

Canada's Foreign Policy -- Asia

Gary Levy

Gary Levy is Co-President of the Canada China Friendship Society and Visiting Fellow in the Department of Political Science at Carleton University

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First let me congratulate the organizers of this event. When undergraduate students are prepared to spend a week-end discussing policy things cannot be as bad as we old timers tend to think.

I will speak in my capacity as President of the Canada China Friendship Society rather than as an academic expert on Asia which I am not

One question we were asked is –“ whether there are systems or policies that need to change for Canada to be competitive in an Asia centric world.”

The short answer is yes and these are not trivial changes. I will suggest that

- We need to reconsider the role of the state
- We need to extend our understanding of what is democracy
- We need a new foreign policy direction (Ten minutes)

The Role of the State: Over the last decade Canada has moved closer to the neo-liberal view that prevails south of the border. It holds that government intervention in the economy must be minimized, taxes should be cut and budgets balanced. It is characterized by an unshakeable faith in the free market.

This is not the way most Asian countries view the role of the state. Philosophic differences can have very practical consequences. An example is the way we deal with State Owned Enterprises (SOE's).

In 2012, a Chinese SOE signed a 15 billion dollar deal to purchase Nexen, Canada's 12th-largest energy company, with holdings Alberta oil sands.

While green-lighting the sale Prime Minister Harper said takeovers of Canada's oil sands by foreign SOEs have gone far enough and will not be allowed in the future except in “exceptional” circumstances.

“To be blunt, he said, Canadians have not spent years reducing the ownership of sectors of the economy by our own governments, only to see them bought and controlled by foreign governments.¹”

The acquisition caused a split within the Conservative caucus, with some MPs saying companies controlled by Beijing should not be allowed to buy up Canada's

¹ *Toronto Star*, December 7, 2012

oil wealth. Others argued that rejecting the acquisition would be a serious setback in efforts to expand commercial relations.

The basis for approving a takeover is the so called “net benefit to Canada test” a vague concept that leaves the government with wide discretion. According to Mr. Harper further foreign state control would not be of “net benefit.”

China has a long history of State Owned enterprises and they are constantly evolving. In 1949 they were under the direct control of Ministries and charged with meeting targets set by central planners. Significant reforms in the 1990s and more recently have reduced the number and put the remaining large ones on a more commercial basis.

Other Asian countries also make significant use of SOEs including India, Malaysia and Indonesia.

Wendy Dobson of the University of Toronto has argued that we should not rely on old assumptions about how state owned enterprises work or even worse on ideological prejudice against the very idea of state owned enterprises².

The focus should be on behavior not on ownership. The Canadian government has all the power it needs to regulate and supervise the operations of SOEs in Canada.

According to Dobson our net-benefits test is vulnerable to politicization. She points to Australia which has a more objective list of factors to take into account when looking to approve foreign investment.

A less ideological view of SOEs and a more objective net benefits test would improve our relations with Asia. It would also reflect our own history since we often relied on State Owned enterprises to deliver services the private sector was unable or unwilling to provide.

Let me say a few words about democracy. The overwhelming consensus in North America is that our values, including multiparty electoral democracy, are universal values. We assume, in the best case, that others must aspire to them and in the worst case, we can impose these values by force. Nations which are not multi-party electoral democracies are seen as morally illegitimate.

I cannot believe many Asian states, descended as they are from much older civilisations, are impressed by this view of the world. More importantly several

² Wendy Dobson, China's State-Owned Enterprises and Canada's FDI Policy, Research Paper 7-10, Rotman School of Management Working Paper no 24165422, March 26, 2014.

Asian countries are developing an alternative theory sometimes referred to as Confucian democracy. Its origins go back 2000 years just as ours goes back to the Greek philosophers. In the modern era Singapore was one of the first states to apply Confucian ideas to a system of governance. When China embarked on its period of opening its leaders looked to Singapore and not to the west. We will never understand China by thinking of it as a Marxist dictatorship. We might start to understand it if we try to grasp the meaning of Confucian democracy.

Confucianism is part religion, part philosophy and part code of ethics. Insofar as governance is concerned the Confucian tradition is that government should be conducted by the wisest, the most experienced and the most virtuous. In this respect it is not dissimilar to Plato's thought.

