Recommendations to Parliament and the Government to expand Canada’s Capacity and Diversity of Engagement with China

By the China Policy Centre Board of Directors

Synopsis

Canada will mark the 50th anniversary of diplomatic relations with the People’s Republic of China (PRC) on December 5, 2020. The goal of the China Policy Centre is to ensure that lessons learned from Canada’s experience since 1970 are applied to interactions with China over the next 50 years. To contribute to that discussion, the Centre’s Board has submitted 33 recommendations this week to the Special Committee on Canada-China Relations.

Because of globalization, the global impact and domestic implications to the Chinese and Canadian people are more closely intertwined than ever. The need to find common ground and address different philosophical viewpoints and different policies to economic and national security, environmental issues and political governance is increasingly relevant especially when benchmarked to the state of engagement in 1970.
About the Author

The China Policy Centre is a member-driven, not-for-profit, federally incorporated organization comprised of over 150 Canadians who have a combined total of three millennia of direct professional experience in dealing with China as private sector, academic, civil society, and ex-Government actors.
There is a crack a crack in everything
That's how the light gets in

-- Leonard Cohen, “Anthem”

Canada will mark the 50th anniversary of diplomatic relations with the People’s Republic of China (PRC) on December 5, 2020. An analysis of the last five decades may well begin by asking what we have learned and how the relationship might have been better for both countries. The goal of the China Policy Centre (hereinafter “The Centre”) is to ensure that lessons learned from Canada’s experience since 1970 are applied to interactions with China over the next 50 years.

The China Policy Centre Board of Directors respectfully submit this policy note to the Special Parliamentary Committee on Canada-China Relations.

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Canada must, as it does with the United States, work together with the Chinese Government on areas of common interest, address together sources of disagreement and push back against Chinese exceptionalism in the same way it pushes back against American exceptionalism. To do so, ideally, would require the same sophistication of knowledge and diversity of touchpoints with China that Canada has with the United States.

Canada’s needs are not unique. Paul Monk, author of Thunder From the Silent Zone: Rethinking China (2005) and former head of the China desk in the Australian Defence Intelligence Organization, writing in The Australian on May 16, 2020, advises: “We need now, quietly and efficiently, to deepen our strategic competence, China analysis and economic flexibility - without allowing the [Chinese Communist] party to intimidate, exhaust or entrap us; and without undermining our position by appeasing its bluster. We must play for time, strategic position and the rebalancing of the global liberal order.”

Along the same lines, Canadian Ambassador to China Dominic Barton stated on February 5, 2020 during his appearance before the Special Parliamentary Committee on Canada-China Relations:

“I also think we need to build our China competencies more, given the significance of China over the next 100 years. Whether you like China or don’t, it is going to play a very important role and we need to build our capabilities, not just on the Government side but also in our communities and with our children to understand how this system works.”

The next 50 years will see serious new challenges and opportunities for Canadians and the Chinese to engage. The original geopolitical and bilateral issues that were the catalyst for this Special Parliamentary Committee on Canada-China Relations will be significantly amplified post-COVID.

China will remain one of the most significant and unpredictable factors in foreign policy and the global economy for the remainder of this century. Canada must improve its ability to understand and respond to this reality.

But part of that engagement requires opening the process on the Canadian side. Every Government on earth that enjoys the benefit of a highly qualified professional civil service, including Canada, faces the problem of policy formation devolving to a closed shop within the ranks of senior public servants. This can result in an echo chamber that sometimes resists private sector inputs, deteriorating if uncorrected into a continuous loop of conventional wisdom, twice-told tales, and yesterday’s nostrums.

1 Copies will also be distributed in English and French to the Standing Committee of Foreign Affairs and International Development of the House of Commons, the Prime Minister, the Privy Council, the Minister of Global Affairs Canada, and the Canadian Ambassador to China.

2 The China Policy Centre thanks John Gruetzner, Lance Noble, Evan Due, Margaret Cornish and other members, friends and supporters of the China Policy Centre who contributed to this document.
For that reason, we propose several ways deliberately to create “cracks” in the existing system because “That’s how the light gets in.”

