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Canada-China: Opportunities in Transition

by Peter Harder
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Policy Update

Canada-China: Opportunities in Transition **An address to the Canadian International Council**

by Peter Harder

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Let me begin by thanking the CIC for its sponsorship of today's conference. The CIC is an important forum for linking together Canadians' participation in foreign policy debates. Bill Graham was my minister at DFAIT and served in this role with singular distinction under two Prime Ministers. It is a special privilege to have him participate in today's discussion. The CIC, and its predecessor CIIA, are unique in knitting together local chapters of foreign policy activists and thinkers from coast to coast. Today's event, hosted by the National Capital Branch, is yet another example of the value CIC brings to civic engagement.

Today's conference subject, "Canada-China Opportunities in Transition" is timely. You have heard a most important perspective from Ambassador Lu Shumin, whose interest in Canada has continued after his distinguished service as Ambassador to Canada.

We are living through the most significant shift in global power since the beginning of the last century. This shift is animated by economic growth (or lack thereof), demographic change, technological revolution, particularly in ICTs. And we are witnessing the emergence of new global institutions that better reflect today's reality and reshape our traditional trans-Atlantic worldview.

Whether it's President Obama's "pivot," or rebalancing, or Prime Minister Harper's "diversification" there is an important transition underway.

The rise of Asia generally, and China in particular, has rightly been the focus of conferences, books and talking class chatter around the globe.

But today, I would like to focus on a more modest, yet important dimension of this transition that is shaping Canada's engagement with China.

I would like to begin by speaking to three major factors that are at play in this relationship from a Canadian perspective. First, it's not just about Ottawa. Second, it's not just about big business. And third, it's not just about money.

Let's examine each of these in turn, after which I would like to briefly raise a few issues for Ottawa's "to-do" list, which, if implemented, would significantly further the quality and sustainability of our engagement with China and serve our economic interest.

It's not just about Ottawa. When you look at a span of the over 40 years of diplomatic relations, it is obvious that national government actions, beginning with recognition itself, have been crucial in determining the state and ambition of our relations. And that reality continues to this day. But, the federal government no longer exclusively defines the relationship. Provinces and cities are new, vigorous and increasingly sophisticated players in the Canada-China relationship.

First, provinces. I've had the pleasure of being part of the Council of the Federation (COF) China mission three years ago and again last September. In the last mission we had ten premiers and territorial leaders, with appropriate delegations representing their economic, social and cultural interests visit Beijing, as well as other cities and provinces. A number of premiers added to their itinerary visits to their respective "twinned provinces" to renew and strengthen existing collaboration. Collectively they met with senior Chinese officials and business leaders to learn about and promote investment opportunities in Canada. Premiers listened and made their pitch. Increasingly provinces are developing more sophisticated



strategies of engagement that target specific sectors and locations outside the coastal regions along with supportive policies to encourage sustained trade and investment.

Alberta, for example, has established a legislated Asia Advisory Council made up of Albertan and non-Albertan Canadians who meet about every six weeks to review their work plan and make recommendations to the premier. Later this spring, Alberta will launch a citizen engagement strategy, visiting towns and cities throughout the province, to outline why Asia is becoming so important to their province's future and seeking their views on how to give expression to Alberta's "Pacific identity". I would encourage other provinces to adopt similar approaches, appropriate to their jurisdictions

Cities. Our cities are increasingly active in both supporting exporters and attracting inbound investment. Branded as the "Consider Canada City Alliance", eleven of our biggest cities are working together. Next month, they will participate in an "invest in Canada" seminar in Beijing where they will be bringing with them over 100 specific investment projects.

The mayor of Waterloo was the first Canadian mayor to use Weibo to connect with and attract Chinese students to Canada. Now known as "Auntie Mayor," families contact her on Weibo about sending their children to study.

The mayor of Vancouver also outsourced his Weibo account this year and wrote a message every day that was both translated and made culturally appropriate for his Chinese audience. He is now one of the most popular foreign mayors in China.

