



**CHINA'S SHADOW:
A CANADIAN CONCERN?**



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A Canadian Concern?**

By

Roger Girouard (Rear Admiral, Ret'd)
Royal Roads University

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EXECUTIVE SUMMARY

The emergence of China and India as global economic powers has engendered a shift in the centre of gravity for human affairs, economic and political. Serious security dimensions accompany this rebalancing, ranging from resource availability, energy independence and water scarcity.

China, in particular, has exchanged growing wealth for military power and influence. The Chinese navy, the PLAN, is an instrument of prestige but portends much more. Designed to signal power, to secure the sea approaches and to support the army where necessary; this is traditional for a continental power. But the creator of a modern maritime competitor to Japan, India and soon the United States intends its navy deliver much more; it is meant to give the Chinese leadership *options* never before available. They intend to challenge their neighbours, and the United States, both because they will be able to, but mainly because they must.

Canada has a serious stake in the stability of the region, if only to assure our own market access and support our quality of life. Peace, too, is a national interest. We should be a Pacific player, not an afterthought. This has to be true in the minds of Canadians, as only then will it be so in the minds of our Asian neighbours. It comes down to three words: interest, presence, consistency.

Currently the Canadian media and popular discourse regarding China involves two main topics. First, China's interest and investment in Canadian natural resources, and the energy sector in particular, have generated much traditional concern over foreign investment in the national economy. The challenge of parsing the difference between foreign capital injections (generally good) and foreign influence (generally bad) is again being leveraged to sensationalize the story and push ideologies.

Second, Prime Minister Harper has embarked upon a long-awaited diplomatic foray to China with much media scrutiny, both national and international, the latter largely a result of the failure of the Keystone Pipeline project to move oil from Alberta to the Gulf State refineries and, as a result, this issue may serve as a platform in the upcoming American elections. This inter-state mission has received a range of editorial comments from Canadian observers but, by any measure, represents a certain departure from the largely one-dimensional *please buy from us* "Team Canada" trips under the Chrétien Government. Only time will tell if the Harper approach will deliver more than the mediocre returns of past efforts that saw Europe, the United States and Australia arrive first and sign more deals.¹ Of course the question remains, did they actually profit from the effort and did Canada actually lose out? Whatever the answer, it is clear today that Canadian energy has China interested and talking.

Before exploring China further, one key observation is worth noting. That is on the whole, despite this recent spike in angst and activity, Canadians in general, Parliament and the nation's policymakers in particular, spend little time considering Asia writ large and China in particular. Over the last year, the foreign-affairs priorities of the media cycle, and the floor of the House of Commons, have been focused mainly on the Eurozone, the Arab Spring and the potential of a nuclear Iran. We cannot save the Euro; we did not save Libya; we will not alone constrain Iran. Yet this familiar geography captures us in a way that 60% of the world's population and the two fastest growing – and nuclear-armed – economies cannot. Odd.

The economic engine we know as China has been moving the centre of gravity of human affairs – certainly economic and possibly political – for a generation towards Asia. Since Mao's famines gave way to Deng Xiaoping's reforms and pragmatic business formula, growth has been relatively constant, and sometimes alarming. Communist ideology with a Sino-Stalinist bent has reverted in many ways to what may well be the default Chinese *type* – clan-based mercantilism, think *Merchant of Venice* on steroids – with undeniable success. But what price do the rest of us pay for this transformation and resurgence on the world stage? What price might Canada bear?

Much is being made of China's growing presence in Canada's oil patch, it's impact on B.C. raw log exports and the overall direction of the flow of goods in Canada's western ports; mainly into Canada and comparatively little out, unless you consider recycling and empty sea containers. But it is the impact on the global commodities markets that bears careful attention. With 20% of the world's population, China has been importing significant proportions of the world's copper, cement, coal, iron, logs, grain, soy and of course, oil and gas. "China's impact on oil markets has been modest and one among many driving forces. Its impact on the soft commodities has been mixed and selective. But its impact on virtually all the major "hard commodities" has been nothing short of earth-shaking."² It is the trends that bear watching in oil, water and in protein. It may not be long before more African-grown soy goes to China than to Africans themselves. If the Arab Spring turned at least in part on the price of a loaf of bread³ what instabilities does the great maw for resources that is China trigger next, as its actions and appetite generate, sometimes knowingly, ripples that cover

¹ EUROSTAT (Comext, Statistical regime 4) DG TRADE 10-Jan-12 available at trade.ec.europa.eu/doclib/html/113366.htm

