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Emerging world order requires Canada to partner with China

A multi-polar world with more tolerance for different kinds of governance structures and less talk about universal values would likely be a more peaceful and prosperous world. Canada needs to insert itself into this vision.

By GARY LEVY

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University of Toronto Prof. Goldwin Smith wrote a highly controversial book in 1891 called *Canada and the Canadian Question*. In the 21st century we face another important and equally controversial question. Is Canada prepared to move out of the American orbit and align itself with a new world order envisaged by China?

The future of Canada's economic prosperity, to say nothing of our role in the world, depends on the answer to that question.

In 2006, prime minister Stephen Harper said Canada would not "sell out" important Canadian values to promote trade with China. For several years, he did what he could to discourage friendly relations with China. After considerable pressure from the business community, he relented somewhat by visiting China in 2012 and signing several agreements. Shortly thereafter Toronto, became the first trading hub in North America for Chinese currency, and relations have improved marginally.

But Prime Minister Justin Trudeau seems content to follow the post-2012 Harper policy of "cool politics, warm economics." This may not have been enough for a successful visit to China over the last week.

The Trudeau policy

Relations with China were not discussed during the 2015 election. Trudeau's first meeting with Chinese President Xi Jinping took place at the G20 meeting in Turkey. Mr. Trudeau said he wanted

to set a fresh approach. Xi said his country would always remember the bold initiative of Pierre Trudeau in establishing diplomatic relations. Former Canadian ambassador David Mulroney observed that China tends to associate the good times to eras when the Liberals are in power. The challenge, he noted, “will be to move the relationship beyond some nostalgic notion of Canada-China relations and advance Canadian interests with a really important global player.”

The former president of the Canada China Business Council and now Senator, Peter Harder, wrote that “China is looking around the world to build stronger trading relationships. It’s time for Canada to join the action.” Even a former Conservative foreign affairs minister Peter MacKay said he thought the new government should pursue opportunities with China. Maxime Bernier, as part of his bid for the Conservative Party leadership, has recently come out in favour of free trade with China.

In June 2015, following nearly 10 years of negotiations, Australia and China completed what some have called the most comprehensive free trade agreement that China has ever signed and one that contains “best-ever” Chinese commitments in a number of sectors.

A study commissioned by the Canada-China Business Council used the Australian agreement as a model to project that a Canada-China FTA would create 25,000 jobs and add almost \$8-billion to the economy within 15 years. It would divert trade away from the United States by a relatively modest \$2.7-billion in GDP by 2030.

In January 2016, China’s Vice-Minister of Financial and Economic Affairs Han Jun visited Ottawa to discuss prospects of a free trade deal. He said if there is such an arrangement, “you can see a flooding of potash, agricultural products, and energy products from Canada to the Chinese market. What is China most in need of? We have a shortage of agricultural products. China is the biggest importer of agricultural products in the world and, also, we are one of the countries with the highest dependency on imported energy from other countries.”

He noted that China will come to the table with its own demands, namely the removal of restrictions on Chinese state-owned investments in Canada’s oil-and-gas sector. To this, the Chinese have recently added conditions about canola that were excluded from the Australian agreement and would be a major point of contention with Canada, as it is one of our largest exports.

Obstacles

On the Canadian side there are many more obstacles to a free trade agreement. One is a general skepticism with free trade related to the debate that has emerged in the United States. Many blame free trade for the loss of jobs and the unequal distribution of wealth. Justin Trudeau, unlike his father, is not prepared to be significantly out of step with the Americans. With China playing an important part of debate in the United States election, the younger Mr. Trudeau is likely to wait until he sees the nature of the new American administration in November.

A second obstacle is the view among some of the public policy community that China lacks certain qualities required of a free trade partner. It is compared unfavourably to other Asian states, including Japan with whom we have a long relationship..

A third obstacle outlined by David Mulroney is our old missionary impulse whereby Canadians seem unwilling to see China as it is rather than as what they would like it to be. “This reflects our nostalgia for a vanishing world in which our main international concerns—security, prosperity, and our considerable stake in a healthy global commons—have largely been worked out through our relationship with the United States.”

A fourth obstacle is that Canada has ignored structures and mechanisms that could help to manage the relationship. Mulroney says “it should not surprise us that China, a state that still sees value in central planning and control, should prefer to manage its bilateralships along similarly bureaucratic and state centric lines. China’s penchant for classifying and ordering its most important partnerships is also a means of signalling to its vast bureaucracy what is and isn’t possible with particular partners.”

Carleton University political science Prof. Jeremy Paltiel argues that “we need to institutionalize our bilateral relations through broader and deeper direct government to government exchanges that will build trust by having officials work together side by side toward common goals and at the same time partner more effectively with China’s efforts to supply more global public goods. Paralleling these efforts we need to put in place mechanisms that will defuse tensions that periodically build up due to differences in our institutions and value systems.”

