts were being made to prevent officials demanding personal fees for official services.

On the question of whether the financial crisis had strengthened the regime, the speaker suggested that while China was in a much stronger position internationally, this was not necessarily the case internally.

While it was generally agreed that the system was slightly more liberal than before, it was doubtful that the government could take much credit for this; rather it was a result of factors (including technological) beyond the state's power to control, and the state remained determined to restrict freedoms.

Additional Resources

- View **Guoguang Wu's presentation**
- Read **Bernie Frolic's comments**



Session 3: International Relations and Regional Security

Speaker: **Brett Witthoef**, Asia-Pacific Security Analyst, Office of the Asia-Pacific Advisor, Maritime Forces Pacific, Department of National Defence

Mr. Witthoef noted that an increasingly dynamic China was spreading its foreign policy and military wings in the region, thus raising the possibility of tensions with the United States and China's immediate neighbours. As a result, some Asian countries were strengthening their defence forces and entering into explicit or tacit alliances with the United States and its allies. In the Pacific, China had developed a military capacity that reached beyond Taiwan to Japan's Ryukyu Island chain, including Okinawa. China planned to extend its capability as far as Guam. China had already the means to defend its claims in the South China Sea up to the territorial waters of Vietnam, Malaysia and the Philippines. In the Indian Ocean, China wished to develop ports and bases in Myanmar, Bangladesh, Sri Lanka and Pakistan. While these facilities were intended to provide energy security, they posed a challenge to India. The Russians viewed with unease Chinese immigration into Russia's Far Eastern Region. The development of Chinese economic interests in the Central Asian republics contained the seeds of a potential rivalry with Russia. Already the pipeline infrastructure linking Kazakhstan to China was better developed than that between Kazakhstan and Russia.

Interlocutor: **Rajeev Ranjan Chaturvedy**, Professional Development Award Recipient, President's Office, International Development Research Centre

Dr. Chaturvedy commented that the growth in the Chinese defence budget was stable in relation to the growth of its GDP. The Chinese security outlook was defensive. It sought to facilitate Chinese economic growth by diversifying sources of resources, countering constraints imposed by others, and reducing the international space of Taiwan. At the same time, it did not want to undermine the stability of others. China probably did not have a military option in view. Nevertheless, India regarded China as a threat. To counter this threat, India was moving into the Chinese backyard, notably in SE Asia.

Discussion:

In the discussion that followed, it was noted that Canada was not directly affected by the rise of China. Everyone in the region wants a stable North Korea, and China does not want the influx of millions of North Korean refugees. South Korea has a GDP per capita 17 times that of the North and would not want the burden of reunification. At present the influx of Chinese onto Russian territory does not pose a threat to Russia, though it has to be borne in mind that Russia's Far Eastern Region used to be Chinese.

Session 3: International Relations and Regional Security cont'd...

Additional Resources

- View **Brett Witthoef's presentation**
- Read **Brett Witthoef's paper**
- Read the US Department of Defense **Annual Report to Congress on the PRC's military power**
- Read the Strategic Studies Institute paper on **China's String of Pearls strategy**
- Read the Daily Telegraph's article on **Russia's Far East and China's interest there**
- Read Yale's Global Magazine article on the **Mekong countries and China**
- Read the US Naval War College Review on **China's aircraft carrier ambitions**
- Read Rajeev Chaturvedy's paper on **India and Its South Asian Neighbours**
- Read Rajeev Chaturvedy's paper on the **Impact of India's Economy on Its Foreign Policy**



Session 4: Resources and Environment

Speaker: **Arthur J. Hanson**, Distinguished Fellow, International Institute for Sustainable Development

Dr. Hanson noted that China's declared ambition to quadruple GDP between 2000 and 2020 while reducing environmental impact is something that no nation has previously attempted. He declared that China, in its handling of international environmental issues, tends to neglect or ignore important international norms and to minimize its global stewardship responsibilities. Decision making is often slow, inefficient and inconsistent. Nevertheless, the Chinese have signed and implemented a number of international agreements.

China appears now to be becoming well aware of the potential benefits of active participation in multilateral environmental agreements. It has become aware of the threat that climate change poses to China. China fears that climate change considerations will be used to restrict trade. China also hopes to develop substantial export product lines from its rapidly expanding environmental and sustainable development sector.

