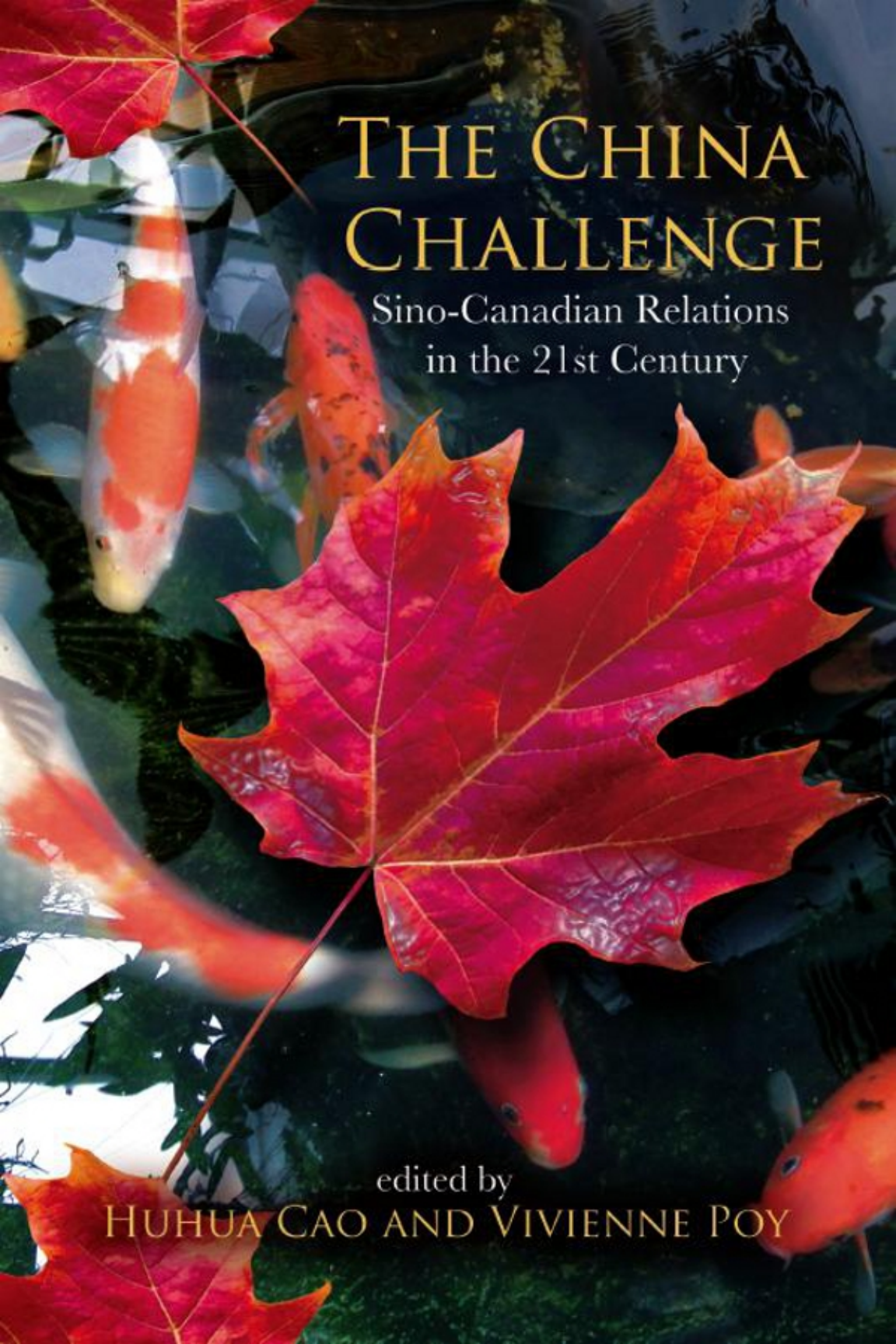


The background of the book cover is a photograph of a pond. Several koi fish are visible, including one with white and orange stripes on the left and others in shades of orange and red. A large, vibrant red maple leaf is prominently placed in the center, partially overlapping the title. The water in the pond is dark and reflects the surrounding foliage.