For a thousand years in China the Imperial Examination system was designed to select the outstanding candidates to serve in government. The idea of government by a meritocracy is fundamental to the Communist Party in China. The Party's Organization department is like the human resources division of a major corporation.

Using tests and other criteria it screens the million or so members at the lowest level and picks the best 600,000 who are qualified to hold public posts in cities, counties, villages and state owned enterprises. From this group a few thousand are chosen after further evaluation and testing to become the leaders of the national government and party.

It can take 30 years to move up the ladder from the lowest to the highest level in the party. During that time people are given progressively more responsibility and constantly evaluated. The final stage, the election of leader, is not unlike the way the Catholic Church elects the Pope. This may not be a democratic process in our sense but compare the experience of the individuals who emerge with the experience of our elected leaders.

Confucian governance is **not** about seeking truth through an adversarial process of government and opposition. It is not about accountability. The goal is to seek harmony because only when harmony exists can individuals reach their full potential.

A Confucian philosophy fosters long term thinking over short term rewards. The idea of five year planning may have been borrowed from the Soviets but it fits perfectly into the Confucian philosophy and goes a long way to explaining the superior economic performance of Asian economies.

Finally, in a purely electoral democracy who looks after the interests of the non voters. Who looks after the interest of future generations? The answer, of course, is no one. In a Confucian democracy leaders see themselves as representing future generations as well as the present.

A frequent critique of non democratic regimes is the issue of succession. How to change leaders without elections? China has addressed this by introducing two five years terms for the President and other members of the politburo and this has assured both stability and renewal in recent years.

But there is more to legitimacy than succession. Without multiparty elections or elections of any kind, what is the source of legitimacy? The answer is competence. If the rulers are competent then theoretically people's lives will improve and the state will flourish.

According to polls done in China about 85% of the population is satisfied with the government. About 75% say they are better off than they were five years ago. About 90% of the youth are optimistic about the future. So I think we need to understand there can be other sources of source of legitimacy besides elections.

I am not suggesting the Chinese model or the Confucian model supplant western democracy. But if we want to develop closer relations with Asia we should become as conversant with the Confucian approach to democracy as we are with the American or the British approach.

Speaking of our American friends that brings me to my third point about the need for a new foreign policy direction.

A recent study by the Canadian-American Business Council cited a poll which found three quarters of all Canadians favoured even closer relations with the United States whereas only about half that many favoured closer relations with China.

I do not question its accuracy and assuming it is accurate it illustrates a serious problem for Canadian public policy.

It is not really in our national self-interest to increase our necessarily close ties to the United States. Those who think Canadian interests are almost perfectly aligned

with American ones need to recall the reason there are two nations in the northern part of North America is that one of them specifically rejected the values (to use a modern word) of the other.

The challenge is to offset or at least counterbalance American influence. In the 1970s Pierre Trudeau suggested we come up with a Third Option to reduce dependence on the United States.

That policy did not prove to be very successful and we are now more integrated than we were fifty years ago.. But the world has changed greatly since the 1970s and I wonder if it is not time for a new government to resurrect the Third Option with Asia as the key component.

As a small country Canada has always looked abroad for inspiration. We have looked to France to Great Britain and in recent times to the United States. But the fastest growing, most dynamic and most interesting countries in the world right now are in Asia.

Unlike North American policy makers they are not focusing on how long do we want to put people in jail, what services should be cut, how taxes can be eliminated, which countries should we bomb and so on.

They are lifting people out of poverty, reinventing cities as autonomous units or free trade zones, building infrastructure and high speed rail.

You can go from Shanghai to Beijing, the distance of Ottawa to Winnipeg in under five hours with two stops in between. Think what a service like that could do for Canada. Nor can we dismiss their achievement simply by saying we do not have the population. The US has the population and they are not doing any of these things either which leads me to ask again why do we want closer ties to the United States?

We need to shed some of our American addictions, habits and ways of thinking and begin to acquaint ourselves more with Asian ideas about economics, governance and international relations. The trade and investment will follow.

I look forward to you questions and comments.