Nevertheless, the Chinese position going into Copenhagen was not forthcoming. It maintained that the major burden for action lay with the historic polluters. Chinese emissions would rise in the coming decades. Only over the long term (2020-2050) would China stabilize and eventually reduce its emissions.

China has developed a Climate Change Action Plan backed up by changes in laws and regulations and studies on likely climate change impacts. Under the 11th Five Year Plan (2006-2010) energy intensity is targeted for a 20% reduction. Low carbon approaches are to be incorporated into development plans. Chinese cities and enterprises are being encouraged to engage in energy conservation. China is one of the largest users of the Kyoto Protocol Clean Development Mechanism (CDM). China is moving towards world leadership in wind and solar power energy. China is better than any other developing nation on environmental S&T.

There is wariness about Chinese overseas investment in countries like the USA and Canada, in part because of worries about whether environmental considerations will be respected. The Chinese government is developing environmental laws and regulations for Chinese firms abroad. It is not clear, however, what the capacity of the Chinese government will be to enforce its writ. Of concern is the potential for China to divert trade to countries in Africa and Asia with lower environmental standards. It is also uncertain whether the Chinese take into account the environmental impacts of their international development work.

So far Canada has failed to develop a strategic partnership with China on climate change issues. The USA and at least half a dozen EU nations have done so. China is, however, not showing Canada, Europe and Japan the same degree of attention as it is giving the USA. Our proximity to the USA and the depth of relationship can give Canada a certain advantage if we are pro-active. There is a potential in forest and agricultural land management, freshwater and marine issues, mineral development, and biodiversity management, carbon sequestration in soils, urban environmental problems and climate change aspects of international trade agreements. A central strategy is required to link interested groups. CIDA funding should continue to be available. Environmental co-operation with China should take place in the context of an overall improvement in Canada-China relationships.

Session 4: Resources and Environment cont'd...

Interlocutor: **David Rodenhuis**, President and CEO/Director, Pacific Climate Impacts Consortium, and Associate, Centre for Global Studies

Dr. Rodenhuis noted that China is an authoritarian regime dependent for its legitimacy on economic growth. Industrial growth has resulted in ballooning levels of CO₂ production, which is set to double by 2030. The Chinese had been promoting economic development at the expense of environmental sustainability. There is a real risk of a rise of temperature by 3 degrees C by 2080. The leadership worried that climate change might pose a threat to internal stability. He concluded that China must commit to environmental protection to maintain social order in the longer term. Canada, because of less political baggage and a high degree of historic trust, might be preferred on certain issues over the United States.

Discussion:

In response to questions, it was noted that China might not have enough water should current conditions continue to prevail. Water management is poor, and China therefore might have to resort to desalination plants. Clean technologies have been successfully introduced, and China is also making some progress in reforestation.

Additional Resources

- View **David Rodenhuis' presentation**



Session 5:

Dissent in China: Ethnic, Religious, Political, and Economic

Speaker: **Pitman Potter**, Hong Kong Bank Chair, Institute of Asian Research and Professor of Law, Faculty of Law, University of British Columbia

In his presentation, Dr. Potter discussed the interplay between dissent and the rule of law. In his opinion, most of China's intellectual class have been prepared to forgo their traditional role of admonishing the state in exchange for economic growth. The rule of law is simply not being delivered in China; the state controls judicial institutions and enforces party discipline in decision making. For the minorities, constitutional rights and the formal equality promised in the State's White Paper cannot conceal the absolute dominance of the Han majority. And while freedom of belief is constitutionally guaranteed, freedom to practice is not, leading to religious persecution. When Charter 08 exposed the inequities and hypocrisies of China's use of a liberal-sounding rhetoric to conceal illiberal policies, the leading authors were imprisoned. Canada has invested heavily in Chinese legal reform and the training of judges to no discernable effect. A future priority for Canada should be to disaggregate the Communist Party from China and work with a variety of institutions for legal reform.

