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**Keynote Speech by The Honourable Yuen Pau Woo,
Senator for British Columbia**

Thank you for inviting me again to your annual conference. I would like to express a warm welcome to those of you who have traveled from afar to be at this event, especially Professor Zhang Jun, Dean of the School of Economics at Fudan University, and to thank him for the very insightful presentation that he just gave us.

Professor Zhang spoke about “reshaping China’s growth strategy in the aftermath of the US-China trade war”. He made the important point that while the trade war will hurt China in the near term, it could be an impetus for the Chinese economy to more efficiently allocate resources in order to improve its overall performance. What he did not say, though, is that the US-China trade war will hurt economies other than the US and China. In fact the greatest hurt may well be felt by third countries that are not directly involved in the conflict. As the saying goes: “When two elephants fight, it is the ants below who will be trampled”.

Canada is more than an ant, but we are certainly being trampled. Under the proposed Canada-US-Mexico Free Trade Agreement, the requirement for Canada to seek the consent of the US (and Mexico) to enter into a trade agreement with a non-market economy is an example of how strategic rivalry between the US and China is limiting Canada’s flexibility on international policy.

Likewise, the detention of Meng Wanzhou in Vancouver for extradition to the US, at the request of Washington D.C., has hurt Canada’s relationship with China. It has adversely affected some of our key exports, not to mention the dire situation of Michael Kovrig and Michael Spavor, who are imprisoned in China as retaliation against Ms Meng’s arrest.

Speaking of ants, the founder of Ant Financial, (Jack) Ma Yun, believes the US-China conflict could last 40 years (Xi Jinping, by the way, thinks it will be 30 years, but he is an optimist!). Jack Ma may be known to most of us as a visionary, but he is also a realist, and he is surely thinking hard about how a 40-year conflict between two superpowers will affect his business empire. We should be thinking equally hard about 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 current downturn in global equity markets because of 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.

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 is 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 current 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 be hoping and praying every night 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.

Canada is therefore not unique in having to search for a better way to manage its relations with the US and with China, and we should embrace the fact that a fresh perspective is needed. In foreign policy, continuity of approach is usually the path of least resistance. Taking a new path is difficult, in part because of vested interests, in part due to conventional wisdom, and in part due to bureaucratic resistance. I believe we are at a moment in history – call it the period of great power transition, if you like -- where Canada must re-think its approach to international affairs, and in particular, our economic and foreign policy towards China. I therefore agree with the growing body of critics who say that Canada needs a new China strategy.

The problem, of course, is that Canada has never really had a China strategy. Since Ottawa's recognition of the People's Republic in 1970, our approach to China has been mostly transactional, with a focus on expanding trade and investment, educational and civil society exchanges, and human rights / rule of law dialogue – with success measured by the volume of activity rather than longer-term outcomes. The underlying assumption in our approach of the last four decades was that engagement with China across many fronts would make China more like us, in terms of democratic practices, respect for individual freedoms, economic policy, and international norms. Much of the current disillusionment over China is precisely that these assumptions were not valid and that China has become a more authoritarian regime in the last decade, with less respect for individual freedoms and a diminished appetite for market-friendly economic reform. In addition, China has become more assertive in its international relations, including on territorial issues in the western Pacific.

Most commentators who advocate a new approach are basically saying that Canada should be tougher on China. By this, they typically mean retaliation against Chinese trade actions, being more vocal on human rights abuses in China and on issues where China is violating international norms and practices, aligning more closely with western allies in the Pacific on military and strategic cooperation, and supporting Taiwan's quest for greater diplomatic space. There may

be merit in some of these actions, but they are based on a response to developments in China alone (in particular, a distaste for the authoritarianism of Xi Jinping), and do not address the bigger challenge for Canada and the world, which is the decades-long strategic rivalry between the US and China that has only just begun.

I believe the starting point for re-thinking Canada's China policy should be the issue of US-China strategic rivalry. This rivalry will profoundly change international relations and the workings of the global economy. As such, Canada should plan for decades ahead, rather than simply responding to near-term challenges in our relationship with China or the US. There isn't time in this speech to fully discuss the implications of US-China strategic competition for Canada's China policy. In any case, we need to allow for the policy to evolve as we track the trajectory of Sino-US competition. For now, however, let me outline a few preliminary ideas on what the policy should and should not include:

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.

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. And 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. 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 describes China as 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, and 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, 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 40 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 fewer ants are trampled. 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, 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 21st century.