

**China as our Global Neighbour:  
Towards a Rethinking of Canada-China Relations  
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I was originally scheduled to give this speech in February 2020 but it was postponed because of COVID-19. It would be a gross understatement to say that a lot has changed in the last nine months. And yet, on the most important questions that impinge on today's topic – the future of Canada-China relations – the situation at the end of 2020 is more or less the same as the start of the year. If anything, the trends that were in place before 2020 (and the pandemic) have only hardened. While it is fashionable nowadays – with our COVID-tinted lenses -- to remark on how everything has changed, the fundamental forces that play on Canada's ties with the People's Republic of China remain in place, and if anything, are gathering strength.

This is not to say that Canada's choices with respect to our relations with China are in any way predetermined. More so than any time since the debates around diplomatic recognition of the PRC in the 60s, there is a groundswell of opinion on the need to rethink Canada-China relations. The key themes shaping today's debate echo those of more than 50 years ago: Pressure from the United States, the desire for a more independent foreign policy, fear of communism, revulsion over human rights abuses in China, economic interests, and realpolitik.

The most important difference today is in the last two items: Our economic interests vis-à-vis China are much larger than they were in the 60s and 70s, and – more importantly – China's economic weight in the world is far greater than it was in the post-war period. China's share of global output was just 1 percent in 1970, compared to about 18 percent today. While China's growth has slowed, and may slow yet further, it has already expanded to such a size that even modest growth in China amounts to a significant boost for the world economy. The world woke up to this fact after the 2008 global financial crisis, when China emerged as the most important source of global demand, accounting for as much as half of global growth over the next decade. In 2020, amid economic downturns across the world, China will be the only major country to show positive growth for the year as a whole, albeit at a lower level than was expected pre-COVID.

The realpolitik of relations with China has also become much more important as a factor for Ottawa to consider in its changing relationship with Beijing. Back in the 60s, John Diefenbaker, Lester Pearson, and Pierre Trudeau could only guess at the importance of bringing China into the international community, in the belief that Beijing would be less disruptive in the tent than outside of it.

Today, China is truly a global player, and Chinese actions around the world – for better or worse -- touch on Canadian interests whether we like it or not. Think about demand for natural resources, climate change, Arctic policy, peacekeeping, and well, health pandemics, just to

name a few. Whereas it was possible in the previous 50 years, to pursue an essentially piecemeal and transactional relationship with China, it will be untenable in the years ahead for Canada to treat relations with China as simply the sum of our interactions in trade, investment, culture, education, and people-to-people ties. At the same time, we cannot wish away the impact and influence of China by pursuing a disengagement strategy that seeks to severely reduce the range of interactions with Chinese counterparts.

In the current context where the detention of a senior Chinese executive in Vancouver has resulted in callous retaliation against a Canadian businessman and a Canadian diplomat, as well as adverse consequences for Canadian agricultural exports, the “transactional” approach is clearly not working. Many critics of the current approach have reached for what seems like the obvious solution, which is to dramatically reduce transactions with China. This response, however, is naïve about the prospects for diversification to other markets. It also underestimates the importance of the Chinese market and the role of Chinese enterprises in supply chains far beyond the People’s Republic. To those who say “we should diversify our business links away from China to the rest of Asia”, my response is as follows: While it may be possible to have a China business strategy without Asia, it is highly unlikely that you can have an Asian business strategy without China.

It will not be easy to find an approach to China that is strategic rather than transactional, much less one that is based on shunning China, and I do not pretend to offer a definitive answer. Which is why I believe relations with China will be the biggest foreign policy challenge for Canada for the foreseeable future. To be clear, I am not saying that Canada-China relations are more important than Canada-US relations. Positive ties with Washington DC will remain the most important foreign policy priority for Ottawa. But we more or less know the playbook for dealing with our neighbours to the South, even during the disruption of a Trump administration, because of our shared history, shared values, and the deep connections across the border that go well beyond politics and diplomacy. We have much less connective tissue when it comes to Canada-China relations, which is why it is going to be so hard in the years ahead. Indeed, if we want a mature relationship with a major power such as China, we are going to have to grow connective tissue in the right places so that our interests can be protected when the relationship takes a stumble.