Interlocutor: **Zhang Qianfan**, Faculty of Law, Beijing University

Dr. Zhang noted his position as the only conference speaker currently on faculty at a Chinese university. He confirmed the abiding sensitivity of the Chinese government in matters concerning non-Han peoples, especially the larger groups like the Tibetans, Mongolians, Uighurs, and Zhuang. He acknowledged that past disrespect for these peoples' religions and customs had been harmful to relations. He saw the need to normalize ethnic politics by ensuring greater autonomy in the "autonomous regions" in China's north and west, by protecting resources in these areas, and by permitting greater freedom of speech, religious practice, and historical memory, to non-Han peoples.

Discussion:

The discussion session began with a response by the speaker to the question raised by the interlocutor: is there a way that Canada can help China resolve current problems of relations between Han and minority peoples, as shown in the recent unrest in Xinjiang and Chinese anger at the international reception given the Dalai Lama? The response: Canada has no way of making China solve its own problems; all Canada can do is to remain true to its own principles, and demonstrate best practices itself.

Since it was generally agreed that dissent against the Communist Party is harshly suppressed (something demonstrated just after the conference by the treatment of Liu Xiaobo, sentenced to 11 years in prison for his advocacy of rights), discussion turned to the possibility of diversity of opinion within the Party. It was observed that a huge organization like the Communist Party inevitably includes those with varying views. One recent case where dissent was admitted, though not approved, was in the attacks by the Shanghai newspaper *Jiefang ribao* on the Charter 08 document released by Liu Xiaobo and others in December 2008: without those attacks, most readers would have been unaware of the document's existence.

Session 5: Dissent in China: Ethnic, Religious, Political, and Economic cont'd...

One speaker suggested the Communist Party was increasingly dominated by a large and intolerant Han urban middle class, and deferring to their priorities would do nothing to ease relations with other ethnic groups. Picking up on this, another speaker suggested that accommodation of minorities and their priorities could not be achieved without respect for their languages and customs, including religion: for example, there are those in Tibet who oppose mining for religious reasons.

There was some doubt as to whether “inter-Party struggles” involving disagreements over issues of policy would have any effect on the future of the Party. More than one speaker suggested that succession in the Communist Party is decided by personal affiliations rather than beliefs or policies.

Additional Resources

- View [Pitman Potter's presentation](#)
- Read [Pitman Potter's paper](#)
- Read [Zhang Qianfan's comments](#)



Session 6: Canada-China Relations: Points of Friction and Intersection

A speaker noted that the large Chinese-Canadian community, five times more important than that in the United States, stimulates the overall bilateral relationship. In addition, there are 42,000 Chinese students in Canada. At the same time, the size of the movement between the two countries leads to consular problems.

Working groups exist between most federal departments and their Chinese counterparts, leading to frequent high level visits. There are four priorities: environment and energy, health, governance (including human rights), and trade and investment.

There are sensitivities in the relationship, especially on human rights. Nevertheless, Canada co-operates with China through CIDA on some areas of governance reform. Canada also raises human rights issues bilaterally and in the UN. The Chinese authorities view some of Canadian concerns as a challenge to the supremacy of the Communist Party. China regards others, about human rights in Tibet and Xianjiang, as a challenge to its territorial integrity. Differences on other foreign policy issues, such as climate change, espionage, and China's relations with countries like Burma, can be more easily discussed.

China is now our second largest merchandise trading partner. Nevertheless, only 1% of Canadian FDI goes to China. There are some trade disputes. China restricts the import of many agricultural products. Canada would like China to better protect intellectual property.

There are 325 active agreements between universities, and there have been a certain number of cultural exchanges. The Vancouver symphony Orchestra visited China in 2008, and Cirque du Soleil will perform at the Shanghai Exposition in 2010.

All in all, the relationship is broad and deep. Frictions can best be managed within the context of a good relationship, through firm and frank dialogue.

Interlocutor: **Michael Webb**, Department of Political Science, UVic

Dr. Webb noted that, while we are all becoming more dependent on China, the Chinese rise has reduced our leverage. The United States has lost its credibility. The EU is internally divided. There has been remarkable economic progress elsewhere in Asia.. Furthermore Chinese economic growth is appealing to others, giving the Chinese considerable soft power. Canadian foreign policy continues to work on the margins of the US. It is not viable for Canada to push the values of democracy in China. While Canada must avoid complicity in rights violations, haranguing on human rights could be counter-productive. Human rights are improving and continuing this improvement should be our goal. There are ways of seeking to improve Chinese social policies. Canada has a decent record on social policies dealing with diversity. We should also encourage the growth of NGOs, person to person relationships, and the civil society. The Chinese side is more interested in importing investment and technology than products, and will not be persuaded of the benefits of policies (like a flexible exchange rate) that it considers not to be in its national interest.