² Griswold

³ <http://www.guardian.co.uk/lifeandstyle/2011/jul/17/bread-food-arab-spring>

the globe? One only has to ponder China's willingness to manipulate world rare earth supplies and prices to find the potential mean streak.⁴

China is hungry for the world's resources and has, until now, been satisfied to carry much of its debt for investment and potential influence, not humanitarianism. What balance of trade figures show is that China is not inclined to buy our finished products, apart from cars, cell-phones and iPads – and these not for much longer. Patent impingement, industrial espionage, reverse engineering and market access in China at the cost of intellectual property, which makes a product or technology unique, all speak to a business philosophy that is tough, biased to self-interest and the Chinese bottom line.

Inasmuch as many tout the Chinese economic miracle, and some even espouse the Beijing Consensus model as the replacement for Capitalism in these hard times, China is fraught with fragilities that speak to a greater likelihood, in my analysis at least, of the ruin of this huge, disparate state rather than its arrival at the gates of Shambhala. Multiple cultures and languages, poverty and uneven income distribution, water scarcity, pollution, corruption, a real estate glut, an urban-rural divide, the dearth of a social safety net or pension system, government manipulation of corporate agendas and currency issues are but a smattering of current, ongoing and pending challenges to the quality of life and mood of the Chinese people. That the Party has been adept at pulling economic and social policy levers to date is unquestionable. That their good planning and good luck is inevitable is a less dependable prospect.

It is possible that China's greatest strength may also be its greatest weakness. Centralized power is indeed convenient and even western liberals sometimes ponder the positive attributes of the benevolent dictator, but the dream of freedom lives beyond the realm of the Arab Spring. "The scuttling of Sun's⁵ republic is conventionally brushed aside as the misfortunate outcome of high politics rather than a failure of institutional reconstruction. The proof? The republic did not revert to empire. But is the absence of an emperor proof of the existence of a republic?"⁶

Last but not least, as demographers have indicated, China may get old⁷ before it is able to spread wealth broadly across its population. It is struggling to feed and provide water to its people now, let alone employment. It will, within a generation, deal with income/opportunity disparity that will make today's occupy movement look like a church picnic. At the same time, they will deal with the wifeless result of selective births, a huge cadre of angry young men.

As we segue to the hard security theme of this discourse, it may seem odd to some to have begun a dialogue on security with observations on economics. Most will understand that the two are inextricably intertwined and that the scene of this larger context must be set and understood. It is never guns *or* butter. Economies deliver our quality of life – that which is worth keeping secure – and economies are dependent on secure conditions to flourish, to keep prices stable and to spread the fruits of our labour through trade. One only has to look at the recent effect of Iranian nuclear tensions on the price of oil⁸ to understand how instability is bad for business, our economies and our bank accounts. Security is just as much a sustainability issue as global temperatures, melting ice pack and the price of grain.

⁴ <http://www.energyandcapital.com/articles/rare-earth-restrictions-from-china/1781>

⁵ Sun Yat-sen, Chinese revolutionary and president and seen by many as the foremost pioneer of Nationalist China, Sun is referred to as the "Father of the Nation".

⁶ Brook

⁷ Jackson

⁸ http://www.ft.com/intl/cms/s/0/fa5a0fbc-613b-11e1-8a8e-00144feabdc0.html?ftcamp=published_links/rss/world_us/feed//product#axzz1nd9qqTHm

With this symbiosis in mind, Canada should not expect to make windfall profits from the positive outcomes of Asian markets if it is completely unwilling to invest in the security and stability that creates the positive environment for these very markets to flourish. Canadian policymakers have historically understood the link of economic success to stable regions, why else remain with NATO for three generations, or underwrite the security of the Strait of Hormuz with a consistent regional naval presence since the first Gulf War? This interpretation of national security investment has yet to ascend in the Asian domain where Canadian officials and fleets are rarely seen and relationships scant and oft-forgotten. Even Canadian policy-makers are often unaware of Canadian obligations in the region, such as UN cease-fire treaty obligations to come to the aid of the South Korea militarily in case of renewed aggression by North Korea.⁹

Chinese self-interest – perhaps best defined as the survival of the Communist Party and its apparatus – drives trade above all else for China, as well as Chinese policies into the oceans. For instance, China claims ever more aggressive exclusivity over the waters of the South China Sea – at the expense of Vietnam, the Philippines and others, with the Spratly Islands¹⁰ serving, as recently as January of this year, as the recurring cause célèbre in these ongoing diplomatic, and increasingly militarized, disagreements. Yet, China demands a *global commons* stake to Arctic resources, dispatching icebreakers to conduct research in the far north over the past several research seasons. Whether they are doing seismic soundings for oil, or mapping bottom canyons for ballistic missile submarines remains unclear. Logic would dictate that they cannot have both unilateral rights over their neighbours and commons-based admittance to non-traditional waters, but China is about access, not logic.

