



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

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April 2020

# POLICY PERSPECTIVE

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**P**rior to the intrusion of the COVID-19 pandemic on Canada's health, economic and policy agenda beginning in February of this year, the issue of whether Huawei would be blocked from participation in the rollout of Canada's 5G networks was a fraught and pending one. It still is, but the pandemic and the fallout from it on Canada's relations with China now need to be taken into account.

The battle lines as to whether and to what extent Canada would allow Huawei to participate in supplying and building the next generation high-speed telecom network have been clear for some time. They pit a good portion of the security establishment, particularly agencies like the Canadian Security Intelligence Service (CSIS) that depend on close co-operation with U.S. intelligence agencies, against economic interests represented by the Ministry of Innovation, Science and Economic Development, and the major telecommunication companies, notably Bell and Telus.

The U.S. has taken an increasingly hard-line position on Huawei as the U.S.-China trade and technology war has heated up. For the U.S., Huawei is a Chinese Trojan horse that would allow China to spy on and disrupt U.S. telecommunications networks. There is also the inconvenient fact that the U.S. does not have a horse in the 5G race (Huawei's main competitors are Samsung, Ericsson from Sweden and Finland's Nokia), yet it doesn't want to give China a technological leg up. The U.S. has heavily pressured its Five Eyes intelligence-sharing allies (U.K., Canada, Australia and New Zealand) to ban the use of Huawei equipment in their 5G networks. Australia has complied and New Zealand has blocked Huawei on an interim but not necessarily permanent basis. Like Canada and the U.K., New Zealand has Huawei components in its 4G system. In January of this year, the U.K. [took the decision](#) to allow Huawei limited participation. The British compromise was that British telecom providers could use Huawei equipment in up to 35 per cent of their networks, as long as it was restricted to non-core components (i.e., those not deemed sensitive for security) and was not deployed near defence or nuclear generation sites.

At the time, I [noted](#) that the U.K. decision would appear to give Canada some cover if it wished to reach a similar decision that balanced security and industrial policy concerns. Canada's electronic monitoring agency, the Communications Security Establishment (CSE), is [reported](#) as believing that any risk from Huawei can be effectively monitored and controlled. Huawei has extensive R&D operations in Canada, having invested in many of Nortel's 5G patents when that Canadian champion went under.

Not directly related but complicating matters nonetheless is the case of Meng Wanzhou, the senior Huawei executive detained in Vancouver on a U.S. arrest warrant in December of 2018. Her trial is ongoing while she waits out her bail in Vancouver. Given the complication of this case, and its link to the detention in China of two Canadians, Michael Kovrig and Michael Spavor, for alleged national security offences, it is not surprising that the Trudeau government has kicked the Huawei 5G can down the road.

Now, the COVID-19 pandemic that originated in China adds a further layer of complication.



Although China acted decisively in late January to impose movement controls and social distancing measures on Wuhan and Hubei province, the epicentre of the pandemic, it has come under heavy criticism for not taking earlier action and for local suppression of information about the extent and nature of the virus. The U.S. in particular has played the blame game when it has come to China's role in the epidemic, although it is happy to source supplies from China to equip health-care workers in fighting it. Nonetheless, COVID-19 has become one more major bilateral irritant between the U.S. and China.

In the U.K., there was speculation that Britain's struggle with the coronavirus would also impact U.K.-China relations, leading to a re-evaluation of the decision to allow Huawei a role in Britain's 5G network. British Foreign Secretary Dominic Raab [recently stated](#) that in light of China's non-transparency on COVID-19, it could no longer be business as usual with Beijing, leading to [speculation](#) that Britain might revisit its Huawei decision. A group within the Conservative Party has challenged Prime Minister Boris Johnson's decision to allow Huawei limited participation, possibly [resulting in difficulty](#) passing the necessary telecommunications security legislation in the British parliament. Those concerns seem to have been [put to rest](#) for the time being, although it is apparent that for many in the U.K., the well of Sino-British relations has been poisoned.

What about Canada? To date, Canada has taken a much more nuanced position regarding China's responsibility for the pandemic and has refrained from pointing fingers. Unlike the U.S., it did not impose early blanket travel restrictions on China, nor did it seek to publicly name and shame the country for being the source of the virus. In fact, Canada went so far as to provide a shipment of 16 tonnes of protective medical supplies from the Canadian Red Cross as assistance to China in early February as that country's fight against the virus was in its critical stages, for which the Chinese government [expressed gratitude](#). This donation aroused some criticism in Canada for releasing supplies that might be needed at home, but we now know from [press reports](#) that there was time urgency to make the donation, since much of the material was about to reach its expiry date. It was also badly needed in China at a crucial time, and could be sent in the belly of the repatriation plane that was being despatched to Wuhan to bring back Canadians quarantined there.