Perhaps the greatest obstacle relates to public opinion. All democratic governments worry about public opinion, but Mr. Trudeau seems particularly concerned. One study by a professor, now a special adviser at Global Affairs Canada, shows that while most Canadians believe China will be more powerful than the United States, only about a third see China as highly important to their economy or support a free trade deal. Only 14 per cent support the prospect of a Chinese state-owned enterprise owning a controlling stake in a major Canadian company. A majority believe the human

rights situation in China is deteriorating, that it does not respect the freedoms of its people, and that its growing military power is a threat. More than half believe that China's influence is threatening the Canadian way of life.

But the task of a leader is to shape public opinion, not follow it slavishly. It is doubtful if a majority of Canadians were in favour of recognition of China when Pierre Trudeau made that decision.

Justin Trudeau is more cautious. He has given priority to improving Canadian relations with the United States, which also deteriorated under Mr. Harper. In his first six months, Mr. Trudeau visited the U.S. four times, including a state dinner at the White House.

He spent 13 days in the United States for the purpose of talking to the media, to universities, to interest groups, even taking the time to pursue his favourite hobby, boxing, in a famous American gym. He understands how to parlay celebrity into raising Canada's profile and improving a bilateral relationship.

Trudeau should make a similar charm offensive in China. He should have planned to spend more time there instead of making this trip an add-on to another meeting—the G20—which is how Harper usually approached it. A few well chosen events and speeches or perhaps even a family vacation could help educate Canadian opinion about modern China, which is not remotely like the caricature painted by many cold warriors and professional China bashers. If Trudeau wants to do something really dramatic, he could appoint a high profile ambassador, like Dashan who is probably the most famous Canadian in China, or Trudeau's brother Alexandre who has written a recent book about China. That is the type of gesture that would certainly get the attention of the Chinese.

Timing is significant because, with the Trans-Pacific Partnership (TPP) in limbo, there is an incentive for us to seek an alternative plan. And for China, the possibility that the TPP—which it is not part of—might be ratified gives it reason to look more favourably on an arrangement with Canada as a counterbalance.

Beyond economics and free trade

But the real point for Mr. Trudeau is that we must look beyond economics. In recent times, China has articulated a new vision of the global order based on the notion of a “community of common destiny” or the “One Belt One Road” idea is designed to unite the planet through infrastructure and trade. Its goal is to lift millions around the world out of poverty, just as it has done within China.

This is a grand vision and one that will not be accomplished in even multiple five-year-plans. But as an idea and a vision, it deserves to be mentioned in the same breath as the American postwar Marshall Plan or Victor Hugo's idea for an united Europe.

A Chinese vision for the world would be pluricentric with several regional powers. It would be unlike the Cold war world where two competing ideologies strove to impose themselves on the rest of the world. It would be unlike the present uni-power world where the United States deploys military force to try and shape events to its interests. A multi-polar world with more tolerance for different kinds of governance structures and less talk about universal values would likely be a more peaceful and prosperous world.

Canada needs to insert itself into this vision just as we inserted ourselves into and embraced the American postwar vision of a rules-based internationalism. That era is over in large part due to failed American leadership in recent decades. The challenge, in the words of University of British Columbia Prof. Paul Evans, one of our premier experts on China, is for Canadians to recognize and assist in the transition from a world order "premised on American primacy that can no longer be maintained to an order that has not yet taken shape."

Prof. Palatial notes that "there is no downside to partnering with China in areas of common concern and using our influence on China's direction. Partnering with China is a daunting challenge, given our ideological differences, institutional incompatibilities, and distinctive value orientations. However cooperation is possible without compromising our core liberal and democratic values—and indeed necessary if Canada is to maintain a significant role in global governance."

A small but optimistic sign that Canada might be moving in the right direction occurred in April 2016 when a group of Chinese engineers met in Ottawa with some Parliamentarians to discuss a project to build a 340-mile rail link to a resource rich area known as the Ring of Fire in northern Ontario. The idea to build the line has been stalled for years because of a lack of capital and short-term thinking about the price of commodities.

The engineers are to complete a detailed feasibility study on the rail project within four months that would then be presented to Chinese financial institutions. This will be a good test of whether Canada is prepared to move beyond words and toward real projects with real impacts on Canadian society and bilateral relations.

An even better signal would be for Canada to endorse and take an active role in supporting a recent Chinese idea of building a rail link from China through Russia, across the Bering Strait to Alaska and then through Canada to the continental United States.

The political difficulties of such a project dwarf the technological challenges. But the dream has been nurtured for years by Russian, American, and other visionaries. Canada should not only lend its support to such a project, but play a leading role in bringing the parties together and pushing the idea forward. That would be a signal that Canada is willing to insert itself into a Chinese vision of the world. This type of big thinking, led by China but with Canada as an active supporter, could transform the world economy and international relations in ways we can barely imagine.

It will not be easy to undo years of neglect in Canada-China relations. Let us hope Mr. Trudeau can convince the Chinese we are worthwhile partners not only for a relatively minor free trade deal, but for a major reorganization of the international order.

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