Session 6: Canada-China Relations: Points of Friction and Intersection cont'd...

Discussion:

In the ensuing discussion on Canada's relationship with China in comparison with those of other countries, it was observed that the UK was sufficiently concerned with the climate change issue to assign approximately two dozen climate change officers to work in China. It has taken both France and the EU a long time to rebuild their relationship with China after President Sarkozy received the Dalai Lama. The Canadian Government has remained firm on its right to meet with whomever it chooses. Norway had raised its dialogue on human rights to the ministerial level. Canada was studying the Norwegian example in this respect. In trade relations, it was noted that Australia had focused its efforts on Asia, and in 2008 had sold more iron ore to China than the totality of Canadian exports.



Session 7: Prospects for Cooperation: Economy, Politics and the Environment

Speaker: **Barry Carin**, Associate Director, Centre for Global Studies and Director, Globalization and Governance

Dr. Carin examined the potential for greater co-operation with China at the inter-government level. We could increase our leverage with the Chinese by increasing such co-operation. Canadian and Chinese interests were congruent on a wide range of subjects.

Hosting the 2010 G8 and G20 summits can give Canada an opportunity to catalyze a partnership with China on re-engineering the international system. It is in both countries' interests to broaden the G20 agenda.

In the IMF, Canada could work with China on voting rights, on increasing the power of IMF surveillance, and on the evolution of votes and special drawing rights.

On climate change, the two countries could co-operate on a package deal involving simultaneous commitments on emission targets and fiscal measures, a WTO-type adjudicative process, research collaboration, technology transfer, and resources for adaptation, monitoring and evaluation.

The two countries could also collaborate on the reform of the UN Security Council and the evolution of peacekeeping methods.

Both countries share an interest in limiting the spread of uranium enrichment technology. Both are members of the Global Energy Partnership which has as one of its mandates assuring an international supply of cost-effective nuclear fuel.

There are also common interests between the two countries in maintaining the value of the US dollar, mitigating American and European protectionism, preserving safe international shipping, Canadian oil sands development, and the peaceful resolution of the insurgency in Afghanistan and Pakistan.

Speaker: **Douglas H. Horswill**, Senior Vice President, Sustainability and External Affairs, Teck Resources Limited

Mr. Horswill examined the considerable potential for cooperation between Canada and China in resources. In spite of the world financial crisis, China had grown by 8% in 2009, a rate that was twice as high as had been predicted. In all five major non-ferrous metals, and of global consumption in steel, China is the largest world consumer. China's share continues to rise. Steel production in 2009 will be about 10% higher than in 2008. Imports of coking coal are estimated to have gone up eight times in 2009 over 2008. Canada is seen as the main source of diversification for customers looking for alternatives to Australian coking coal. Over 90% of the global growth in demand for copper since 2000 has come from China.

China has made serious investments in oil sands companies and in the Gateway Pipeline project. We should ask whether Chinese energy investments are made for strategic or economic reasons, whether they pass our national security test, and what effect they will have on the US.

Session 7: Prospects for Cooperation: Economy, Politics and the Environment cont'd...

The Chinese are also investing in Canadian mining companies in Canada and offshore. For the latter type of investment, we should be aware that the Chinese sense of social responsibility is weak and poor performance by the Chinese could rub off on Canadian companies.

A major vehicle for Chinese investments abroad is the China Investment Corporation (CIC). It has \$300 billion to invest. It seeks to diversify Chinese investments, and secure commodity resources. It has sophisticated and capable people. In 2009 it agreed to purchase approximately 17.2 % of Teck's outstanding shares. Having the CIC as a major shareholder, has significantly raised Teck's profile in China.

There is a clear opportunity for Canadian expertise and business in the resource sector in China. Good political relations between the countries will facilitate such trade and co-operation.

Interlocutor: **Feng Xu**, Department of Political Science, UVic

Dr. Xu cited the excitement of Chinese TV stations and their viewers at reports that the China-US relation was now one of equals. China will accept inducements to best practices, but will react with hostility to being told what to do, something seen as a continuation of previous imperialist and colonial practices. The more equal the partnership between China and the United States becomes, the more Canada would be crowded out. Canada will have to get used to having a major trading partner and part owner of resources that is not, and has no intention of becoming, liberal-democratic.