Although China is historically perceived as being hard to predict, the Government of Canada [hereinafter “the Government”] ought nevertheless to recognize that increasingly China’s policy trajectories can be more accurately extrapolated and therefore strive towards a more predictive mindset. This requires anticipating the impact of various China scenarios on domestic stakeholders through proactive collaboration with non-government expertise, addressing emergent issues short of crisis mode through early detection, prompt bilateral discussion, early involvement by strong global multilateral institutions, and recruiting support from issue-driven diplomatic partnerships.

For but one illustrative example, Arctic issues demand a predictive mindset. Canada has 202,080 kilometers of coastline including the 20,000 islands of the Canadian archipelago, the longest national coastline in the world, longer than the next five nations combined. Rapid melting of polar ice and warmer winters have prompted some experts to predict that the Arctic will be ice-free in late summer by the 2030s. The Northwest Passage, claimed by Canada, is one of two notional shipping routes through the Arctic. The other, the Northern Sea Route or Northeast Passage is claimed by Russia. The U.S. and Canada disagree over the status of the Northwest Passage. Russia and China want it classified as international straits, open to all naval and merchant marine traffic. China has also promoted a notional third route, the Transpolar Passage, which unlike the other two would run through the high seas, where all nations have freedom of navigation. China seeks first-mover advantage in the Transpolar Passage because it believes that a seasonally ice-free Arctic is nearly inevitable.

Arctic issues requiring immediate and predictive attention include First Nations’ rights, territorial and provincial interests especially Nunavut, the environment including air and water pollution, conservation including endangered species, national security, maritime safety and the merchant marine, international trade, exclusive economic zone rights as prescribed by the 1982 United Nations Convention on the Law of the Sea, ocean bed mining, salvage rights, capital budgets for naval vessels and coast guard icebreakers and other vessels, cabotage, and many others.

Canada must proactively identify and game out these type of long term strategic opportunities and challenges and not wait until ambushed by faits accomplis driven by actors within China, inside the government or outside, or otherwise be driven towards adverse outcomes by unanticipated events too late to influence.

The Centre finds that the ineffectiveness of Western approaches towards China over the past several years is rooted in the absence of multilateral consensus and cooperation and deficiencies in accurate analysis.

Canada must develop diversity of resources both inside and outside the federal Government,

(1) to coopt the insights of experienced “China Hands” and civil society outside of Government;

(2) to enhance Canadian support for civil society engagement with China on issues important to Canadians;

(3) to institutionalize a comprehensive scheme for obtaining advisory inputs to policy from outside the federal Government;

(4) to advance the goal of a whole-of-Government approach, establish top-to-bottom inter-agency policy review structures for horizontal policy development culminating at the Prime Minister’s Office (PMO) or Privy Council Office (PCO) focused on “Greater China” issues;

(5) to enhance Canadian cultural exchange and civil society interface with the Chinese people at a time when several Governments around the world are demonizing and restricting such activity, with some emphasis on promotion of works by Canadian artists and writers in China;

(6) to improve the quality and granularity of independent public domain technical and professional information on China for Canadians;

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3 Indonesia - 54,716km., Greenland - 44,087km., Russia - 37,653km., Philippines - 36,289km., Japan - 29,751km.
4 To include for example matters relating not only to the PRC but also Hong Kong, Taiwan, the “Nine Dash Line” and Freedom of Navigation issues, PRC client states, etc.
(7) to modify existing programs and budgets in order to create new approaches to better support Canadian companies in the China market;

In a post-Covid-19 environment, fiscal restraints will inevitably affect some of these recommendations, but the Centre suggests that many of the proposed changes may be net cost neutral through reallocation of existing budgets.

Above and beyond bilateral diplomatic channels, but in support thereof, we recommend that Government funding be re-deployed to support a broader variety of engagement points between Canada and China. Taxpayer-funded budget resources must be distributed more diversely within the federal Government, private sector, academia, and civil society.

The Centre offers 33 recommendations below under four headings in pursuit of these goals: Civil Society-Deeper Institutional and People to People Ties; Enhancing Public Sector and Diplomatic Capacity; Strengthening Canadian Economic and Commercial Engagement; and Administrative Considerations.

Civil Society -- Deeper Institutional and People to People Ties

Recommend:

1. Negotiation of cultural exchange initiatives where Canadian artists, authors, poets, musicians, thinkers, dancers, and athletes appear and perform in China.

