CANADA’S PIVOT:
A BALANCED APPROACH TO CANADA-CHINA RELATIONS

REPORT BY
THE INTERNATIONAL POLICY FORUM

DIRECTORS
Sayan Basu Ray AND Patrick Salonius
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The International Policy Forum (IPF), Canada's first student-run global policy think tank, was launched in 2006 at Carleton University. Emerging from the realization that there was an absence of student perspective in pressing policy issues, participants in the IPF strive to add their voice to public debate.

Each year, approximately fourteen Carleton University students are chosen to develop policy recommendations concerning a global issue pertinent to Canada. The selection process is highly competitive, resulting in a group of insightful students who show a keen interest in international affairs. Through involvement with the IPF, members gain practical political experience and contribute to the understanding of public affairs from a new and often innovative perspective.

Since its inception, the IPF has addressed subjects ranging from the multi-faceted issue of Canada-US relations to the controversial concept of humanitarian intervention. For each session, participants begin by conducting independent research and consulting with a series of guest experts. In previous years, these have included such prominent speakers as David Wilkins, former United States Ambassador to Canada, and Michael Ignatieff, then-Deputy Leader of the Liberal Party of Canada.

Following the investigatory period, Forum members meet to debate and draft policy proposals. Building on the success of its previous sessions, the IPF chose to address the growing interest in Canada-China relations as its subject of study for the 2012-13 academic year.

The IPF is funded by the Carleton University Students Association, The Canadian Council, and Abacus Data.
It is with great pride that we present the 2012-2013 report of the International Policy Forum, entitled Canada’s Pivot: A Balanced Approach to Canada-China Relations. This year’s report has been the culmination of much deliberation representative of some of the best in student thought in the field of foreign policy. Our members include students from a variety of disciplines ranging from undergraduate to Masters to PhD students. With membership strictly from Carleton University in years past, this year we were pleased to include the contribution of a University of Ottawa student in an effort to be as inclusive of the wealth of talent available in the nation's capital. The diversity of worldviews of our members lent itself to vigorous debate, representative of a complex policy formation process. As their Directors, we have been proud to provide them with a unique opportunity to engage in the discourse of public policy through an avenue not available to most of their peers.

For a group of future policy leaders, the Canada-China relationship will only grow in significance as our careers mature. In our lifetime we will likely witness China develop into a global super power. In this report we strive to address the policy changes required to account for the monumental change to the global landscape brought about by China’s rise. The 2012 acquisition of Nexen by the Chinese state-owned oil giant CNOOC (Chinese National Offshore Oil Corporation) Limited is but only one example of the intense debate that's ignited as our changing bilateral relationship grabs Canadian headlines. The unfamiliarity of China; its cultural norms, business practices, and governance structure, has contributed to the confusion and controversy. Canada faces immense opportunities and challenges in balancing our economic interests with security and human rights concerns. We, in the International Policy Forum, believe in the vital importance of engagement to deepen understanding between our two countries as we tackle complex policy fronts.

We have many people to thank in helping us craft this report. We have been most fortunate to have the support of exceptional speakers who volunteered their time to share their insights with us and engage in
substantive discussion. A special thanks goes to Michel Jueau-Katsuya who spent many hours with Forum members sharing his expertise. We also wish to acknowledge the tireless effort of our Project Officers Lisa Huang, Mathew Klie-Cribb, Fred Ng, and Nick Harper, whose leadership were immeasurable to the success of the report. We also wish to thank our sponsors from the Canadian International Council, Abacus Data, and Carleton University Student Association whose gracious support has made this all possible. We hope you enjoy this report and find it both enlightening and provocative.

Sayan Basu RayPatrick Salonius

Executive Directors
Project Participants

Executive Directors

Patrick Salonius is in his fourth year of Public Affairs and Policy Management at Carleton University with a specialization in development policy. He has served as a Project Researcher and Project Officer for the IPF in the past. His interests include institutions, the political economy of developing states and law.

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Fred Ninh is completing his first year of a Master of Arts degree in international affairs at the Norman Paterson School of International Affairs (Carleton University). His research interests include international finance and trade policy cyber-security policy.

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Participants

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EXECUTIVE SUMMARY

The transformation that China has undergone in recent decades is unprecedented in human history. Lifting millions out of poverty while maintaining double digit growth for 3 decades, China has risen to the ranks of a colossal economic power. With the previous two centuries an aberration from the norm, China returns to its historically consistent place as a global economic power. Many commentators have touted the 21st century the Asian century, with China firmly in the driver seat. For Canada to succeed this century, it must pivot towards a growing Asia with requisite focus on its largest economy, China. Throughout its history, Canada's fate has been tied to the prosperity of the Atlantic world, however, for Canada to thrive in the 21st century it must diversify from its traditional partners. To capitalize from the changing global landscape caused by China's re-emergence, the IPF has developed a report intended to aid the Government of Canada in formulating a China strategy that fosters trade and investment partnerships, all the while balancing security and human rights considerations.

Given the importance to developing relationships over time in Chinese culture, Canada has been gifted a firm foundation to build upon. The legacy of Dr Norman Bethune and Canada's early establishment of diplomatic relations with the Peoples Republic of China have aided substantially to the favourable view of Canada in China. In recent years, Canada's relationship with China has undergone substantive changes. Following a rocky period of miscalculations resulting in the cooling of relations, the federal government has gone to great lengths to remedy prior misgivings. In order to reap the mutual benefits of deepening relations in the years ahead, a coordinated China strategy predicated on foresight rather than reactionary policy must be implemented.

This document has been divided into four sections: Expanding Trade Relations, Growing and Diversifying Investment, Securing Canada while Increasing Partnerships with China, and A Constructive Approach to Human Rights.

Under the leadership of Xi Jinping, the General Secretary of the Communist Party of China, the Peoples Republic of China adopted a new state slogan - the China Dream. Representative of the collective aspirations of the Chinese people, it imagines a nation revitalized to prior
glory. To achieve this, the Twelfth Five Year Plan of 2011 is representative of China’s efforts to rebalance its economy, shifting emphasis from investment towards consumption, at present only contributing a third of GDP. The plan also continues to advocate objectives set out in the Eleventh Five-Year Plan to accelerate the process of reform and opening of the economy. As its massive market opens to the world, Canadian firms are presented with a tremendous opportunity in a fast growing market. In 2012 our two governments released an economic complimentary study highlighting a number of prospective areas of growth. Accordingly, the IPF recommends that Canada pursue an incremental sectoral approach to liberalizing trade with China, rather than a comprehensive Free Trade Agreement which could be considered in 15-20 years. In an effort to meet the voracious demand for Canadian goods in China, export infrastructure in Western Canada must also be upgraded. Along this same theme, another proposal found in the first section of this report suggest methods by which Canadians can gain access to China-based value chains through incentivizing deeper engagement with China by the Trade Commissioner Service. Additionally, by developing a “Canada brand” for educational and professional exchanges, commercial relations in the future benefit from the human bridge connecting our two nations.

Similarly, the second section of the report outlines strategies for deepening Foreign Direct Investment. The signing of the Foreign Investment Promotion and Protection Agreement (FIPPA) in September of 2012 shows the commitment by both governments to build momentum towards economy-wide agreements. Momentum, however, is stymied by the lack of clarity in the Investment Canada Act “net benefit test”, which poorly communicates to prospective investors. The arrival of Chinese State Owned Enterprises (SOEs) in the Canadian economic landscape has presented many opportunities and challenges. SOEs have loomed over the public imagination, causing great consternation which requires a concerted effort to demystify their intentions, all the while, engaging the public for a future strategy on these increasingly prevalent economic actors. Guidelines and disclosure requirements for SOEs must be deepened and clearly stated to appease security concerns and ensure clarity for prospective investments.
Questions of security occupy much of the present discourse regarding China. As such, policy forum members felt it prescient to include a set of proposals looks to mitigate security concerns with improved cooperation. By expanding naval engagement in East Asia through confidence building measures, Canada can provide a steadying presence in regional multilateral forums. The remaining proposals in this section address the growing concerns over cyber-security and commercial espionage faced by businesses and governments alike. Internationally, the IPF suggests harmonizing cyber-security policies with NATO allies. Domestically, coordination between relevant federal agencies must be improved and supported by funding increased to enhance capacity. The IPF also highlights the importance of information sharing between government and private entities, as well as, monitoring and awareness building strategies to thwart cyber threats.

Finally a topic of principal concern for the Canadian government is the promotion of human rights in China, as outlined in the reports fourth section. Rather than pursuing futile public denouncements of China’s human rights record, the IPF believes Canada should buttress its quiet diplomacy approach with multilateral coordination with allies that share our values. Human rights, can also be aided by the training of judicial actors. Constructive engagement, rather than grandstanding our condemnation publically, will ultimately provide the foundation for long-term promotion of human rights. The final proposal in this section, aims to ensure the values enshrined by the Charter of Rights and Freedoms are reflected in international debates over regulating the internet.

To address the critical, multifaceted policy fronts of the Sino-Canada relationship outlined in the four sections of our report, the IPF utilized a unique structure of student interaction and discussion. Forum members convened policy consultations with high profile speakers who voiced their opinions, answered questions, and participated in frank and stimulating discussion. IPF members then drafted final policy recommendations informed by the consultation sessions, and supplemented with independent research and personal opinion. The following proposals aim to broaden the scope of Canadian foreign policy towards China while ensuring a robust future for both our nations. By bolstering economic relations, mitigating strategic security concerns, and promoting Canadian human rights values, it is our hope that this report will be strongly
considered when policymakers gather to craft the next chapter of Canada’s approach to China.

Consultation Session Speakers include:

Aaron Sydor, Deputy Chief Economist, Department of Foreign Affairs Trade and Development

Charles Burton, Professor at Brock University specializing in comparative politics, Sino-Canadian relations, and human rights

Dr. Derek Ireland: Instructor at Carleton University, former consultant to various provinces and metropolitan regions within China, the World Bank and Asian Development Bank

Jeremy Paltiel, Professor of Political Science, Carleton University specializing in development politics and China

John J. Mearsheimer, R. Wendell Harrison Distinguished Service Professor of Political Science and co-director Program on International Security Policy, University of Chicago.

Kurt Jensen, Department of Political Science, Carleton University. Former Deputy Director, Foreign Intelligence Division, formerly of the Department of Foreign Affairs and International Trade;

Mark Matz, Director of Policy and Issues Management, National Cyber Security Directorate, Public Safety Canada

Michel Juneau-Katsuya, C.E.O of The Northgate Group and former Director Strategic Analysis Unit Asia-Pacific, Canadian Security Intelligence Service

Michael Hart, Simon Reisman Chair in Trade Policy Norman Paterson School of International Affairs, Carleton University.

Paul Halucha, Director General, Marketplace Framework Policy Branch, Industry Canada
Ray Boivert, President, I-Sec Integrated Strategies (ISECIS). former Assistant Director, Intelligence at Canadian Security Intelligence Service

Sarah Kutulakos, C.O.O. & Executive Director, Canada China Business Council
EXPANDING TRADE RELATIONS

Introduction

The march of growth and progress in China means millions of people per year are moving out of abject poverty into lower-middle and middle-income status. Its government is acutely aware that its burgeoning mass of more than 1 billion citizens is pushing for a standard of living that approaches what we enjoy in the Western world. This world-changing progress requires energy, natural resources and the value-adding technologists and trades people who produce and transport it. Canada has all of the above in abundance, but so do other countries.

China is now the number 2 destination for Canadian goods. The UK had occupied this position for the past 5 years, but China has ascended to this rank, likely for good. This increase in two-way trade with China was not an unusual surge but rather a continuation of a long-running trend. Indeed, it is important for Canada to develop and diversify its trade beyond the North American continent. The bulk of Canadian exports will probably always go to the United States, but the rest of the world is currently underexploited by Canadian industries. China is an important prospective economic partner and should be engaged by Canada. In a world where global value chairs have shifted to Asia, Canada must make great efforts to connect with Chinese value chains.

1.1 A phased-approach to deepening the Canada-China bilateral and economic relationship

The Canadian Government should pursue an incremental, sectoral approach to trade liberalization with China. A gradual approach would permit Canadian firms to reinvent themselves in preparation to face an increasingly competitive and globalized international market.

Following high level visits in both directions, and the completion of a Foreign Investment Promotion and Protection Agreement (FIPPA), Canada-China trade relations are on excellent terms. China proposes that the two countries pursue a comprehensive Free Trade Agreement (FTA). Canada needs to respond to this overture.
China is in the process of liberalizing its economy and is increasingly an attractive trade partner. However, due to a lack of transparency and accountability in China’s legal system, a comprehensive FTA with China would be disadvantageous to Canada. Therefore it is incumbent upon Canada to propose an alternative path towards enhanced and expanded bilateral trade.

Instead of a comprehensive FTA, Canada should propose an Economic Partnership Agreement based on the Canada-China Economic Complementarities Study of 2012. This process can be the basis for a comprehensive FTA within 15-20 years.

The advantages to pursuing a sectoral approach are multifold:

- The coordination of legal complimentarity in tariffs and taxation between China and Canada by resources, goods and sector with a view of medium to long-term minimization or elimination of these constraints to free trade.
  - Natural resources extraction industries, financial services transaction services, labour mobility and human resources firms, manufacturing companies, as well as higher education institutions would be the beneficiaries of legal coordination.

- The possible establishment of a bilaterally-agreed scale of performance measurement focused on a mix of economic and political indicators with a pre-eminence on the former: sectoral growth forecasts, timeline for legal coordination of labour codex and tax codex by sector, and certain minimum guarantees of rights.

- Both countries would benefit from increased market access

- The bilateral relationship could be advanced despite Canada’s hesitation to begin discussions of a comprehensive FTA

- Canada could treat the sectoral negotiation as an experiment to assess Chinese trade reciprocity in advance of liberalizing more sensitive sectors

- A sectoral approach would avoid the significant frictional unemployment that accompany a comprehensive FTA

Recommendation for pursuing sectoral trade with China:
• Focus on the establishment of joint venture R&D initiatives
• Establish industrial clusters and investment zones as vehicles for gradually matching up sectoral efficiencies
• Define non-negotiable assets that would be excluded from any future FTA. Such sectors would include the following:
  o Strategic resources and industries-
    ▪ Resources: 50+1% of known and future oil sands; uranium; rare earths; potentially – fresh water
    ▪ Industries: Nuclear research and manufacturing (CANDU); Space exploration and technology; federal stakes in resource development companies; military industries
• Help firms adapt to increased competition
  o The Skills Training Program (2013 federal budget) is an example of how the Canadian government can help firms to restructure in order to minimize structural unemployment
• Eliminating trade deficit with China
  o Currently, Canada’s trade deficit with China currently stands at approximately $31 billion, which is indicative of an imbalanced import-export relationship with long-term capital flight costs to Canada
  o Design and implementation of sectoral negotiations must be done with sight of a strategy to create a break-even trade balance or a minor surplus in Canada’s favour.

1.2 Enhancing Canadian involvement in China-based Value Chains.

*Best described as, “relationship builders and knowledge brokers”, the Canadian trade Commissioner Service in China should extend duration of postings for increased local engagement.*

The main role of the Department of Foreign Affairs, Trade and Development’s (DFATD) Trade Commissioner Service (TCS) is to promote the economic interests of Canada abroad through fostering relationships amongst Canadian clients and foreign contacts. In China, these officers are deployed in transportation hubs and trade posts where they work for a maximum of five years. According to Charles Burton’s 2009 report, Canadian businesses have reported frustration with, “the lack of responsiveness of [Canadian] government personnel to business demands for assistance and support”. The problem stems from TCS officers serving in China for an insufficient amount of time needed to sustain relationships and cultivate local knowledge.
Maintaining more permanent careers in Chinese diplomacy would facilitate greater relations amongst officers and Chinese business officials. As such the Trade Commissioner Service should:

- Introduce an incentive scheme for civil servants to orient their career focus towards Chinese business culture. As the primary training service provider to International Trade Canada, it is recommended the Canadian Foreign Service Institute incentivize specialization in Chinese language and culture through training programs. Educational specialization in these curricula should also be emphasized as valuable skill sets for employment.

1.3 Developing Canada’s Export Infrastructure

The Canadian government must focus on fostering the development of transport infrastructure in Western Canada so as to facilitate the movement of shipping containers and natural resources, and support the growing Chinese demand for North American commodities.

China’s growing demand for North American products, particularly natural resources, means Canada must invest in the infrastructure with which to deliver these products. While Canada has the existing foundations for Pacific-oriented trade in its Pacific ports, notably Port Metro Vancouver, Port Prince Rupert, and Port Kitimat, and in its roads and railways, such as the Northwest Transport and Trade Corridor, it must continue to expand upon these foundations to meet the increasing trade demands from China and the Pacific region in general. While both levels of Canadian government, as well as private entities, are investing in regional projects like the Northern Gateway Pipeline and the numerous projects under the Asia-Pacific Gateway Corridor Initiative which has seen over $1 billion invested in export infrastructure by the Government of Canada, and the Pacific Gateway Transportation Strategy of British Columbia through which $22 billion has been committed thus far, and a further $25 million is required, further initiatives can be taken to attract domestic and foreign investment. It is clear that certain infrastructure areas require further investment, especially in regards to enhancing road and rail capacity, processing facilities in which to refine outgoing natural resources, and container handling capacities in Pacific ports. In consultation with the provincial governments, and other relevant groups and communities, the Government of Canada should:
• Consider expanding the capacities of Port Prince Rupert and Port Kitimat especially in regards to container storage, transportation and loading/unloading capabilities

• Invest in enhancing railway capacities in Western Canada to increase transport capacity and reduce railway congestion, especially in traffic-heavy regions like Port Metro Vancouver

• Invest in communication and the information technology used within its Pacific ports to ease internal operations and facilitate both exporters and importers in using these ports, integrating inland and sea-based communications systems to ensure ships, ports, and rail systems are all interconnected adequately in terms of their communication technologies

• Focus on streamlining the pipeline approval process and avoiding a duplication of efforts between federal and provincial levels in order to attract investment in private pipeline projects to transport natural resources towards Pacific markets

• Solicit Chinese and other foreign investors, while maintaining a focus on national security concerns, to contribute to the expansion of its export infrastructure including port facilities, railways, and pipelines, as the Manitoban government has previously done in regards to the Port of Churchill,\(^1\) as investors in these markets will equally benefit from a stronger export infrastructure in Western Canada

Railways and Ports of the Asia-Pacific Gateway:

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1.4 Developing the “Canadian Brand” of education and expanding professional exchange across the Pacific

The Canadian government should work to expand educational and professional exchange programs to further enhance the trade agreements currently in place. The Government should also encourage schools to teach Chinese language and culture, giving our students the global advantage.

Studies have shown that those who partake in foreign exchanges gain cultural appreciation and have a broader perception of issues facing the world. It can also be argued that students who have experienced life in a foreign country are able to conduct themselves better when faced with foreign negotiations, and are more prepared if sent to work overseas. There is already cooperation between Canada and China, with Education China reporting that 3.45 million students came to Canada from China between 1978 and 2001. The Canadian government also
reports hosting 200,000 international students in 2009, 50,000 of them being Chinese.

There is however, room for improvement. Some universities are already taking the initiative such as UBC’s Stephen Toope who suggests that building key institutional partnerships, internationalizing curricula in Canada, and recruiting Asian students and researchers along with private sector leadership will help to make Canada a leading destination for Asian students. It is for this reason that relying simply upon tangible goods for Canadian-Chinese trade is not taking advantage of a huge opportunity for economic expansion and strategic influence; the federal government can counter this with the following policy changes. In this context, the Canadian government should:

- Expand current university exchange programs by coordinating with provinces to harmonize a “Canadian brand” for international education, specifically targeting Chinese universities. This will allow for more Chinese students to experience Canadian culture, and our own students to gain experience abroad and develop their language skills.

- Create a highly integrated professional exchange program to allow for the trade of knowledge as well as tangible goods. This exchange program would make the flow of knowledge and expertise between Canada and China more fluid, facilitating further technological developments, and also a greater understanding between the two cultures.

- Encourage all provinces to implement instruction of the Chinese language, history and culture in primary education, stressing the importance for bilingual proficiency when entering the global job market.

- If possible, attempt to negotiate a special visa for Canadians wishing to teach English in China. While it could be very difficult to negotiate and implement, creating a streamlined process for Canadian English teachers in China offers the possibility of more cultural and educational exchange.

This multi-faceted approach will allow for more Canadian influence within Chinese borders, thus increasing Canada’s soft power in China, and for our citizens to be in a better place to assume leadership positions when conducting trade operations with China in the future. The Canadian government should work towards allowing knowledge exchange specifically through the professional exchange, as tangible goods would be.

Further Readings:


2 FOREIGN DIRECT INVESTMENT

Introduction

Foreign direct investment (FDI) from China is a recurring area of concern for Canadians. On the one hand, there is continued anxiety about a potential lack of FDI and the impact this would have on Canadian economic growth and productivity in an increasingly competitive global environment. On the other, there are misgivings about the nature of FDI in Canada and the effects that too much Chinese FDI could have on Canadian society and sovereignty.

One element which has particularly stuck out during consultations has been that of State-Owned Enterprises. In contrast with traditional Canadian trading partners, China conducts a great deal of its FDI through SOEs, which the Canadian public tend to view with suspicion. As a result, Canadian perceptions of, and reactions to, Chinese SOE involvement in Canada are a major theme of this document. The extent to which public perceptions and understandings of Chinese SOEs can be reconciled with actual trade and security imperatives will underpin much of this bilateral relationship moving forward.

2.1 Investment Canada Act: Communicating to Potential Investors

The Canadian government should improve consistency and transparency in its approval or rejection of Foreign Direct Investment (FDI) proposals.

International investors, including those from China, have argued that Canada poorly outlines its rules and thresholds for FDI. Canada needs to provide more guidance regarding what it will or will not accept in investment proposals. Canada should look to Australia.

Australia receives $34 billion in non-bond investments whereas Canada receives $10.2 billion from China. Some factors explaining the divergence between the two countries’ investment patterns include Australia’s consistent transparency and proximity to China. While the latter is not within Canada’s control, the former is.
The Canadian government does, to its credit, publically disclose information on the investor, the business being acquired, and a description of the business activities of the Canadian business it wishes to acquire. It is allowed to do so through section 36 (4) of the Investment Canada Act. However, further transparency, consistency and disclosure would increase FDI by creating clarity to business about their chances of success when investing in Canada. It is recommended that:

1. Industry Canada make available the data on the investment proposals approved, rejected, and withdrawn.  
   - The data should include the reasons in which the proposals were accepted or withdrawn.
2. Industry Canada should publicly explain the outcome of all investment decisions related to state-owned enterprises. Investments by private businesses can be reported through the process outlined in point number 1, provided that it is within the financial threshold identified.
3. Industry Canada should publicly provide ways in which the investor could meet the net-benefits test through a recommendations document for the investor. In cases of national security concerns, a threat assessment framework should be designed to ensure a consistent approach to assessing risks.

2.2 Expanding Canadian Security Procedures for Foreign Direct Investment and Special Reporting Requirements for State Owned Enterprises

The Government of Canada should adopt a more comprehensive set of official guidelines and disclosure requirements regarding Foreign Direct Investment (FDI) related national security concerns, especially with proposed foreign takeovers of Canadian companies by state-owned enterprises (SOEs). These, in turn, would enhance national security and improve Canadian perceptions of FDI in Canada.

In light of recent FDI from China in Canada (i.e., CNOOC), many concerns have been raised about its effect on national security, which in turn has caused Canadian resistance against high levels of FDI from China. Although the current review process gives flexibility to the government in addressing important public policy concerns while reviewing particular transactions, critics of the Investment Canada Act
ICA) suggest the lack of transparency, consistency, and clarity causes feelings of uncertainty to foreign investors, thus discouraging inward FDI in Canada.

Foreign governments may wield disproportionate influence over the senior management and corporate decision-making of individual SOEs, at the expense of private and institutional investors. This vulnerability to external pressure, if combined with limited accountability mechanisms, raises national security implications.

The adoption of a new threat-assessment framework designed by both Industry Canada (IC) and the Canadian Security Intelligence Service (CSIS) should include a precise definition of what constitutes a national security threat in the area of foreign investment. This definition should be used in ICA review procedures as a way of depoliticizing the process by shifting the determination of a "security threat" from politicians to security experts. In addition, IC and CSIS should list all industries and/or companies they deem critical to national security (i.e. military, energy assets, financial institutions and infrastructure) to protect them from foreign takeovers.

Furthermore, Industry Canada should institute special reporting requirements for all publicly listed firms with state-owned and non-tradable shares operating within Canada, based on international standards set out in the OECD Guidelines for Corporate Governance of State-Owned Enterprises (SOEs).

All publicly listed foreign SOEs with assets/operations in Canada should be required to disclose in a public report filed with Industry Canada:

a) Proportion of state-owned, non-tradable shares;
b) Who retains legal ownership of state shares;
c) Any special agreements with foreign governments outside of standard shareholding frameworks (i.e. "golden" shares granting veto power);
d) Any state grants or subsidies received;
e) Any investments or purchases of stock in other SOEs.

Special reporting improves transparency and accountability of corporate governance practices, while ensuring that all SOEs operating in Canada are held to a reasonable and consistent standard of transparency. In
turn, the Canadian public will be better informed of pertinent security concerns and/or investment risks.

2.3 Revise the Discourse Surrounding State-owned Enterprises and Chinese Investment in Canada

*The Government of Canada should engage the public in an objective review of state-owned enterprises (SOEs) in order to gage what role foreign SOEs should be allowed play in Canadian domestic affairs while similarly working to increase awareness in Canadian industry of business opportunities in China.*

Canadian public opinion remains largely suspicious of SOEs since the charged rhetoric that accompanied the mass privatization of Canadian SOEs in the late 1980s and early 1990s. More recently, the perceived threats presented by foreign SOEs has resulted in a backlash of public opinion, centred on the sale of Nexen to CNOOC Inc., a Chinese SOE. The fierce reluctance of the public to accept foreign SOE activity in Canada has not gone unnoticed in China and elsewhere which could very well taper enthusiasm for future Chinese investment in Canada. At the same time, valuable investment opportunities for Canadian companies will soon be presenting themselves in China as efforts to "[open] up the service sector to various types of ownership" in China have been identified as the focus for the 12th Five-year Plan. In the present context, Canadian enterprises could very well find themselves in a difficult position to take advantage of forthcoming opportunities as well. As SOEs and foreign governments will remain an important economic constituency for Canada, Canadians will need to adopt a more objective view of SOEs.

Since emergent opposition to Chinese SOEs and investment employs the lexicon of economic liberalism and anti-communism, it is indicative of a poor level of understanding of SOEs generally, and Chinese SOEs more specifically in Canada. Increasing Canadians’ understanding of SOEs can be addressed, in part, by employing assets of the public service to publicly shed a more objective light on the role of SOEs, both
domestic and foreign. It is recommended that the Government of Canada:

1) Launch of a research/media project to outline the role SOEs in Canada (known as ‘Crown Corporations’) have had in nation-building (e.g., documentary).

2) Encourage Chinese SOE’s operating in Canada to adopt clear ownership policies (as outline in recommendation 2.2) and pursue greater transparency in operations whenever possible.

3) Enhance Canadians’ understanding of the Investment Canada Act and other rules as they apply to SOE investments and activities by developing and employing widely intelligible messaging that expresses rules and regulations in a straightforward manner. This change in messaging could be done in such a way as to dovetail with ordinary regulatory renewal, similar in enactment to a public service announcement.

4) The Treasury Board Secretariat communications policies should be altered so that acceptable terminology and rhetoric represents a greater tolerance of SOEs. This change of official messaging should reflect that it is the behavior, rather than the origin, of investments that should determine the reliability and trustworthiness of SOEs.

5) Provide additional financial support for non-partisan groups devoted to expanding the dialogue between Canada and China.

Further Readings:


3.0 SECURING CANADA WHILE INCREASING PARTNERSHIP WITH CHINA

Introduction

In recent years the question of a Canadian response to China’s geopolitical rise has daunted Canadian policymakers. On the one hand, China’s projected rise as a new global superpower demands the fostering of stronger diplomatic and military ties. On the other hand, unaddressed national security concerns, specifically regarding cyber-security and intellectual property, are a source of much trepidation and hesitation among Canadian policy makers.

This shift in geopolitical tectonics necessitates action from Canada to accompany China’s military and geopolitical rise. A strong start would be the improvement of military and diplomatic ties between Canada and China which can be addressed bilaterally, or through increased multilateral participation by Canada at international conferences. There is specifically a great deal of potential for more Sino-Canadian naval cooperation in the Pacific. In regards to cyber-security, it is important to stress that although Chinese cyber attacks against Canada have often been feverishly singled out; cyber threats to Canada stem from a range of global sources. It thus is necessary to shore up weaknesses in Canada’s cyber-security infrastructure and policy environment generally in order to guard against digital attacks. To this end, government policy must allow for more information sharing as it pertains to cyber attacks. This includes information sharing between non-government entities, which in turn could share information and data about cyber attacks with CSIS. Internationally, Canada needs to cooperate more with like-minded countries in order to enhance information and intelligence sharing which will improve our collective cyber-security. In parallel with improvements in cyber-security, conventional threats must be addressed through proactive government policy in order to prevent the theft of Canadian intellectual property.

This section will deal with foreign and domestic policies that the Government of Canada can undertake to foster better formal relations with China. This must be done all the while improving Canada’s defences against possible threats to our national interests. Because of the complex nature of cyber-security, a considerable amount of energy
will be devoted to that objective, as it contributes to the essential Canadian government strategy of fostering better relations with China.

3.1 Expanding Naval Engagement in East Asia

The Canadian government should work to enhance its presence in East Asia by contributing to regional maritime security through engagement in regional confidence-building measures and developing a heightened Canadian presence at regional multilateral forums.

Current debates on Canada-China relations focus on political and economic issues. Absent is a discussion regarding the security dimension of China’s rise and how this may impact Canada’s relations with its traditional allies in East Asia. The Canadian Government must assess potential threats to the strategic and military conditions that make economic growth in the region possible, and what role Canadian Forces and diplomats can play in the mitigation. Engaging with the current strategic and military trends in East Asia can enable Canada to assist in developing confidence-building measures between regional actors and advocate for the attendance of Canadian defence ministers at regional forums.

- Given Canada’s track record as a trusted bridge builder between China and other maritime states, naval engagement is one component of a Canadian diplomatic strategy for East Asia.
  - The Canadian navy should begin to shift its focus from the Atlantic to the Pacific theatre
  - Canadian naval forces should pursue naval exercises with Japan, South Korea, and/or China in an effort to increase transparency and build confidence between East Asia’s three rising naval powers
- The Canadian government should encourage Canadian defence ministers to attend regional forums, such as the Shangri-La Dialogue and the ASEAN Defence Ministers Meeting with East Asian Summit (EAS) states. Engagement in these institutions signals that Canada has a long-term commitment to the region, which could provide Canada with opportunities to contribute to regional stability and security.

3.2 Creating Multilateral Frameworks for Cyber-Security

The Canadian Government should work to develop and harmonize stronger cyber-security policies with NATO allies. This will allow Canada
to engage China on issues of cyber-security while also fostering stronger relations with China.

Like other non-conventional threats to national security, cyber threats emerge from various sources and require a policy framework that allows Canada to engage with potential threats in a cost effective manner. Recent allegations of cyber attacks from China jeopardize fledging relations between our two nations. Through multilateral organizations like the North Atlantic Treaty Organization (NATO), Canada can advocate its national interest surrounding cyber-security without solely bearing the economic and diplomatic costs associated with acting alone.

Pursuing cyber-security policy in a multilateral framework strengthens existing domestic policies by legitimizing a definition of threat, responsibility and culpability at a global level. By pursuing cyber-security through multilateral institutions, this will allow Canada to achieve its objectives for cyber-security without increasing tensions with associated countries.

NATO provides an excellent venue for multilateral policy advancement due to the common values and concerns held by many NATO members. While NATO might be consensus based, there is strong evidence that such a consensus might be reached given the unity of interests between members states.

As such, the government of the Government of Canada should:

- Advocate extending NATO’s current responsibility regarding information systems at NATO headquarters to include national and domestic information systems of member states, framed in NATO’s new strategic concept.

- Collaborate with NATO members who already place cyber-security policy high on their foreign policy objectives. Denmark, a leader in cyber-security infrastructure, has advocated placing cyber-security in the forefront of NATO policy. In recent years, the Netherlands and Estonia have created more vigorous cyber-security strategies where best practices can also
be learned from.

- Advocate to define in greater detail the responsibility and culpability of possible cyber threats at an international level. As shown in the Tallinn Manual on the International Law Applicable to Cyber Warfare, there are many possibilities to link existing international laws and norms of warfare (such as NATO's charter) with cyber threats.

3.3 Cyber-Security Strategies from International Partners

The Canadian government should strengthen its cyber-security strategy by first examining what our global partners have done, and then consider the various strategies which are advantageous to our cyber-security goals of securing government systems, cooperating with the private sector and protecting Canadian citizens online.

- The United States has adopted a multi-tier strategy to address cyber-security issues, especially due to increased hacking from state and non-state actors. It has established a United States Cyber Command (USCYBERCOM) to plan and coordinate activities in cyberspace while aiming to protect Department of Defense (DOD) information networks. USCYBERCOM also seeks to centralize existing cyber-security resources to fulfill its mission. Furthermore, the Department of Homeland Security (DHS) and the National Security Agency (NSA) also actively participate in the cyber-security of the United States. The American strategy has showed a strong emphasis upon developing defence capabilities which are tied to its larger national defence framework.

- The United Kingdom (UK) has recently developed a comprehensive cyber-security strategy which places important focus on the economic impacts of a breach in cyber-security by seeking to work with companies which own and manage their Critical National Infrastructure (CNI) to bolster their data and systems resilience against possible attacks. Also, they’re seeking to work with their European partners to strengthen international legislation to deter breaches in cyber-security and to have formal legal mechanisms to deal with possible future
circumstances. Domestically, the UK is utilizing existing laws and new agencies like the National Crime Agency (NCA) to assist their efforts. A number of new governmental organizations such as the Defence Cyber Operations Group and Get Safe Online will create new cyber-security firewalls and raise public awareness. Fundamentally, the British strategy focuses on the economic and legal impact of cyber-security breaches by developing the mechanisms to thwart the worst harms from occurring in these areas.

- Australia has created two organizations to lead their efforts in cyber-security: the Computer Emergency Response Team (CERT) and the Cyber Security Operations Centre (CSOC). CERT’s mandate is to provide a centralized immediate response to cyber security threats and attacks by providing advice and assistance to critical government and business networks. CSOC has been created to provide operational responses to highly important cyber security incidences. Furthermore, Australia is focusing on protecting its CNI’s and providing the tools to business and the general public to become increasingly aware of cyber-security threats. The Australian approach seeks to empower not solely the private sector of the country but also its private citizens from various threats to its cyber-security.

- The Canadian government should facilitate more communication with our international partners to bolster domestic resiliency of the different levels of government, businesses and citizens from breaches in cyber security.

3.4 Canadian Cyber-Security: Who is Responsible?

The Government of Canada should expand the remit of its cyber strategy, facilitate stronger internal coordination between departments and agencies on cyber-security, increase funding to relevant agencies for hiring personnel, and increase the working hours of the CCIRC.

Canada’s cyber-security responsibilities are split into civilian and military components. With the former, the Department of Public Safety, through the Canadian Cyber Incident Response Centre (CCIRC), remains the lead organization for providing cyber-security awareness to the public,
private industry, and other governments. Public Safety pursues this mandate in line with the three objectives contained in the federal government’s 2010 Cyber Security Strategy (CSS): (1) Securing government systems; (2) Partnering to secure vital systems outside government; and (3) Helping Canadians be safe online. If CCIRC detects a credible cyber threat to the federal government Public Safety will initiate a ‘whole of government response.

The Canadian Communications Security Establishment (CSEC), now a standalone agency from the Department of National Defence (DND), remains responsible for securing the federal government’s internal networks. CSEC’s primary goal, through its Cyber Threat Evaluation Centre (CTEC), is to protect against sophisticated cyber threats that target government systems. On the military side, DND and the Canadian Forces (CF) operate the Network Operations Centre (NOC), which is responsible for defending the military’s own networks. DND/CF cyber capabilities are focused on defensive cyber operations and are managed by the CF Information Operations Group (IOG), located within NOC.

DND, CSEC and Public Safety support one another, in addition to other federal agencies such as DFAIT, CSIS, and the RCMP. There also exists external support, CSEC, in partnership with the ‘Five Eyes’ alliance of the UK, US, Australia, New Zealand and Canada shares and receives information from abroad pertaining to cyber threats. However, each department/agency operates according to their own mandate.

Criticism of Canada’s cyber responses tend to focus on the lack of a proper strategy, a centralizing authority, and adequate investment:

- The 2010 CSS is said to lack specifics, particularly in that it does not conceptualize the cyber realm as a strategic competitive space where the country’s economic and political interests are vulnerable to outside threats. Therefore, the Government of Canada should ensure the adoption of a more comprehensive CSS to cover the country’s economic assets.
- An expanded CSS would also have to address better coordination between key government agencies, including CSEC, Public Safety, and the RCMP. This could include a new centralized agency or, more prudently, the empowering of the
department of Public Safety to become the lead agency in addressing internal and external cyber-security threats.

- On spending, Canada’s expenditure of $155 million on cyber-security over five years pales in comparison to the UK’s £650-million ($1.05-billion) on cyber-security over the same period, and the United States $10 billion Comprehensive National Cybersecurity Initiative. In terms of expenditures it is claimed that these investments, like, for example, in CSEC, buy access to the cyber security systems shared by ‘Five Eyes’. The same applies for DND/CF. However an expanded CSS would require more investment, particularly in the hiring of qualified personnel – a key issue identified by the senior leaderships of each agency involved in cyber-security.

- The CCIRC has come under criticism for operating ‘banker’s hours’. As the CCIRC is responsible for partnering with the private sector and other governments in order to provide resources pertaining to cyber-security it therefore operates along hours in which such partners would most likely avail of it. But an expanded CSS would require a 24 hour capability to be able to respond to the cyber-security threats confronting the Canada’s governments, businesses and individuals.

Textbox

The **Security Intelligence Review Committee (SIRC)** is an independent government agency empowered to monitor and review the operations of the Canadian Security Intelligence Service (CSIS). Its mandate is to essentially serve as a monitoring agency to CSIS. Recently, it is becoming apparent the SIRC is increasingly failing to adequately carry out the mandate set for it. In recent years, SIRC has become less meritocratic and more a convenient source of patronage appointments for the governing party. The result has been less competent members, for example the disgraced Mr. Arthur Porter, wanted on fraud and conspiracy charges, in an unrelated affair, regarding business ties to his birth country of Sierra Leone. The Government of Canada should ensure appointments to SIRC are based on merit and experience, not ties to the powerful, and in so doing hopefully empower SIRC to actually carry out its mandate.
3.5 Strengthening Canada’s critical infrastructure security

*The Canadian Government should establish Information Sharing and Analysis Centres (ISACs) in Canada similar to those already established in the United States, and ideally extend their network across the border.*

Currently about 85% of Canada’s critical infrastructure is owned and operated by industry, the provinces, and non-governmental bodies. The responsibility for security has traditionally fallen on the operators of these segments of infrastructure. Many private organizations are loath to share information on security with each other out of fear of losing competitive advantage. To this end the Government of Canada has given Public Safety Canada a central role in convening all necessary actors together. In the United States, ISACs which are cross-sectoral centres facilitate the sharing and dispersal of security related information and analysis. The United States also has a more government focused Multi-State ISACS (MS-ISACs) which emphasize the role of states and local governments. ISACs take an all-hazards approach which takes into account both human and non-human risks(such as natural disasters). Canadian and American infrastructure is often quite closely linked as shown in 2003 when a software bug at a facility in Ohio caused a black out in the North East United States and the Province of Ontario.

The Government of Canada should:

- Educate private organizations that security is not just a company specific issue, but one that stretches across the sector and that it is in everyone’s interest to share security information.
- Establish ISACs in Canada to facilitate information sharing and analysis in order to produce intelligence.
- Link Canadian ISACs with American ISACs to increase the amount of information and intelligence throughout the continent.
3.6 Protecting Canadian Businesses from Conventional Economic Espionage

The Canadian government should work to develop a broad strategy of monitoring and education to protect against economic espionage conducted by agents in Canada, since these represent an equal if not larger threat than the newer problem of cyber-security.

While cyber espionage represents a novel threat to Canadian intellectual property, more conventional practices still represent the bulk of economic espionage. The weakest point of any security system will always be where human error can be introduced; and it is in the targeting of individuals, not computer systems, that Canadian companies remain at their most vulnerable (Canadian Security Intelligence Service). Canada presents an attractive target to economic espionage, given our technology in sectors such as agriculture, mining, energy extraction, and communications. Canada is engaging more and more, at all kinds of levels, in joint ventures and business deals with foreign companies and institutions. Already, proprietary technologies, owned by either the private sector or government institutions, have been reverse engineered and reproduced abroad, without databases having been compromised. The best example for this is the Chinese “RedBerry”, an obvious copy of RIM’s BlackBerry. While the Government of Canada has issued statements regarding IT security, it has done very little to combat these more traditional forms of espionage. A balanced approach is required, since free trade and knowledge exchange remain integral to Canada’s economic wellbeing. An education program for government and private sector workers to raise awareness of the risks, threats, and potential vulnerabilities in organizational practices, is necessary to mitigate losses.

- Employees should be made aware of the many common practices used by economic spies to extract information. These include:
  - unsolicited requests for proprietary information
  - targeting at international exhibits, seminars, and conventions
  - inappropriate conduct during visits (such as the taking of pictures, which can be used to reverse engineer technology)
The goal here is to acknowledge risk and proactively mitigate losses. Awareness is the key; educating employees about risks allows them to use their own judgement, and avoids unnecessarily stringent regulations.

- Industry Canada should encourage the formation of institutionalized information security codes of conduct for employees, tailored to the risks of each particular sector. The government should work with industry representatives in tailoring and promulgating these codes.
- Policies should also be put in place regarding information sharing during joint programs, to ensure that access to proprietary technology is not given unnecessarily to foreign participants.
- Key assets should be identified and designated as such so that employees realize what the most likely targets are
- Post-employment non-disclosure agreements should be encouraged in both the public and private sector.

Further Readings:


Meigs, Montgomery C. "How to Cooperate against Cyber Threats." The National Interest. 06 Mar. 2013


Sloan, Elinor. “China’s Strategic Behaviour.” Canadian Defence & Foreign Affairs Institute (June 2010).

4. A CONSTRUCTIVE APPROACH TO HUMAN RIGHTS IN CHINA

Introduction

For many years, Canada’s foreign policy towards China was dominated by concerns over human rights abuses. Reflective of this tendency, upon winning the 2006 election, Prime Minister Stephen Harper’s famously stated that Canadians did not want him to “sell out to the almighty dollar.” By 2012, the Conservative government had drastically changed its tone and by the Prime Minister’s February 2012 trip to China, economic concerns were dominating the agenda. Canada’s about-face can be understood as part of a greater trend. While many countries have criticised China’s human rights record in the past, a great many have reconsidered their condemnation given China’s economic resurgence. While the public lecturing of China’s leaders over human rights was largely ill-advised and counter-productive, human rights concerns should not be ignored either. Instead, Canada must establish a new approach to human rights.

First of all, there are certain areas in which the Chinese government itself has identified shortcomings and there is scope for Canada to help. Specifically in regards to the rule of law, which the Chinese government itself has made a priority area for improvement; Canada can increase its already existing legal training program to help support the development of a more rules-based society. This in turn will help to improve the rule of law within China generally, as well as individual liberties and property rights more specifically. Technological progress and development have provided a great many new avenues for the improvement of human rights in China and around the world. However, in order for this trend to persist, Canada as a member of the international community must actively oppose efforts by China and other countries at the International Telecommunications Union to increase their capacity for internet censorship. Finally, Canada can improve the effectiveness of its human rights message by coordinating more with other countries to criticise specific violations in unison, rather than broadly speaking to ‘human rights’ and ‘individual liberties’.

This section will deal with the actions that Canada can undertake to address Chinese human rights concerns in the 21st century. This will allow Canada to pursue both its moral objectives in the world without
compromising Canada’s economic considerations vis-à-vis a rising China.

4.1 Training to improve human rights and the rule of law

The Canadian government should continue to encourage the enforcement of the rule of law within China through training of judicial actors and promotion of equality in the judicial system.

Chinese government operates under a form of ‘patrimonial sovereignty’ (Potter 2003,9). This type of government is not accountable to its people, yet takes responsibility to manage society. The government’s priority on social stability leads to a diminished focus on protecting values such as the rule of law or a fair judicial system. This system needs to be readjusted to promote equal application and treatment under the judiciary, which represents justice and legal norms, rather than stability.

The Chinese government has recently taken steps to improve its international human rights records. The signing and ratifying of the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political rights demonstrates the potential to transfer international norms into domestic practices (Zhu 2011, 242). The adherence to these human rights covenants is dependent on the importance China places on its international human rights reputation. Hard-line approaches from Canada have not worked in the past (Zhu 2011, 235) and have diminished diplomatic relations; therefore cooperation and collaboration are the most effective means to ensuring domestic implementation occurs.

The Chinese government has drastically increased its numbers of professional judicial actors, such as lawyers, prosecutors and judges over the last 25 years (Cheng Yang 2002, 3). However, even with the increase in numbers, the professional quality of these Chinese judges and lawyers are lower than in other judicial systems. The need for improvement in the quality of the Chinese judicial system and implementation for the rule of law should fuel Canadians to continue to provide training within the area. Training programs such as the Canada-China Senior Judges Training Project or the Internationally Trained Lawyers Program increase the proficiency of the judicial actors in China. These training programs encourage the application of Canadian legal
values within the Chinese judicial system. Through this transference, human rights norms can be created and supported through the Chinese institution without direct foreign influence.

With the increased prevalence of judicial actors within the system, it is important to encourage the advocacy for the rule of law and application of human rights among the public too. In particular, it is essential that the middle and upper class do not feel as if their rights are threatened by lower-class rural communities. It is encouraging that the Canadian government puts renewed focus on these groups to challenge socio-economic discrimination within China.

The Canadian government should make the following adjustments:

- Expand and continue training and exchange programs with Chinese lawyers and judiciary
  - Expand and continue training and exchange programs with Chinese lawyers and judiciary
  - Create alumni events for individuals who attended these programs to facilitate improve capacity building in China
    - These events should focus on the most pertinent legal issues in China such as private property and human rights
  - Develop a database of Chinese legal officials who have participated in training programs in Canada to encourage future collaboration
- Tactfully support non-governmental organizations in lobbying efforts with the Chinese government
- Publicly acknowledging and supporting Chinese improvements within their human rights records, the rule of law and their judicial systems.
- Offer assistance in drafting legislation and expanding judicial system through training and technical assistance
  - Create a pool of domestic Chinese experts willing to offer support in drafting Chinese legislation
4.2 Improving International Cooperation on Chinese Human Rights

The Canadian Government should work to improve multilateral coordination regarding Chinese human rights issues, as well as emphasize quiet diplomacy over public condemnation over China’s human rights record.

In the past, the Government of Canada’s human rights policy concerning China has focused on publically and unilaterally condemning the Chinese government for human rights abuses. These efforts have included publically rebuking the Chinese government on its human rights record during state visits.