Dr. Xu posed questions to the speakers: to what extent could it be said that Canada and China had complementary interests? And as to Chinese investments in Canadian companies, how could compatibility be worked out in view of the lack of a liberal-democratic tradition in China?

Discussion:

One of the speakers replied that the Chinese could be brought to accept Canadian sense of corporate social responsibility on investments abroad.

Another speaker stated the Chinese would be interested in exploring possibilities for co-operating with Canada on climate change in the context of our chairmanship of the G20 in 2010. Our window of opportunity on that subject was, however, limited to the G20 meeting.

Additional Resources

- View **Barry Carin's presentation**
- View **Douglas Horswill's presentation**
- Read **Feng Xu's comments**
- View the **Canadian International Council's China Papers**



Session 8: Roundtable Discussion

Discussion:

An expert noted that the overseas export market is especially important to BC. Whereas 80-83% of Canadian exports went to the United States, in BC's case it is only 53%. BC is seeking to upgrade its ties with China and South-east Asia: Premier Campbell has visited China five times, and there have also been a significant number of ministerial visits. Premier Campbell will likely return in 2010, and the Western Premiers were also planning to visit together. BC will take part in the Shanghai Expo in 2010. In 2009, BC opened offices to Beijing and Guangzhou, and will open more offices in Asia. More federal and provincial resources are needed to exploit the possibilities. BC's opening to China is paying off: in 2009, China had become BC's second most important trading partner, and its second largest forest products market. The CIC has in six months this year invested \$2.24 billion in the province.

Recommendations:

- A major aim of Canadian policy toward China should be to achieve a significant expansion of commercial relations, including a growth in investments in both directions. The potential for further growth, especially in the resource sector, is significant. To achieve this goal, we should accept China as it is, and seek to develop better government-to-government relations, supported by more frequent high level political visits.
- We should seek to cultivate intergovernmental co-operation with China in the wide range of areas where the two countries have complimentary interests, including climate change, global financial security, nuclear non-proliferation, mitigating American and European protectionism, preserving safe international shipping, Canadian oil sands development, and the peaceful resolution of the insurgency in Afghanistan and Pakistan.
- In climate change, there is a potential in a wide range of areas: forest and agricultural land management, freshwater and marine issues, mineral development, and biodiversity management, carbon sequestration in soils, urban environmental problems, and climate change aspects of international trade agreements. There may be synergies in nuclear power, including handling spent fuel, because China seeks to reduce its dependence on dirty sources of energy. Canada also may be able to help in other areas, such as promoting the washing of coal, which could contribute significantly to the improvement of the physical environment.
- A more broadly based relationship would also assist us in handling frictions in the relationship, including those over human rights. While we should continue to raise, on a bilateral basis, human rights issues that attract wide-spread concern in Canada, so as to prevent them from threatening public support for the relationship, on other human rights questions, we could likely have a greater impact, and reduce the negative reaction from the Chinese authorities, by raising the issues in good company in multilateral forums.
- The federal government has to put more resources into the relationship. A general lack of resources in DFAIT limited its effectiveness. The provinces should not have to make up for the lack of federal resources. A greater effort has to be devoted to language training for Canadians posted to China. Two years of training is not enough to be able to function in Chinese.

Session 8: Roundtable Discussion cont'd...

- There had to be better coordination between federal and provincial governments as well as a greater prioritization of the Canadian effort.
- There was a majority belief that CIDA activities continue to be useful: in providing us with a window into China, in supporting our areas of expanded co-operation, such as climate change, and in assisting NGOs.
- Beyond the resource sector, Canada should, since China is very capable technologically, focus on fields and services where Canada still has a competitive advantage.
- There is a real opportunity for business education in China. We need to take ethics into the business schools of China. It determines the type of business people we train, and how they approach the world.



Chinese Uncertainties and Canadian Responses: After the Global Financial Crisis



November 20 to 22, 2009
Presented by the Centre for Asia-Pacific Initiatives
and the Centre for Global Studies
University of Victoria

With thanks to our sponsors:

