



Discord and Disruption

2019 Global Trends Report

An Anthology of Briefing Notes by Graduate
Fellows at the Balsillie School of International Affairs

Copyright 2018. The copyright to each briefing note resides with the authors of each briefing note.

The Foreign Policy Research and Foresight Division at Global Affairs Canada is proud to support and be associated with the Graduate Fellowship Program/Young Thinkers on Global Trends Initiative. The challenges facing Canada today are unprecedented and truly global. Tackling those challenges require fresh ideas and engagement with new generations of thinkers, researchers, and activists to help create opportunities for a sustainable future. We would like to thank the students and professors of the Balsillie School of International Affairs for their time, effort and commitment throughout the year to make this initiative successful. The results of their work, which has been encapsulated in this anthology, will help inform the work of Global Affairs Canada as it relates to foreign policy, trade and international development.



Global Affairs Affaires mondiales
Canada Canada



BALSILLIE SCHOOL
OF INTERNATIONAL AFFAIRS

67 Erb Street West
Waterloo, ON N2L 6C2 Canada
Telephone: 226 772 3001

Canada-China Relations in the Age of Xi Jinping

Justin Dell, Paul Ruhanya, Alex Suen and Mohit Verma

Issue

How can Canada best approach diplomacy with China in the age of Xi Jinping?

Background

Politics

With the elevation of Xi Jinping to power, China is taking a more assertive stand on the global stage. While it may be too simplistic to speak of Chinese foreign policy as a monolithic entity, it seems clear that the rise of Xi Jinping will have wide-ranging implications for China's diplomatic posture. In 2012, Xi assumed the mantle of General Secretary of the Chinese Communist Party (CCP) at its 18th Congress, and later enshrined "Xi Jinping Thought" into the party constitution at the 19th Congress in autumn 2017 (Martina and Wen 2017). Furthermore, he has assumed the role of Chairman of the Central Military Commission — a marked concentration of power. Moreover, constitutional amendments passed by the National People's Congress in early 2018 removed Xi's presidential term limits, potentially allowing him to lead indefinitely (Bader 2018). As a consequence, he is expected to profoundly shape Chinese foreign and domestic policy.

A window into Xi's worldview can be found in a compendium of his speeches to the 18th CCP Congress, *The Governance of China*. The salient theme of Xi's writings is "national rejuvenation," China's re-emergence from the

"Century of Humiliation," i.e., from the Opium Wars in the mid-19th century to the end of the Chinese Civil War in 1949 (Xi 2014). Xi appears to be spearheading a retrenchment of Marxist-Leninist orthodoxy in Chinese national life, alloyed by the pragmatic notion of "Socialism with Chinese characteristics" introduced by Deng Xiaoping. However, it is important not to overstate the impact of Xi's ascendancy on the continuity of China's foreign policy objectives. Chinese foreign policy is executed through a complex web of overlapping bodies, organizations and institutions (Shambaugh 2013). This makes it difficult to trace decision-making processes and predict future behaviour.

China is also seeking greater recognition as a global power. For example, it is attempting to lead the Paris Agreement on climate change. The withdrawal of the United States from this multilateral effort may result in Chinese efforts to supplant the US in certain international roles. However, at the same time, Beijing is clamping down on domestic feminist organizations and individuals promoting human rights. One incident in 2017 involved Guangzhou police searching the offices of a feminist organization that printed anti-harassment T-shirts (Fu 2017). These polices could potentially run at odds with Canada's core values and foreign policy objectives.

Trade and Investment

While there has been some alarm expressed regarding Chinese purchases of Canadian firms, these figures need to be placed in the global context. China has invested US\$52 billion in foreign direct investment (FDI) in Canada over the past 20 years, however this does not place Canada within the top 10 recipient countries of Chinese FDI. The largest recipients are mostly China's neighbours. Moreover, China's economic interests in Canada are concentrated in the energy sector, which accounts for 78 percent of all Chinese investment in Canada (China Institute 2018). China's core strategic interest is self-sufficiency, and this includes the securing of energy resources (Shambaugh 2013). The Chinese government is expected to continue pursuing opportunities in the Canadian oil sector. However, this interest should not be considered a *fait accompli* for actual investment. The controversy over the Kinder Morgan pipeline continues to simmer, and Canada's climate goals may be incompatible with courting FDI in the oil sands (McCarthy 2018).

Overall, Chinese FDI is increasing at a rapid rate, but still forms a small percentage of inward FDI in Canada. The US proportion is still far greater, amounting to US\$361 billion versus China's US\$25 billion in 2014 (Statistics Canada 2015). The proximity of the US economy will continue to be the most important source of investment in relative and absolute terms for Canada.

However, China's trade is undeniably important for Canada. Due to mounting US protectionism, various trading partners have reacted by retaliating. There is a possibility that the United States may pressure Canada to withdraw from free trade negotiations with China. Canada has also received criticism for its decision to go ahead with the sale of Norsat to a Chinese firm, Hytera Communications (Fife and Chase 2017). None of the provinces are opposed to trade with China, and, indeed, some have independently explored the possibility of their own trade deals (Office of the Premier 2017). Furthermore, there is a risk for Canada now that it is signatory to the United States-Mexico-Canada Agreement (USMCA), article 32.10 of which restricts any member from entering into negotiations with a "non-market economy" (Massot 2018). According to some interpretations, in the event of Canadian trade talks with China, the United States could seize upon this clause to accuse Canada of breaching the agreement, forcing its punitive exclusion from the trilateral deal.

Military and Security

While Chinese military expenditures have recently increased, China's defence budget is still one-third the size of that of the United States. Moreover, despite having the world's largest land army, China lags behind the US in force projection and naval power (Acharya 2014). Unlike the US, which has two peaceful neighbours, China is ringed by 14 countries on land, along with several marine neighbours, putting it in a precarious geographic position. Many of these countries, such as Japan and South Korea, are stalwart allies of the United States. Overall, China finds itself in an unenviable strategic position, being described as a "partial power" rather than a full superpower (Shambaugh 2013).

Given this deficiency in "hard power," China compensates by exercising "soft power" to pursue its national interests. This can especially be seen in the form of generous foreign aid, which rivals the expenditures made by the US. However, China's diplomatic strength remains constrained by the lack of an integral role in multilateral institutions, which were largely formed, and are still dominated, by Western powers. The Chinese leadership views multilateralism as a tool to achieve specific goals of national interest, rather than participating in a system of impartial global governance (Shambaugh 2013).

One aspect of China's power projection lies in neither hard nor soft power, but what political scientist Joseph Nye calls "sharp power," including cyberwarfare, industrial espionage and intelligence operations intended to interfere with the political outcomes of foreign democracies (Nye 2018). Recently, Russia has been accused of exercising such power to influence the US election. However, given China's insecure position when it comes to both hard and soft power, it is unlikely that China will want to press on Western countries using the same tactics that Russia has been accused of using. Avoiding confrontation with the West is one of the key aims of China's military policy, even while simmering tensions in the Korean peninsula could erupt into a full-blown crisis in the East.

With regards to Chinese procurement of Canadian military technology, the recent purchase of Norsat has resulted in criticism from the United States (Fife and Chase 2017). Since similar technology was also sold to Chinese Taipei in 2017, greater governmental scrutiny over such deals may be warranted (Agence France-Press 2017). This also applies to other areas of technology of a militarily sensitive nature such as artificial intelligence (AI), an industry in which Canada

has a leading edge (Teja 2018). It is probable that China will desire to appropriate Canadian AI technology for the purposes of domestic surveillance and the suppression of human rights.

Conclusion and Next Steps

While China is indisputably a rising power with mounting influence on global political and economic spheres, the levers of power are still firmly in the hands of Western countries. Canada should remain engaged in constructive bilateral and multilateral relations with China. However, the sale of sensitive military technologies, as in the case of Norsat, must be given greater scrutiny, as such moves can create unnecessary tensions between Canada and its NATO partners.

China is assuming a more forward posture under Xi Jinping under which it has become increasingly wealthy and powerful, shaking off the legacy of the “century of humiliation.” As well, with American foreign policy on uncertain footing since the election of US President Donald Trump, Canada should diversify its interests while maintaining its core values and renewed commitment towards multilateralism. We further recommend that Global Affairs Canada develop improved capabilities to better serve Canadian interests. Expert advice from senior diplomats and skilled foreign policy analysts can contribute greatly towards navigating the new era of Chinese-Canadian relations. We recommend that a permanent interagency advisory group on Chinese-Canadian relations be established, utilizing a whole-of-government approach. Top China experts from Global Affairs Canada, Public Safety Canada, and the Department of National Defence should be recruited for this body. We further recommend the creation of a scholar-in-residence position that can advise the Canadian government with outside knowledge and expertise of the academic world.