Despite these public efforts on behalf of the government to encourage improvement in China’s human rights record, there is little evidence such pressure has resulted in any tangible differences. What is certain, however, is that this damaged the Sino-Canadian relationship. Relations with China have however gradually begun to improve thanks to a modification in the government strategy. A decreasing emphasis on public condemnation of Chinese human rights combined with an increased emphasis on engaging with the Chinese government on economic and bilateral matters has helped to warm relations.

Pursuant to a new diplomatic strategy regarding human rights in China, the Government of Canada should consider the adoption of the following policies:

- A renewed emphasis on private diplomacy with China on human rights issues as opposed to public condemnation.
- Increased cooperation with western allies such as the US, UK and EU in order to coordinate Canada’s human rights message. Thereby reducing the chances of serious diplomatic consequences for Canada since the initiative would belong to all participating countries, not just Canada alone.
  - This should be accomplished through the formulation of a specifically China based intergovernmental human rights strategy with democratic allies which articulates clear and achievable goals relating to the human rights situation in China. This strategy must account
for cultural differences between Chinese and western perceptions of human rights.

- Pursuant to this, a new emphasis on the creation of a respectful and egalitarian dialogue with the Chinese government which aims neither to condescend nor patronize, but rather to partner and encourage.

- A new and specific focus on broader human rights and civil society issues in China as opposed to the specification and singling out of individual cases and people.

4.3 Regulation of the Internet should be reflective of Canadian Values

The Charter deeply reflects Canadian values; therefore, any position the Canadian government should take on regulation of the Internet should reflect its constitution. More specifically, it should adhere to Section 52 of the Constitution Act, 1982, which states that, "every law that is inconsistent with the Constitution is, to the extent of the inconsistency, of no force and effect." In order to be compatible with the civil and individual liberties set out in the Charter of Rights and Freedoms, ITU negotiations on the future of the internet should reflect the following principles:

- The ITU as a body of the United Nations should continue its essential work in regulating technology standards and making technology compatible and efficient around the world.
- The ITU is effective as an international legal ground for countries to engage in censorship of the web. Because of these capabilities, it should use its power to draft a cyber-security treaty that is reflective of democratic constitutions like the Canadian Government.
- The prevention of cyber attacks does not come from regulation of the Internet; it comes from educating Canadian experts in the telecommunications field, user groups, manufacturers, universities, financial institutions etc. Therefore, there needs to be an educational link between the Canadian government and these fields in order to prevent further cyber-security breaches.
- The International Telecommunications Union resolutions should be reflective and balanced in both Western democratic values as well as
opposing values. This way the treaty would ensure that it was created for the purpose of preventing cyber attacks as opposed to attempting to shift the balance of power or shifting whom co-ordinates and administers the Internet.

Further Readings:


APPENDIX: SUMMARY OF POLICY RECOMMENDATIONS

1. Expanding Trade Relations within Global Value Chains

1.1 A phased-approach to deepening the Canada-China bilateral and economic relationship

The Canadian Government should pursue an incremental, sectoral approach to trade liberalization with China. A gradual approach would permit Canadian firms to reinvent themselves in preparation to face an increasingly competitive and globalized international market.

1.2 Enhancing Canadian involvement in China-based Value Chains.

Best described as, “relationship builders and knowledge brokers”, the Canadian trade Commissioner Service in China should extend duration of postings for increased local engagement.

1.3 Developing Canada’s Export Infrastructure

The Canadian government must focus on fostering the development of transport infrastructure in Western Canada so as to facilitate the movement of shipping containers and natural resources, and support the growing Chinese demand for North American commodities.

1.4 Developing the “Canadian Brand” of education and expanding professional exchange across the Pacific

The Canadian government should work to expand educational and professional exchange programs to further enhance the trade agreements currently in place. The Government should also encourage schools to teach Chinese language and culture, giving our students the global advantage. An agreement allowing Canadian citizens streamlined visa procedures for teaching English in China would be an opportune way to market the “Canadian Brand” to the Chinese people.

2. Growing and Diversifying Investment,

2.1 Investment Canada Act: Communicating to Potential Investors
The Canadian government should improve consistency and transparency in its approval or rejection of Foreign Direct Investment (FDI) proposals.

2.2 Expanding Canadian Security Procedures for Foreign Direct Investment and Special Reporting Requirements for State Owned Enterprises
The Government of Canada should adopt a more comprehensive set of official guidelines and disclosure requirements regarding Foreign Direct Investment (FDI) related national security concerns, especially with proposed foreign takeovers of Canadian companies by State-Owned Enterprises (SOEs). These, in turn, would enhance national security and improve Canadian perceptions of FDI in Canada.

2.3 Revise the Discourse Surrounding State-owned Enterprises and Chinese Investment in Canada
The Government of Canada should engage the public in an objective review of state-owned enterprises (SOEs) in order to gauge what role foreign SOEs should be allowed to play in Canadian domestic affairs while similarly working to increase awareness in Canadian industry of business opportunities in China.

3.0 Securing Canada while Increasing Partnerships with China

3.1 Expanding Naval Engagement in East Asia
The Canadian government should work to enhance its presence in East Asia by contributing to regional maritime security through engagement in regional confidence-building measures and developing a heightened Canadian presence at regional multilateral forums.

3.2 Creating Multilateral Frameworks for Cyber-security
The Canadian Government should work to develop and harmonize stronger cyber-security policies with NATO allies. This will allow Canada to engage China on issues of cyber-security while also fostering stronger relations with China.

3.3 Cyber-Security Strategies from International Partners
The Canadian government should strengthen its cyber security strategy by first examining what our global partners have done, and then consider the various strategies which are advantageous to our cyber security goals of securing government systems, cooperating with the private sector and protecting Canadian citizens online.

3.4 Canadian Cyber-security: Who is Responsible?

The Government of Canada should expand the remit of its cyber strategy, facilitate stronger internal coordination between departments and agencies on cyber-security, increase funding to relevant agencies for hiring personnel, and increase the working hours of the CCIRC.

3.5 Strengthening Canada’s critical infrastructure security

The Canadian Government should establish Information Sharing and Analysis Centres (ISACs) in Canada similar to those already established in the United States, and ideally extend their network across the border.

3.6 Protecting Canadian Businesses from Conventional Economic Espionage

The Canadian government should work to develop a broad strategy of monitoring and education to protect against economic espionage conducted by agents in Canada, since these represent an equal if not larger threat than the newer problem of cyber-security.

4. A Constructive Approach to Human Rights in China

4.1 Training to improve human rights and the rule of law

The Canadian government should continue to encourage the enforcement of the rule of law within China through training of judicial actors and promotion of equality in the judicial system.

4.2 Improving International Cooperation on Chinese Human Rights

The Canadian Government should work to improve multilateral coordination regarding Chinese human rights issues, as well as
emphasize quiet diplomacy over public condemnation over China’s human rights record.

4.3 Regulation of the Internet should be reflective of Canadian Values

The Canadian government’s position on the International Telecommunications Union’s (ITU) attempts to regulate the internet should be reflective of Canada’s Charter of Rights and Freedoms.