I would encourage CIC chapters across Canada to engage your respective provincial and municipal leaders to develop their respective China strategies.

My second theme is: it's not just about Big Business.

We all owe much to our business leaders who over 30 years ago began a concerted effort to build business relationships with China: Manulife, Sun Life, Power Corporation, Bombardier, BMO, AECL, and Nortel in its day. The list goes on with new large players in the China economic relationship. For example, large Canadian pension funds, some of them public owned enterprises, are both investing in China and attracting Chinese investment institutions, both public and private, to invest in Canada.

Our large enterprises are well aware of the opportunities in Canada-China trade and investment. But, today, I want to share with you two additional trends that are animating increasing Canadian economic engagement in China.

First, it's all about global supply chains. Bombardier should be commended for its efforts to introduce their Canadian based SME suppliers to the Chinese market where they have the opportunity to participate in Bombardier's global growth.

Similarly, there is a terrific Canadian story in the ultimate globalized industry: the auto sector. Canada's Magna International, one of the world's largest auto parts suppliers to global OEMs today employs over 8300 in China. In less than twenty years since it first entered China, Magna has grown from 16 facilities in 2009 to 25 facilities today and is projected to hit 29 by 2015.



All of this growth is part of a corporate strategy of harnessing global supply chains for the auto industry of tomorrow.

I see the same opportunity playing out in the oil and gas sector. With the CNOOC acquisition of Nexen behind us, I would encourage the Canadian SMEs involved in oil and gas supply chains here, to introduce themselves, first through CNOOC, then to the other major Chinese global players.

The second trend is a welcomed increase in Canadian small and medium enterprises (SMEs) interest in China. This has been, and still is, a significantly underdeveloped dimension of our economic relationship. But that is beginning to change. 74% of the Canada China Business Council (CCBC) membership is SME sized enterprises and the scope of their activities reflect new market opportunities in education, health, agri-food, tourism, environmental technologies and more broadly the services sector, just to name a few. And let me give you some examples:

The PEI inspired company called Anne in China recently launched a Chinese translation of Anne of Green Gables in conjunction with Tsinghua University. The book has been shortlisted for the “Most Influential” novel published in China in 2012.

Baby Gourmet is a small Calgary based company started by two moms in the Calgary farmers’ market selling organic baby food. In their first 22 months they acquired 12% market share in Canada without any advertising. They’ve expanded to the US but really want to go to China. Recent issues around food safety in China are giving a market opportunity for these energetic entrepreneurs.

Named one of BC’s Top 25 Exporters by the Canadian Manufacturers and Exporters, Clevest, has started a new mobile workforce management project for the State Grid of China: Shenyang Power Bureau. This solution is integrated with their automatic vehicle location technology for a single, powerful, location-based view of crews in the field and the work they are performing. This is the first of several projects Clevest will be implementing for the State Grid of China.

Accreditation Canada provides accreditation programmes and certification for health care providers worldwide. Currently, AC, is collaborating with the Ministry of Health in China, along with individual hospitals, clinics and labs to improve the standards and accessibility of healthcare throughout China.

The Canadian Standards Association is engaged in the testing and certification of Chinese products, especially consumer electronics, motors, and solar products. 80% of the products tested in China are for export to North America. The Canada Standards Association (CSA) labs located in Hong Kong, Shanghai and Shenzhen employ over 250 people, 90% of whom are local hires.

As welcomed as these examples are, we need to encourage our SMEs more aggressively to develop their own China strategies. For our part, the CCBC has established SME incubation facilities in Beijing and Shanghai to offer lower-cost hoteling as well as business entry advice and mentorship.

Third, it’s not just about money.



As part of the COF China mission last year, I arranged for the Chinese Minister of Commerce, Chen Deming, to meet with the premiers. When I greeted him at the door to escort him to the meeting, he asked me, “Which one is the Premier of Alberta?” I expected that he wanted to get straight to a discussion of the Nexen transaction and the importance his government attached to its success. So I dutifully escorted him to the Premier. He greeted her warmly saying, “Like you my wife is a graduate of the University of Saskatchewan and we have very fond memories.”