Without taking a more proactive approach to diplomacy with China, Canada could run the risk of being trapped between two economic juggernauts: the first- and second-largest economies in the world, China and the United States. Furthermore, China and the US have competing security interests in the Asia-Pacific region, which could put Canada in a difficult position. Leveraging existing governmental expertise on China, as well as incorporating outside expertise, will be advantageous in navigating the next era of foreign policy for the Government of Canada.

Recommendations

- Meet with friends and allies in summit on trade, with the objective of forging a coordinated trade and investment policy in sensitive industries, including AI.
- Create a permanent inter-ministerial panel on Chinese affairs, including experts from Global Affairs Canada, Department of National Defence, and Public Service Commission.
- Create a scholar-in-residence position to serve as a liaison between the China panel and the government-in-power.
- Engage with international non-governmental organizations and Canadian NGOs on creating an action plan for a progressive trade agenda that encompasses labour protections, sustainability, and feminist policy.

About the Authors

Justin Dell is a student in the University of Waterloo’s Masters in Global Governance program based at the BSIA.

Paul Ruhamya is a student in Wilfrid Laurier University’s Master of International Public Policy program based at the BSIA.

Alex Suen is a student in the joint-Wilfrid Laurier University/University of Waterloo Ph.D. in Global Governance program based at the BSIA.

Mohit Verma is a student in Wilfrid Laurier University’s Master of International Public Policy program based at the BSIA.

Acknowledgements

The authors would like to thank David Welch for his guidance and mentorship as a supervisor throughout the development of this policy brief. Special thanks to the BSIA and Global Affairs Canada for their knowledgeable feedback and support throughout the course of this project.

Works Cited

- Acharya, Amita. 2014. *The End of American World Order*. Cambridge: Polity Books.
- Agence France-Presse. 2017. "Canadian PM under Pressure to Reject Chinese Norsat Bid." *Taipei Times*, June 15.
- Bader, Jeffrey A. 2018. "7 Things You Need to Know about Lifting Term Limits for Xi Jinping." In *Order from Chaos: Foreign Policy in a Troubled World*. February 27. www.brookings.edu/blog/order-from-chaos/2018/02/27/7-things-you-need-to-know-about-lifting-term-limits-for-xi-jinping/.
- China Institute. 2018. "China-Canada Investment Tracker." May 10. https://chinainstitute.ualberta.ca/tracker_lite.
- Fife, Robert and Steven Chase. 2017. "U.S. Rebukes Canada over Chinese Takeover of Norsat." *The Globe and Mail*, June 12.
- Fu, Diana. 2017. "Why Is Beijing Afraid of Chinese Feminists?" *Washington Post*, July 27.
- Massot, Pascale. 2018. "The China clause in USMCA is American posturing. But it's no veto." *The Globe and Mail*, October 16.
- Martina, Michael and Philip Wen. 2017. "China Enshrines 'Xi Jinping Thought', Key Xi Ally to Step Down." Reuters, October 24. www.reuters.com/article/us-china-congress/china-enshrines-xi-jinping-thought-key-xi-ally-to-step-down-idUSKBN1CT0C9.
- McCarthy, Shawn. 2018. "Financial-Sector Warnings on Carbon Risks Add to Oil-Patch Pain." *The Globe and Mail*, April 23.
- Nye, Joseph S. 2018. "How Sharp Power Threatens Soft Power: The Right and Wrong Ways to Respond to Authoritarian Influence." *Foreign Affairs*. January 24. www.foreignaffairs.com/articles/china/2018-01-24/how-sharp-power-threatens-soft-power.
- Office of the Premier. 2017. "Productive Start to Asia Mission." Government of Alberta. April 21. www.alberta.ca/release.cfm?xID=46716AA00C9F3-9A3B-CC7A-2D383BDF20E02736.
- Shambaugh, David. 2013. *China Goes Global: The Partial Power*. Oxford: Oxford University Press.
- Statistics Canada. 2015. "Foreign Direct Investment (Stocks) in Canada." April. www.international.gc.ca/economist-economiste/assets/pdfs/Data/investments-investissements/FDI_by_Country/CDIA_stocks_by_Country-ENG.pdf.
- Teja, Salim. 2018. "Here's Why Canada Can Win The AI Race." *Forbes Community Voice*. March 13. <https://www.forbes.com/sites/forbestechcouncil/2018/03/13/heres-why-canada-can-win-the-ai-race/#5ac63820c9b7>.
- Xi Jinping. 2014. *The Governance of China*. Beijing: Foreign Languages Press.