Canada-China diplomatic relations have always operated in the shadow of Canada-US ties. This was as true when Diefenbaker decided to sell wheat to China in the face of opposition from JFK, as it was when Chretien agreed to grant China Most-Favored Nation (MFN) status contrary to the position taken at the time by the Clinton administration. It is still the case today, only more so because of heightened competition between the United States and China that is spilling over to Canada and other countries that are caught in the middle. On the one hand, US policymakers are dismayed that economic engagement with China has not resulted in a relaxation of political control on the part of the CCP, or greater openness to foreign competition in the Chinese market. On the other hand, the Chinese leadership, especially since the advent of Xi Jinping, has become more self-assured (perhaps even cocky) in its assessment of national economic and military capabilities and accordingly, more assertive in the defence of

its policies domestically and abroad (站起来，福起来，强起来). This has all the hallmarks of great power competition, with its attendant risks for each side as well as for third parties, as the history of power transition will attest. To date, the geopolitics of US-China strategic competition is couched in euphemisms such as de-coupling, techno-nationalism, and de-globalization, with some commentators brushing aside the possibility of serious damage to the world economy or, worse, open conflict. Dreamers in Beijing and DC may fantasize about the rapid demise of “decadent and ungovernable” American society or the sudden implosion of a “corrupt and illegitimate” Communist Party. The more likely reality, however, is that the strategic competition between China and the United States is going to be decades long (Jack Ma thinks it is 40 years; Xi Jinping 30), and that as the contest deepens, the interests of each side will increasingly take precedence over the views and preferences of third countries.

There is nothing extraordinary, therefore, in saying that many of the current challenges faced in the Canada-China relationship are a by-product of US-China tensions. In many ways, this has been the story of Canada-China relations even before diplomatic recognition in 1970. But it would be correct to say that the contemporary challenge is greater than we have ever faced, because China matters so much more for Canada and the world today, and because strategic competition between the US and China will not end anytime soon. Not to mention that reliance on the United States as our most important export market and our many commitments to treaties and alliances with the US are a defining reality for Canada.

The question, accordingly, is how to position Canada in the decades-long struggle for economic and technological supremacy between the US and China.

One approach is to follow the Chinese saying 坐山观虎斗 – watch the dueling tigers from a mountain. And indeed, there will be instances in US-China strategic competition when the best course of action for Canada is in fact to not get involved, but to merely observe from a distance.

However, given the highly interconnected world that we live in, and the deep ties that Canada already has with the US and China, it will be impossible to be merely a passive observer of all Sino-US conflicts. For one thing, there are collateral effects from conflict between two great powers. Often, these effects are negative, such as we see in the dampening economic outlook every time there is an escalation in the US-China trade war. Sometimes, though, the effects may be positive for Canada. For example, if Washington DC makes it more difficult for top students and researchers from China to work in the United States, Canada could benefit by attracting those talented individuals to Canadian institutions (but are we?).

We also cannot simply sit atop a mountain and watch the tigers fight because there are times when one side or the other is battling for a cause or principle that is clearly in Canada’s interest. In that kind of situation, we should take a side. For example, the Trump administration was actively undermining the World Trade Organization by refusing to appoint members to the Appellate Body. If there is no functioning WTO Appellate Body, the WTO as an institution ceases to be useful. We should in this instance work with China (and other countries) against the US administration’s efforts to undermine the WTO.

In the same way, there are aspects of the US-China trade conflict that Canada can relate to and should support, in line with American positions. These include issues of forced technology transfer, arbitrary and inconsistent application of sanitary and phytosanitary standards for food imports, and the need for further liberalization across a range of service sector industries in China. There are also a number of important issues of principle around human rights and the rule of law that Canada stands for, and should stand with, other liberal democracies such as the US.

The point remains, however, that the US-China conflict is being fought from the perspectives of Washington DC and Beijing, and neither side is thinking about the implications for Canada. That responsibility falls on the Canadian government, and I worry that on too many policy decisions involving US and Chinese interests, Ottawa is acting on assumptions and reflexes that may be obsolete, rather than on a calculation of risks and benefits based on Canadian realities and Canadian interests.

We do not know how this multi-decade conflict between the US and China will play out, but we should be clear that it is not a repeat of the Cold War. The Cold War was fought between two adversaries which had profoundly different systems and were significantly mismatched in their economic capabilities. The US and Soviet Union had much fewer economic and civil society ties than the US and China currently have, and the nature of the two regimes made for military and other alliances that were much more clear-cut than is the case today. Furthermore, the cold war was fought, from the US perspective, on the assumption that the Soviet Union would eventually collapse under its own weight of economic inefficiency and unsustainable military spending, which is what happened. There are of course many critics who believe that the People's Republic of China will meet the same fate as the USSR. Indeed some are counting on it to happen, and trying to accelerate the process. But with a Chinese economy that is already larger than that of the US in purchasing power terms, and the Chinese market serving as the number one destination for exports from over 120 countries, we should fervently hope that China does NOT implode.

It is precisely that we are not in a cold war situation where it is easy to take sides that makes China policy so challenging. This is a new foreign policy challenge not just for western democracies, but for all countries that are – like Canada – ants scrambling for cover under the two fighting elephants. From Tokyo to Canberra, Pretoria to Cairo, Rome to London, and across the Americas, foreign ministries are searching for a new playbook to advance their interests with respect to both the US and China, and to avoid being trampled by either or both of the powers.