Prime Minister Justin Trudeau has [defended his decision](#) not to openly criticize China, as some other leaders have done, stating that now is the time for international co-operation to fight the virus, not for criticism. Canada and China need to re-engage if they are to move toward a resolution of bilateral problems, including the detention of the two Michaels, and co-operation on the COVID-19 file could provide the needed impetus. In this regard, the pandemic provides as much opportunity as threat, as I noted in a [recent analysis](#) of the bilateral relationship.

With regard to COVID-19, it has been challenging trying to keep Canadians safe and the economy from imploding. Managing the pandemic has also tested our relationship with the U.S., dealing with border security and fighting off threatened export controls of N95 masks, to cite a couple of examples. At the same time, the COVID crisis has wisely not been used as a stick with which to beat Beijing, a move that would only have worsened our relationship with China. If co-operation on COVID-19 can help break the logjam of outstanding Canada-China issues, and improve the



climate for more co-operation, it might also prevent the pandemic from becoming an obstacle to reaching the right decision on 5G.

When it comes to deciding on Huawei's role, Canada has a lot at stake. This includes its role in the future global development of 5G, but also the impact on security relationships with close allies. Canada used to be a telecom leader back in the Nortel days, and we still have considerable strengths. There is the promise of many industrial and technological benefits from working with Huawei, as well as cost and competition considerations for Canadian telecom networks.

As for the security argument, one has to remember that the Five Eyes is an intelligence-*sharing* arrangement, to which Canada makes valuable contributions by virtue, if nothing else, of our geographic location. It is also in the U.S.'s interest to share information that will contribute to North American security, so the argument (from elements of the Canadian security establishment) that Canada will be cut off from valuable intelligence rings somewhat hollow, especially if Britain, an indispensable intelligence partner of the U.S., sticks with its current policy on Huawei.

Canada should be able to reach a decision that imposes high security standards and protects key elements of the telecommunication infrastructure while steering clear of U.S. demands to block Huawei from all participation in its networks. However, whatever is ultimately decided, it needs to be a made-in-Canada decision that takes full account of our national interests, economically and politically, as well as our relationship with both China and the U.S. And most important, the issue needs to be decided on its own merits, not used as some sort of punishment for China because of its role in the COVID-19 pandemic, or as a sop to please Washington in its own struggles with China.

## ► About the Author

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**Hugh. Stephens** has more than 35 years of government and business experience in the Asia-Pacific region. Based in Victoria, B.C., Canada, he is currently Executive-in-Residence at the Asia Pacific Foundation of Canada and Vice-Chair of the Canadian Committee for Pacific Economic Cooperation (CanCPEC). After serving for a number of years as senior vice-president, Public Policy (Asia Pacific), for Time Warner, where he was based at the company's Asia regional headquarters in Hong Kong, Mr. Stephens until recently continued to serve Time Warner in a capacity as senior advisor on public policy for Asia Pacific and Canada. Mr. Stephens has extensive experience in dealing with media and IT industry issues (protection of intellectual property, improved market access, regulatory issues) in China, India, Southeast Asia, Korea/Japan and elsewhere in Asia.

Mr. Stephens has been an active leader in a number of regional business organizations. Until recently, he served on the executive committee of the board of the U.S. National Center for APEC and is a past executive committee board member of the U.S.-Korea Business Council. He was a member of the board of directors of the US-ASEAN Business Council for a number of years. He is also a past governor of the American Chamber of Commerce in Hong Kong and vice-chair of the Quality Brands Protection Committee, a coalition of more than 180 multinational companies engaged in strengthening IPR protection in China. He served two terms as a governor of the Cable and Satellite Broadcasting Association of Asia.

In February 2012, Mr. Stephens was appointed to a new position as Executive-in-Residence at the Asia Pacific Foundation of Canada, in Vancouver. Executives in residence are industry leaders with experience and knowledge on Asia who provide thought leadership through research, events and activities with the Foundation. He is also a Fellow of the Canadian Global Affairs Institute and Vice-President of the Victoria Branch of the Canadian International Council.

Prior to entering the corporate world with Time Warner in 2000, Mr. Stephens served for almost 30 years in the Canadian Foreign Service, reaching the position of assistant deputy minister for policy and communications in the Department of Foreign Affairs and International Trade (DFAIT) in Ottawa. He also served abroad as Canadian representative in Taiwan (director-general of the Canadian Trade Office in Taipei), counsellor and chargé d'affaires at the Canadian embassies in Seoul, Korea and Islamabad, Pakistan. He has also served in a number other overseas and headquarters assignments, including service at the Canadian embassy in Beijing and Mandarin language training in Hong Kong.

Mr. Stephens was educated at UBC (BA-Hons), University of Toronto (B.Ed) and Duke University (MA), and has a certificate in Mandarin from the Chinese University of Hong Kong.

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