Energy, sea-lanes and sovereignty tensions all rekindle an image of Asia in the 1930s, except the Japanese *Asia-Pacific Co-prosperity Sphere* of its day has been replaced by the Shanghai Co-operation Organization, APEC and ASEAN, let alone the G8 and G20, and even the Forum on China Africa Cooperation.¹¹ The world is more complex, the weaponry more destructive, self-interest just as great and the competition for resources just as desperate as that which sparked WWII.

Meanwhile, as China grows, it becomes more reliant on global maritime supply routes for essential commodities and inputs — a potentially fatal vulnerability, given the volatility in key exporting regions like Africa and the Middle East, not to mention the fact that the United States has the power to cut off China's supply routes if it should desire. China therefore has invested heavily in bulking up its navy to secure the maritime lifelines and, in general, to make its new strength felt in the world, which it has succeeded in doing.¹²

The land forces of China exist as much for internal security as defence of the State from external aggression. Tiananmen Square reminds us of the brutality that regime survival exacted in Beijing. “The Communist regime in China had made its decision. The hardliners and economic pragmatists, such as Deng, had joined together with the military and decided that no political liberalization would be tolerated.”¹³ Nothing indicates this perspective has softened, nor that the Party has weakened its resolve to be the central driving force behind Chinese affairs.

In turn, space shots and Olympic splendour follow as signals that the modern Chinese State has arrived, if not in fact *returned* to the top tier of the world's assembly of nations. These

⁹ <http://www.cbc.ca/news/world/story/2010/11/26/canada-korea-military.html>

¹⁰ Mogato

¹¹ <http://www.focac.org/eng/>

¹² STRATFOR

¹³ Menges, p 114.

were acts of national prestige and largesse, particularly for a country that still describes itself as *developing*. The Chinese navy, the PLAN, is also an instrument of prestige, but portends much more. It is designed to signal power, to secure the sea approaches to China and to support the army where necessary. These are traditional for a continental power, but the modern philosophy and construction of a maritime competitor to Japan, India, and soon the United States, intends its navy deliver much more than ever before; it is meant to give the Chinese leadership *options* never before available to its rulers. It is meant to intimidate both fishermen and frigates in the South China Sea. It is meant, if necessary, to seize waters traditionally claimed by Japan. It is meant to preclude American succour of Taiwan should patience wane or independence on the island prove resurgent. It is meant to conduct anti-piracy off the Horn of Africa and protect Chinese commerce with Africa (food) and the Middle East (energy), even in the face of potential Indian competition. Its new aircraft carriers and nuclear submarines, including ballistic missile submarines, are meant to project power as *required* to protect China's vital institutions and particularly the power and the reputation of the Party. They intend to challenge their neighbours and the United States, both because they will be able to, but mainly because they must. Not necessarily global hegemony but global hegemony if necessary?

What should we do? In a general sense, we begin by considering the important role Canada can play in initiating dialogue, supporting multilateralism, setting positive examples for conduct in the international domain and in brokering discourse between traditional competitors – or belligerents. “Canada’s role, despite its declining power, will be to leverage its US ties (and its good name) to contribute to socializing China into global liberal norms, as well as to maintain its bridging capacity among other liberal powers by occasionally dissenting from Washington... But China’s rise, and the potential looming challenge to global liberal order, will underscore the deep integration – normative as well as structural – that supports the Canada-US relationship.”¹⁴

We should be a Pacific power, not an afterthought. This has to be true in the minds of Canadians, as only then will it be so in the minds of our Asian neighbours. It comes down to three words: interest, presence, consistency. Canadian expertise in Asian matters should be developed, nurtured and matured. We need to think about geopolitics and get past sales and marketing. We have to stop being the guy people meet in the buffet line every third year at a conference somewhere in Asia and invest in the time, intellect and travel to grow real partnerships and relationships in business, in government and in the military. Many of these countries are run by people in uniform who don’t connect with social science theory majors. The goal of exporting Canadian values and enabling social change is a given. Our military ambassadors are just as adept at this as anyone else. More importantly, they actually get in the door for a conversation when others are left in their hotels. The trade side of our foreign missions will have no sustainable impact if the defence and diplomacy side of our foreign policy – and effort – have failed to make an impression.