The Government should support wider access to electronic media channels within China for Canadian films, television, music, publications, and news content, coupled with public-private underwriting costs of translation and dubbing as an incentive to Chinese distributors.

Government financial support should be used as leverage to facilitate commercial and charitable funding partnerships from within and outside of Canada.

2. The Canadian Government should fund civil society engagement from Canada with Chinese counterparts executed by Canadian non-government actors. Similarly, funding should be provided to bolster civil society projects active in China’s border-states. Through expanding the Canada Fund’s remit and budget, Canada could to a limited degree consider funding indigenous civil society actors based in China, provided a safe space can be negotiated with the Chinese Government.

Most of such spending must be administered in a way that complies with Chinese regulations, i.e. firewalled from being an official part of the bilateral diplomatic relationship. The Rideau Foundation, the International Development Research Centre (IDRC) and other foundations or not-for-profits based in Canada could play a useful role.

Potential topics could include the environment, wildlife protection, regulatory compliance, food and drug safety and enforcement, public health, financial services regulations, offshore anti-corruption regulations, resumption of judges’ training, and corporate governance.

3. That additional funding be provided to Citizen Lab and other comparable Canadian and international organizations committed to an open internet.

4. Because civil society needs a robust global framework, Canada should more aggressively advocate, defend, and explain the role of civil society at the G20 and other international forums as well as within China.

5. That Canada work with the Chinese Government to expand its commitment to permit Chinese corporations and citizens to donate freely to global civil society organizations and projects.

6. That funds be specifically ear-marked to support NGOs and projects focused on the eradication of illegal cross-border wildlife trade.

7. That Canada encourages civil society projects by not-for-profit charitable organizations that can attract individual and corporate donations domestically within Canada, to which Canadian Government assistance would be a supplement. Canada should continue, on a case by case basis, to support or contract services from non-Canadian NGOs from other countries engaged with China.
Enhancing Public Sector and Diplomatic Capacity

Recommend:

8. Appointment of a Greater China Coordinator, supported by an appropriate level of staff, with the authority to deliver and be accountable for a national as well as a whole-of federal Government engagement with China. This official ought to be either in the Prime Minister’s Office (PMO) or Privy Council Office (PCO). The terms of this role should be in the public domain and easily accessible to key stakeholders in Canada, including all levels and departments of Government, the private sector, academia and civil society entities that work with China or are potentially impacted by the actions of the Chinese Government.

To facilitate Canada’s engagement with the world’s second-largest economy and its second-largest trading partner, the Greater China Coordinator must develop, through inter-agency and outreach processes as discussed elsewhere in this paper, both short- and long-term national strategic definitions of success for China policies and a long-term hard definition of concrete objectives.

9. To improve horizontal policy coordination across Government, establish a formal structure of standing top-to-bottom inter-agency policy review entities. In the case of China related issues, the Greater China Coordinator would be near the top of the apex with the duty to present consensus recommendations to the Prime Minister and cabinet.

Canada has tended to appoint inter-agency committees on an occasional and ad hoc basis. In the United Kingdom, by contrast, the practice of appointing cabinet committees or task forces has become common. However, there are no permanent standing subcabinet inter-agency structures. The American model has been reasonably successful in part because every cabinet department manages a series of permanent standing inter-agency committee structures that ascend usually to the President’s cabinet, or to a different destination at the President’s discretion. The Americans have found these structures especially efficacious because of the extraordinary size and complexity of their federal bureaucracy. However, that model has been criticized and those criticisms are worth reviewing.8

10. To accelerate and broaden consultations with outside-of-Government China stakeholders and resources, the Government ought to establish appropriate formal private sector advisory bodies on a non-compensated basis. In the United Kingdom, nearly one third of the 463 classified public bodies in 2016 – numbering141 -- were “Non-Departmental Bodies with Advisory Functions,” i.e. private sector advisory units. These were created on an ad hoc basis; many consisted of individual citizens instead of corporate executives. The Cabinet Office has been considering reforms since 2017, ’which are expected to have a higher priority under Prime Minister Boris Johnson.

Some lessons can be learned from the U.S. Federal Advisory Committee Act, under which specific inter-agency committees can be established by Presidential Executive Order and published in the Federal Register. For example, the cabinet-level Office of the U.S. Trade Representative, equivalent to Canada’s Minister of Trade, is responsible for 26 advisory committees with a total membership of approximately 700 citizen advisors representing various sectors with a stake in international trade.

Studying the U.S. Overseas Security Advisory Council (OSAC) which since 1985 has developed relationships between the U.S. Department of State and U.S.-based private sector organizations with overseas operations.8

11. The Canadian Embassy re-activate the Scholar-In-Residence Program for teaching professors on sabbatical and for Post-Doctoral Fellows to be posted in the Embassy at Beijing.

12. Consider expanding the number of officers at China missions from the private sector, provincial Governments, civil society, and academia.

5 https://www.instituteforGovernment.org.uk/explainers/cabinet-committees
Functional_Review_of_Bodies_Providing_Expert_Advice_to_the_Government_Report_1_.PDF
8 www.OSAC.gov; OSAC has a network of Country Councils that bring together U.S. embassies and consulates with the local American business community.
13. Allocate additional budgetary resources for travel to permit officials at the Canadian Missions in China to spend more time in Canada during their posting for the purpose of consultations and exchange of views on policy coordination in Ottawa and for outreach work across Canada.

14. The Government should expand the number of fixed secondments to the Embassy/Consulates from key Government Ministries and Departments in Ottawa with important China-relevant mandates. This should include personnel from Health Canada, Natural Resources Canada, Agriculture and Agri-Food and Innovation, Science and Economic Development, and Fisheries and Oceans Canada.

15. The Bank of Canada be mandated to post at least one of its staff from Canada to the Embassy. This is the current practice of the Reserve Bank of Australia.

16. The Government should cooperate with the Chinese and Canadian private sector to implement and partially fund an internship program that would notionally select 50 qualified Canadian recent university graduates per year for placement in specialist internships or jobs in Chinese commercial, civil society and policy research organizations in China The Canadian Government or not-for-profit implementing organization would select the candidates and provide return air transportation, visa fees, medical insurance, a small stipend for incidental expenses (including cell phones, Wi-Fi, etc.) in lieu of a per diem and tuition fees for advanced courses on Chinese language while on site; the participating Chinese entity would pay salary and benefits at local scale, including housing.

17. The Government fund or co-fund more independent policy research via entities across Canada to develop greater capacity on the ground in Ottawa. A key prerequisite for this funding would require candidates to demonstrate in proposals their methodology and capacity to incorporate current research being undertaken on the ground in China. A comparative analysis of other G7 countries indicates that Canada needs to improve access to Canada-based non-governmental technical and specialist expertise on key issues.

18. The Government funds a Diplomat- or Official-in-Residence with China experience to write, research and teach at Ottawa University and/or Carleton University.

The role of this position would be to teach and write on the long-term strategic trends likely to impact the bi-lateral and multilateral relationship with China.

19. The Government ought to formalize procedures to grant members of the federal civil service leaves of absence to take up postings in multilateral entities in China outside of the Embassy such as temporary or long-term duty assignments with the AIIB, World Bank, World Health Organization (WHO), etc.

20. Global Affairs Canada should create two special assignment postings, reporting to the China Desk, to be based in Washington and Brussels to monitor and upon GAC instruction, seek to facilitate under the guidance of the respective Canadian Ambassadors the coordination of US-China and EU-China relations and policy.

21. Canada engage with China to expand its Track II dialogue to include the private sector, civil society, and the business community more widely.

**Strengthening Canadian Economic and Commercial Engagement**

Recommend:

22. To promote transfer of capital and expertise to Canada, the Government should reform and reactivate investor class immigration visas, which were eliminated in 2014, especially in light of unfolding events in Hong Kong, India and other nations where entrepreneurs and investors may feel under threat. Canada ideally wants investors on Main Street, not just portfolio investors on Bay Street.

Canada’s ultimate objective is to motivate entrepreneurs to move their companies, capital, and family to Canada because it is a great place to live and a safe place to do business. As critics of the prior program noted, Canada does not want to chiefly recruit investors whose landed immigrant status would be primarily an insurance policy.

Some investor visa programs, such as the U.S. EB-5 Green Card Visa Program for Immigrant Investors, are criticized for offering permanent resident status (i.e. landed immigrant status) in exchange for US$900,000 investments which are frequently poured into real estate projects that could have attracted investors without the visa inducement. Beyond that, critics question whether these projects are sustainable or feasible if visa-linked foreign investments are so essential.