My point is, relationships matter, education matters, culture matters, bonds of shared experience and understanding matter. Cultural and knowledge diplomacy is an important dimension to Canada’s international brand in China. If you don’t believe this, take a walk with Dashan down the streets of Beijing or Shanghai.

The number of international students in Canada has more than doubled in the past 15 years. At 200,000 strong, with about 60,000 from China, this sector contributes more than \$6.5 billion to the Canadian economy. There are currently over 475 active agreements between Canadian and Chinese institutions. The problem is, our market share is shrinking as Australia and the UK have more coordinated and aggressive strategies.

It is high time that we developed greater Canadian Student experiences in China. The Canada-China Scholar’s exchange programme is important and since 1973 has involved more than 900 scholar participants. But we need to have more Canadian students learn mandarin, appreciate Chinese culture and develop the business relationship for the 21st century.

Our Governor General, His Excellency David Johnston, has spoken eloquently about his longstanding relationship with Nanjing University, one of the oldest and most prestigious institutions of higher learning in China. In a speech last November to the CCBC, he said,

My connection to that school dates back to my tenure as president of the University of Waterloo, when our two institutions jointly established the Sino-Canadian College on the grounds of Nanjing University. The Sino-Canadian College, I should add, was the result of more than two decades of joint research – particularly in the environmental sciences and sustainable development – between eminent researchers from our two universities working on shared challenges as one team. The opening of the Sino-Canadian College in Nanjing ... was especially poignant because it was a testimonial to the twinning of Jiangsu and Ontario begun more than a decade earlier. It was once again an example of people-to-people trust leading to concrete, innovative programs. I also remember clearly how student from Nanjing University added so much to the academic and cultural life of Waterloo. To this day, diversity is one of the secrets to the success of that institution.

Wise words from our Governor General.

In a small way, Alberta has just introduced an innovative programme of “externships.” The CCBC has agreed to “host” 10 Albertan graduate students to gain work experience in China. The objective is to provide first hand job experience for young Canadians and foster a network of young, China savvy, Canadians. Bravo.

Finally, a few words about how the Government of Canada could enhance our interests in this period of transition.



The federal government has three unique responsibilities as it relates to building a 21st century relationship with Asia generally, and China in particular: first, trade policy; second, national infrastructure; and third, the “power to convene” for national purpose.

Let’s examine each in turn.

Trade Policy: Last year, the CCBC together with the Canadian Council of Chief Executives (CCCE), sponsored a major report by Wendy Dobson, a world-class economist and author, on exactly this subject. The themes of her report remain highly relevant: The two pillars of any Canadian Asia strategy should be a commitment to political security issues and engagement through state-to-state relationships.

Canada should restore its regional presence through sustained, high level relationship building.

Canada should develop a national brand based on trade and investment targets, which are pursued through coordinated efforts by federal and provincial governments, the private sector and other key stakeholders.

In the long term, Canada should diversify its trade with China by increasing its exports of knowledge-based goods and services.

A China roadmap should address mutual interests: ours in trade liberalization, investor and intellectual property protections, sector priorities and China’s in flows of people, food security, market access to energy and natural resources, and the development of services such as education.

Over a year later, I would suggest that the priorities ought to remain the same with several more specific suggestions.

Let’s ratify the FIPPA and even more importantly, let’s respond to the complementarities study concluded a year ago and publically released late last summer. China is ready to begin the long and difficult negotiation towards a comprehensive economic framework agreement. It is time for Canada to say yes. We know from experience that our relationship with China works best when we have a shared “aspirational” policy framework and intent; otherwise we’ll only focus on economic and political irritants.