THE CHINA CHALLENGE

Sino-Canadian Relations
in the 21st Century

edited by
HUHUA CAO AND VIVIENNE POY

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Foreword

Allan Rock

It has been more than forty years since diplomatic relations between Canada and the People's Republic of China were established by Prime Minister Pierre Elliott Trudeau. Throughout that time, China has undergone dramatic economic changes, and the country is now considered a key player on the global stage. China's emergence as an economic powerhouse, coupled with its successful efforts to expand its sphere of influence, have had a profound effect both on the development of international policy and on the global community as a whole. Meanwhile, Canada has worked steadily to strengthen cultural and economic exchanges with China, balancing strong trade against concerns such as human rights, the rule of law, climate change and the environment. While ebbs and flows in their bilateral relations have occurred, Canada and China continue to engage in collaborative efforts in political, commercial, cultural and academic arenas. Canada must not only persist in raising its profile as a contributing partner in this strategically important region, but also continue critically to examine its foreign policy toward China.

The China Challenge: Sino-Canadian Relations in the 21st Century is therefore a timely and relevant analysis of the history and future of the relationship between Canada and China. It examines topics such as Ottawa's foreign policy priorities, China's increasingly important position as an international policy-maker, China's growing economic clout and its potential implications for Canada's future prosperity, and the human and demographic aspects of bilateral relations. It offers readers perspectives from both scholars and Canadian government representatives, current and former, on why, from both a domestic and an international standpoint, China is more important to Canada than ever.

This book is the first in a series, *China in the 21st Century*, to be published by the University of Ottawa Press. The series will greatly contribute to the University of Ottawa's efforts to increase awareness of its leadership on international issues, a priority identified in Vision2020, the university's strategic plan for the future. It will also further advance the university's efforts to encourage collaboration between universities and governments.

Given the complex global issues facing the Canadian government today, it is critical that senior officials and elected leaders have access to thoughtful and fully developed knowledge and ideas from sources beyond their own departments. Universities, with their capacity for critical thought and independent research, can play an important part in the development of this information, and in nourishing an open and rigorous policy process as an important component in the future progress of bilateral relations with China.

With its rich cultural heritage, its tremendous economic influence, and the world's largest population, China will see its economic potential and its status among nations continue to flourish in coming decades. As it currently stands, China has made significant moves in trade relations with the United States, Australia, South America and Africa, is a leading force in the G20, has permanent membership of the United Nations Security Council, and is the second largest economy in the world after the United States. If Canada wishes to maintain a strong international presence, it must find ways to bridge the ideological differences that constitute foreign policy challenges in its relationship with China in order to reinforce its relevance and its capacity to develop new Canadian markets in Asia.

The China Challenge: Sino-Canadian Relations in the 21st Century and the subsequent books in the series *China in the 21st Century* will serve as valuable resources, providing policy-makers with expert knowledge, insight and opinions so that they may make the best decisions on how to enhance our nation's dialogue with China on vital issues of strategic interest for Canada.

Chapter 1

Introduction:

Canada's Response to China's Increasing Role in the World

Huhua Cao

The international position of the People's Republic of China has undeniably changed since Canada became one of the first developed countries to recognize it, in 1970 (even before the People's Republic was admitted to the United Nations). When Mao Zedong declared on October 1, 1949, that China had finally "stood up" in the world, he had underestimated his country's potential to rise internationally. In 1949, China's ability to stand up implied its ideological move away from capitalism as the best instrument of struggle against "imperialism" and its "defenders" (see Friedman 1994 and Kirby 1994). The autonomy of the Chinese state was a product of its ability to resist the most influential capitalist world powers. In the 1960s, autonomy went as far as resulting in China's complete isolation from the international community, in a context where its relations with the two world superpowers were tense (see Gittings 1964, Kirby 1994, and Yahuda 1983). In no way did autonomy result in China's ability to influence the world scene. Indeed, China was to remain far from the centre of global political interests for several more decades. Up until October 25, 1971, it was denied membership in the United Nations, while Taiwan, under the name of the Republic of China, was the sole official representative of the Chinese nation.

During the Maoist era, one way in which the People's Republic regained autonomy in its foreign policy was "by dealing with foreign powers individually, not as a unit" (Kirby 1994, p. 17). This strategy, among other implications, meant that ideological differences would not be the unique

standard for defining the boundaries of China's relations with foreign partners. It opened the door to the possibility that China might have privileged relationships of varying degrees with different western powers, based on each country's ability to give and take. This strategy certainly played in favour of bilateral relations between China and Canada under the leadership of Prime Minister Pierre Trudeau and since.

Following thirty years of remarkable economic growth since the end of the 1970s, leading to China becoming the second largest economy in the world after the United States (see Barboza 2010), its ability to "stand up" today has a profoundly different meaning. While Deng Xiaoping, the architect of China's economic reforms at the end of the 1970s, stressed that China should "maintain a low profile and never take the lead" on international matters, the country's impressive economic growth over the past thirty years not only has changed its economic status in the world, but has also allowed the country to become a more and more important player in the process of making important political and geopolitical decisions.

China has played a key mediation role in ensuring six-party talks to find a peaceful resolution to security concerns resulting from the determination of North Korea to develop nuclear weapons. In Central Asia, the Chinese government has been the key to the creation and hosting of the Shanghai Cooperation Organization (SCO) since 2001. It has also in recent years become an active participant in the Asia-Pacific Economic Cooperation (APEC) forum, the Association of Southeast Asian Nations (ASEAN) regional forum, and ASEAN-plus-three. The outstanding pace at which its economy has grown has given China an important position in the G20, and has planted the seeds for a potential "G2," comprising the United States and China. China has become a "soft power," not in Nye's military and security terms, but in the realms of popular culture, diplomacy and participation in multilateral organizations, as well as development aid (Kurlantzick 2007, p. 6).

China's presence and influence have also grown in Africa. Chinese leaders have sought to strengthen political relations with that continent by establishing the China-Africa Cooperation Forum in 2000 (Kaplinsky, McCormick, and Morris 2008, p. 14). One of the main commonalities emphasized by China in its attempt to draw African interests closer to its own has been an emphasis on their common imperialistic and neo-imperialistic enemies (Taylor 2005, p. 5). According to the China-Africa Business Council, China has become Africa's third largest trading partner. While the value of its trade with the continent was only US\$ 2 billion in 1999,

by 2005 that figure had risen to US\$ 39.7 billion (Taylor 2005, p. 2). As Joshua Kurlantzick (2007, p. 6) maintains, “Beijing offers the charm of a lion, not of a mouse: it can threaten other nations with these sticks if they do not help China achieve its goals, but it can offer sizeable carrots if they do.” Indeed, some countries in Asia, Africa and Latin America have cut off relations with Taiwan as a result of Beijing’s “soft” influence (Kurlantzick 2007, p. 10). China is becoming more attractive than western countries as a foreign direct investor in some African countries, in part because the Chinese do not impose conditions relating to good governance and human rights. This has attracted criticism from the West, which sees China’s exclusive focus on the commercial foundations of such investment as detrimental to universally accepted norms on sustainable development and human rights. Africa could well become a new arena for economic and other forms of rivalry between China and the West.

For Canada, bilateral relations with China between the 1970s and the 1990s may have been substantially confined to foreign policy, but China’s emerging position in the world has also had profound effects on Canada’s domestic policy. As Paul Evans (2006, p. 284) claims, the average Canadian’s “trip to the gas station reveals how China’s demand for energy is increasing prices for energy and natural resources; and a trip to the bank reveals how mortgage and interest rates are tied to China’s purchase of US securities.” Beyond the fact that China has bought a yearly minimum of US\$ 80 billion worth of US government debt since 2005, the Chinese government has been crucial in the (still slow) recovery of the world economy from the recent crisis. Beijing made its largest purchase of US debt in June 2010, when the US Treasury sold China US\$ 108 billion worth of Treasuries over a few days (see Kruger 2010). China’s share of US imports has increased to approximately twenty percent of the total, and China has replaced Canada as the number-one trading partner. Canada’s share of imports into the United States has fallen to fifteen percent (see Ratner 2010). Given China’s position in today’s globalized world, its financial choices undeniably have a profound effect on other countries’ financial and commercial priorities. One week before the G20 Summit in Toronto in June 2010, President Hu Jintao announced that the People’s Bank of China would interrupt the initially fixed 23-month peg in the yuan, which would allow for more flexibility in the movements of the currency (see Ratner 2010).

The facts set out above suggest that China is no longer just an international “policy-taker,” but is increasingly playing a role as an international “policy-maker.” As Paul Evans (2006) has pointed out, policy-makers around

Canada Context	China Context
Pierre Elliott Trudeau's liberal government 1970-1979	The Cultural Revolution, 1966 – 1976
Joe Clark's conservative government 1979-1980	Beginning of economic reforms, 1978
Pierre Elliott Trudeau's liberal government 1980-1984	Hua Guofeng becomes Chairman of the Communist Party of China, 1976-1981
Brian Mulroney's conservative government 1984-1993	Hu Yaobang becomes General Secretary of the Communist Party of China, 1981-1987
	Zhao Ziyang becomes General Secretary of the Communist Party of China, 1987 – 1989
Formal diplomatic relations between Canada and China are established on October 13th, 1970	PRC under Deng Xiaoping as paramount leader, 1978-1997
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