To be more prescriptive, and not only from a security standpoint, I offer the following:

- Confirm support for and invest in the success of the Trans-Pacific Partnership (TPP). Bring Law of the Seas and maritime security expertise to the trade discussions. Trade won’t flourish if freedom of navigation is not assured;
- Ensure APEC and ASEAN representation is at the highest level and that it seeks to consistently espouse a free-trade, freedom of the seas, agenda along with the habitual human rights dialogue;

¹⁴ Gilley p 264.

- Raise and sustain Canada's profile in the Western Pacific Naval Symposium (WPNS) by prioritizing Ministerial, Chief of Defence and Commander RCN's consistent attendance;
- Reaffirm and refresh Canada's voice and efforts in the historic, yet worthwhile, alliance membership of ABCA (Army) & AusCanNZUKUS (Navy). Where practicable, expand membership or observer status to new states to improve communications, trust and possible inter-operability;
- Launch small projects for governance mentoring through the region, focusing on trade, immigration, customs regimes, regulatory, environmental and security practitioners. Build capacity, common understanding and grow international norms. Team each up with a Canadian intern to not only teach the craft but to build long term relationships that will endure for a generation;
- Be present, not only at periodic security discussions, but at key security chokepoints and centres. Expand liaison and exchange in 7th Fleet in Japan and Fleet Pac in Hawaii, increase exchanges with Japan, Australia, Singapore, China and India. Offer support and staff, and the occasional warship, to the efforts to manage piracy in the Straits of Malacca;
- Work with India to expand and improve Search and Rescue (SAR), anti-piracy and general security patrols on the Indian Ocean side of the International Straits;
- Recognize the naval arms race in Asia and consider its implications to Canada;
- Forward deploy naval assets to the region, to Darwin or Perth, on a regular basis to learn the waters, increase interoperability with allies and seek potential new security partners. Consider the transport and basing of a Canadian submarine in the region and initiate security operations there at the earliest opportunity. Learn the waters we will be required to operate in if the Asian region becomes more closed or hostile;
- Increase educational exchange programs to Canada for nations in the region, including to the Royal Military College and various military coursing; and
- Cut steel, build ships. History tells us this is a maritime domain that demands manoeuvrability and power should conditions turn tense or violent. We were sought for Japan, Korea, Vietnam, Cambodia, Timor. We will be sought again.

The outcomes we achieve in this region will be those gleaned from the relationships and the presence in which we invest. We have a choice between comfort and relevance. Defaulting to our Euro-centric habits will not serve this neighbourhood, nor advance our Canadian economy or quality of life. Further outsourcing of our security to an economically wounded United States will only invite the very challenges the region is seeking to avoid. The human and economic engine of the world has shifted. Canadian dollars, influence, ideas and vision are desired across the region. We must decide if we as Canadians will adapt and do our part by moving our focus to this emerging gyre of human activity and tension, the rising Indo-Asian phenomenon.

ABOUT THE AUTHOR

Roger is a Montreal native, the son of a WWII veteran and a war bride. He began his naval service at the age of 16 as a Naval Reserve Ordinary Seaman before shifting to the permanent force and taking a commission, eventually holding a variety of leadership positions including three ship commands, Maritime Operations Group Four, and Commander Canadian Fleet Pacific.

His operations experience includes NATO's Standing Naval Force Atlantic and Canada's OPERATION FRICTION during the Gulf War of 1990-91. He was the head of operations in Halifax during OP PERSISTENCE - the CF's SWISSAIR 111 salvage and recovery operation off Peggy's Cove in 1998, when he served as liaison to the families of the victims. He commanded Canada's peacemaking contribution to East Timor in 1999 and led the multi-national naval Task Force 151 in the Arabian Gulf and Gulf of Oman in 2003.

He retired in September of '07 as Commander Maritime Forces Pacific. Soon after, he was sought to complete the Canadian Coast Guard Inquiry into the tragic sinking of the l'Acadien II, a sealing vessel home ported in the Magdalene Islands. He serves as an associate professor at RRU and volunteers with the Government House Foundation Board, Salvation Army, TELUS Victoria Community Board, St. John Ambulance Branch Executive, the Coalition to End Homelessness, Global Friends in Aid and Learning and, for a fun gig, the Victoria Tall Ships Society.

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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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