The trade policy focus in Ottawa today is understandably and appropriately on the Canada European Union free trade negotiations. Both sides are crunching difficult and ambitious outcomes on traditionally sensitive issues like market access for beef, pork, dairy and autos. But they are also seeking solutions to equally important 21st century issues, like harmonizing IP standards for pharmaceutical products and improving access to sub-national government procurement markets. I am confident that the political will exists in Ottawa to make the very toughest of decisions in respect of these negotiations. The Comprehensive Economic Trade Agreement (CETA) is a win-win and will be proof of Canada’s readiness and willingness to make the difficult decisions for a 21st century economy.

Once CETA has been achieved the priority ought to be Asia and this must result in the Trans-Pacific Partnership and a bilateral economic agreement with China.



Second, national infrastructure: Beginning in the 1950s with the expansion and interconnection of both Canadian and American highway systems, the building of the St. Lawrence Seaway and the modernization of border crossing to accommodate the expansion of goods through policies such as the auto-pact, Canada was able to ensure that we had the infrastructure required to expand our trade relationship with our number one economic partner. With the conclusion of the Free Trade Agreement (FTA), we continued to improve our infrastructure. Then with the tragedy of 9-11 the border thickened. Our trade was at risk. We acted. Led by John Manley, the government of Canada, together with the US, developed the border action plan to ensure the infrastructure was in place to both facilitate the movement of goods and people and meet enhanced security concerns.

Similarly, we must now act to secure the national infrastructure for the 21st century. The Pacific Gateway is a good start. But we need to do more for our physical infrastructure of ports, airports and air links, pipelines, LNG facilities; as well as the soft infrastructure for enhanced tourism, education and cultural exchange. China is now our number two economic relationship and we must act to ensure its growth is secured by the infrastructure of tomorrow.

The “power to convene” and brand. I would encourage the government of Canada to energetically develop and sustain a “whole of government” approach to our China engagement. We need to bring together and achieve greater synergy from the multitude of governmental relationships. Virtually every government department and many agencies have an element of China engagement. Recently, military, police and security services have established linkages with their counterparts. The National Research Council and other science and technology relationships are growing. This is all good, but we ought to harness all of these important relationships for a whole of government strategy.

Similarly, the federal government has an obligation to lead a “whole of Canada” strategy for Asia generally and China in particular. While I applaud The Asia Pacific Foundation’s leadership in their conversation with Canadians, only the government of Canada can bring together all of the stakeholders. Just as the federal government led Canadians in 1980s in securing our economic relationship in the common economic space of North America, so it must lead today in security our economic relationship in the common economic space of the Pacific. What do we want from this relationship and what do we need to do in order to achieve our interests?

This conference is all about answering this question. It is about the opportunities of the transition, about the growth of Asia and the place of Canada in the Pacific Century. In that context, no relationship holds more opportunity for Canada than China. But we must become more strategic in our policy intent, more coordinated in our actions; we must mitigate the risks and build on the opportunities. Canada deserves nothing less.

► **About the Author**

Peter Harder joined the law firm of Fraser Milner Casgrain as Senior Policy Advisor in March 2007. He is a member of a number of private sector boards and is the President of the Canada-China Business Council. Mr. Harder is a former Deputy Minister of Foreign Affairs and assumed the responsibilities of the Personal Representative of the Prime Minister to the G8 in December 2003. He was first appointed Deputy Minister in 1991 and had served in that capacity in a number of departments including Treasury Board, Solicitor General, Citizenship and Immigration and Industry Canada. Mr. Harder first joined the Canadian Foreign Service in 1977. In 2002, he was awarded the Queen's Jubilee Award. In 2000, the Governor General presented Mr. Harder with the Prime Minister's Outstanding Achievement Award for public service leadership. Mr. Harder was born in Winnipeg, Manitoba in 1952 and was raised in Vineland, Ontario. He has a BA (Honours) in Political Science from the University of Waterloo, a MA from Queen's University and an LLD, honoris causa, from the University Waterloo, 2005.



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CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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