### **Rethinking China policy**

Ask any informed Canadian about how they would define Canada's relationship with China and my guess is that the answer would be either a blank look, or more likely, a list of the problems that are currently dominating the headlines, e.g. Meng Wanzhou, Michael Spavor and Michael Kovrig, Hong Kong, Xinjiang, Canola, Wolf Warrior Diplomacy, foreign interference, and so on.

There is indeed a long list of problems that characterize the current relationship, but a list in itself does not define a diplomatic relationship. A list is simply a list. One could presumably make a list of good things that are happening between Canada and China, but that would also be simply a list and it wouldn't go very far in terms of defining the bilateral relationship, and helping chart a course for the future. Let me put it a different way: We can identify lots of *problems* in the Canada-China relationship, but we have yet to identify the *problematique*. For the social scientists in the audience, you will know that a *problematique* is not a list of problems; it is rather a way of defining the overarching problem, or question, that you are seeking to address. In foreign policy terms, I believe it boils down to how we see China in relation to Canada – now and in the future. Another way of putting it is to ask the question “What is China to us”?

Is China a “Reluctant adversary” (Evans/Frolic), a “Fast Growing Market” (Popular phraseology during the go-go years of Team Canada); a “Strategic Partner” (Martin/Hu Jintao)?

To be sure, some commentators have already made up their minds: Last year, the Globe and Mail editorial board proclaimed China a “threat” to Canada. If this is in fact the *problematique* for Canadian policy towards China, we have to seriously consider all of the implications that flow from branding a foreign country (and a superpower, no less) a threat. Without actually using the “threat” moniker, much of the public discourse on China is already behaving as if it were a settled issue – with troubling implications for the way we manage all things Chinese, including Chinese enterprises, immigrants from China, ethnic Chinese Canadians who have no connection to the PRC, civil society groups with links to China, and so on.

There are of course other ways of identifying the *problematique*, including “competitor”, “rival”, “partner”, even “enemy”. All of these terms have normative elements which would conform to the preconceived notions of an individual's preferred nomenclature. I would like to offer a less normative term -- one that is descriptive rather than value-laden, in the form of China as a “Global Neighbour”. It may come as an affront to those of you who are repulsed by China that I would dare to speak of the PRC as a neighbor – with all of its connotations of well, good “neighbourliness”. But think a bit more deeply about your neighbourhood and it is likely that you will be able to identify neighbours who are not “neighbourly”. That troublesome neighbour may even be the one with the biggest residence on your block. What's more, we don't get to choose our neighbourhoods – not at least in the sense of international policy. The idea of China as a global neighbour underscores the reality that Canada is in proximity with China on so many fronts and in so many places – not just in the geographic sense, but on the issues that matter to Canada domestically and internationally. In some geographies and on some issues, our stance to our global neighbor should be to build a sturdy fence (good fences make good neighbours); in other areas, we should have an open border; yet other areas, something in between. But it is clear that we have our territory and China has its own, and there will be times and instances when the governance of our territory is markedly different from that of China. As in any physical neighborhood, relations among the inhabitants will ebb and flow.

If we accept that China is in our neighbourhood (and we are in China's), the question is how we conduct ourselves on each and every issue where the PRC is a very real presence. As is the case

with our literal neighbours, there is no “one size fits all” answer to the question of how we deal with people who live down the street.

Here are some principles for how I believe Canada should respond to the global neighbour that is China, in the context of growing US-China strategic competition:

First, we should *not* give up on a liberal, rules-based international order and the role of multilateral institutions in the management of conflicts among member countries, from trade to climate change to nuclear proliferation. This means working with those segments of American and Chinese society that share this view, and to the extent possible, getting like-minded American and Chinese to work together with Canada on global challenges. Climate change and global health are excellent near-term examples for such joint efforts.

Second, we *should* give up on the idea that it is part of Canada’s mission to change China. Through the centuries, western missionaries, explorers, colonizers, merchants, and modern-day diplomats have in one form or another pursued this goal, mostly with good intentions. The high point of this historical endeavor was China’s entry into the World Trade Organization in 2001, which many of us believed would be the turning point for the People’s Republic to become a more market-oriented economy, and that the power of opening up to the world would in turn spur the advance of individual and collective liberties in China, including political rights.

We were wrong about our assumptions on how to change China, and we should be humble about whether a different strategy would produce better results. It should come as no surprise to anyone that a proud and ancient civilization such as China’s would be resistant to pressures for change from outside the country – even more so now under the heightened political and ideological control of the current leadership.

And yet, China has changed profoundly in the last 40 years -- since the start of economic reforms in 1979 -- so it is not that change is impossible. My argument is not that China or Chinese people are unsuited for democracy or for a high level of individual freedoms. But the change that has come about in the People’s Republic has been driven mostly by forces from within the country and under the direction of domestic political leadership, which is not in any way immune to pressures from within. Further change in Chinese institutions and their governance, and in the relationship between the Chinese state and civil society, will emanate from inside China, with the role of foreign pressure playing an ambiguous role, at best.

Canadian policy towards China should be about advancing Canadian interests, but it should not be “missionary” in its intent. If there is a demonstration effect from our actions on Chinese behavior, well and good. But we should not make “conversion” a goal of our foreign policy. Accordingly, we should not deem our foreign policy to have failed if 10 or 20 years from now, China still looks very different from the West, as it does today. In fact, this may not even be a meaningful test by the time we get to the 2030s. My hunch is that “the West” will be more difficult to typologize in 10-20 years because of growing heterogeneity in “western” institutions, norms, and practices, but that is a speech for a different day.

Third, we should signal clearly to the Chinese leadership that we want China to succeed in its economic aspirations. At the core of the US-China strategic rivalry is the notion that the US does not want the PRC to become a fully developed economy and in so doing, surpass America in a range of economic and technological domains. Whether or not this is true of US intentions, it is a widely-held belief in China and runs counter to Xi Jinping's goal of China becoming a comprehensively developed country by 2049 (the centenary of the founding of the People's Republic of China).

Canada should articulate at the highest levels of leadership our support for China's goal to become a fully developed economy by 2049. More than that, we should say that we want to be part of China's journey to 2049 and to share in the country's success on the way there. Acknowledging China's legitimate desire to become a developed economy and expressing support for it will go a long way in dispelling suspicions about the west trying to hold back China. This strikes me as a diplomatic "no-brainer", but you will be surprised by how contentious the idea is, in some circles. Some might also argue that a statement of such obvious goodwill towards another country is too obvious to bear repeating. Perhaps so if we are talking about Canada-China relations in the 1990s and 2000s, but in the febrile environment of trans-Pacific tension that we are currently living in, the obvious is no longer so obvious. Especially not, from a Chinese perspective, when this country's leading newspaper has decided that China is a "threat" to Canada. The Chinese government might actually be surprised to hear that we want them to succeed!

Fourth, even as we say that we want China to be successful, we should also be very clear that Canada differs with China on many issues related to human rights, individual freedoms, and the rule of law. And while we would wish that China's journey to becoming a developed country comes with an expansion of rights and freedoms for its citizens, our focus on these issues should be in Canada, where we have the ability to set standards and enforce laws. This means taking a stronger position on any denial of freedoms by individuals and groups in Canada with respect to issues affecting China. If Canada is to lead by example, it must act consistently in the jurisdiction where it has the power to lead – and hence must resist and repel any attempts (from domestic and foreign sources) to interfere in Canadian democracy through coercion, corruption, and covert actions. Chinese Canadians have a special responsibility to model the values of free expression, tolerance of opposing views, and protection of minority rights when it comes to the Canada-China relationship. We should not accept false accusations of being either anti-China dragon slayers or puppets of a United Front organization simply because we are exercising our rights as Canadians to voice opinions on both sides of the China debate.

Finally, on every issue that confronts Canada with having to make a choice between the US and China, our decision must be pragmatic. We should take a longer term view rather than one that responds to current political or business pressure, or worse, prejudice. For example, we should reject the idea, increasingly common in the United States and Australia, that China is a "whole of society threat". This view has the potential to taint all things Chinese as threats to national security and Canadian society in general, and has already infected discussions around housing affordability, money laundering, cultural activities, and international students in Canada. It could also distort important policy decisions around foreign investment, research

collaboration and funding, infrastructure development, and international mobility – to the detriment of Canada.

We are not living in ordinary times. Many of the assumptions of the last 50 years are no longer valid. A defining feature of the decades ahead will be strategic competition between China and the US. We hope leaders in both countries will manage this competition in a peaceful and reasonably cooperative way, so that those caught between the two are not trampled by the feuding rivals. But we are not heading in this direction at the moment and the foreign policy choices that are made by third countries – including Canada – can nudge us towards a more, or less, fractured world. Canadian policy towards China is therefore ripe for change.

It will take some time for us to find a new equilibrium, in part because of current difficulties in the relationship, but more so because we have to build consensus across political lines and with the Canadian public about a different framing of Canada-China relations. Too often, the choice is presented as one that either “sees no evil” (China is an indispensable market), or “sees only evil” (China is a threat). Embracing one extreme or the other will only lead Canada into dead-ends. By instead framing China policy in the context of Sino-US strategic competition and recognizing China as a “global neighbour”, we can better situate Canada’s long-term interests and increase our flexibility on domestic and international issues. This will be the single biggest foreign policy challenge for Canada in the first half of the 21<sup>st</sup> century.