The Australian Significant Investor Visa program (SIV) is one model to evaluate since it addresses many of the recognized failures in Canada’s previous investment
immigration programs. SIV holders have successfully improved the strength of Australian financial institutions in China but also raised over A$10 Billion for Small and Medium Enterprises (SME) and venture capital for deployment within Australia.

23. The Investment Canada Act should be reviewed to recognize China’s new commitments to foreign investors under its revised foreign investment laws. Canada should consider a wider avenue to support Canadian investment in State Owned Enterprise (SOE) green field and brownfield resource projects, which would bring economic benefits to Canada’s resource extraction sector. Such changes ought to be explicitly linked to reciprocal granting of market access in China for Canadian investment. China’s resource investment is now focused on Belt and Road Initiative (BRI) projects outside of China. Without taking advantage of new market access opportunities buttressed by Investment Canada support, Canada’s position in the global resource extraction industry could be damaged.

24. Canada’s role as an investor and Director in the Asia Infrastructure Investment Bank (AIIB) has the potential to enlarge Canadian influence in an organization that benefits 86 participating countries as well as Canadian exporters. The Department of Finance should consider transferring operational governance of AIIB to Export Development Canada (EDC). This will foster wider cross-appointment of staff from EDC to AIIB. This change will encourage better co-ordination on partnerships and linkages between the Canadian private sector and AIIB in trade and infrastructure financing. It will also improve the capacity of EDC to assist Canadian exporters to participate in AIIB projects.

25. To expand Canadian commercial banks’ support for Canadian exporters and investors in China, the Government should appoint an inter-agency task force to consult with Canadian exporters and financial institutions to explore mechanisms and, as necessary, consider new legislation to encourage a more robust role for commercial banks. To develop a record on this subject, the House Standing Committee on Finance and the Senate Standing Committee on Banking, Trade and Commerce should, separately or jointly, conduct hearings to solicit information from banks and exporters.

26. The Government should seek to appoint more Canadians with considerable market experience in China, and who might be resident there, to the boards of directors of Crown corporations such as Export Development Canada (EDC), the Business Development Bank of Canada (BDC) and the Canadian Commercial Corporation (CCC).

To improve co-ordination, facilitate personnel exchanges and reduce the risk of duplication of programs, the Government should facilitate appointment of a senior BDC executive to the EDC Board of Directors and vice-versa.

The Canada Account managed by EDC be expanded to compete with or as warranted partner on projects in the Belt and Road Initiative (BRI) with an emphasis on investing funds in projects to support Canada’s partners in the Arctic Council and specifically Canada’s regional partners in Greenland (Denmark) and Iceland, to support Canadian exporters and investment projects there.

BDC should be mandated to open a regional office in Shanghai or Beijing. The focus of this office, which might be also considered for a handful of other key countries, would be to support a small group of qualified exporters with a different level and type of support than the Embassy’s commercial section provides.

27. Improvement of Canada’s technical knowledge of China is rendered a more urgent goal because President Xi Jinping’s Made in China 2025 initiative identifies 10 industries where China intends to become globally competitive, in which Canada also has competitive interests. The Government should fund projects and programs designed and proposed by business schools, think tanks, industry associations, and not for profits. These proposals must demonstrate how current information will be gathered in China or Canada by Mandarin-speaking and -reading qualified researchers and how the results will be shared with the business community.

The China Institute at the University of Alberta’s report on Sino-Canadian relations in science and technology says that President Xi Jinping’s strategy to accomplish the goals for Made in China 2025 includes “absorbing technology from foreign companies via mergers and acquisitions and joint ventures, and increasing “re-innovation” by modifying foreign technology thereby making it Chinese.”

We concur with the China Institute’s recommendation that Canadian companies should “leverage their strengths in the area of energy, environment, life sciences, aerospace and

automotive, agriculture, biotechnology and ICT” and that Canadian researchers should “seek opportunities to take advantage of China’s Big Science projects – such as the Shanghai Synchrotron and Jinping Neutrino Observatory – to advance their own research projects.”

28. As a general principle, the Government and Parliament should seek ways to increase the use of long-term public-private partnerships (PPP) as trade development mechanisms and ought to prioritize PPP projects in the allocation of government funding.

To that end, Parliament should authorize the Government to provide funding to key export-oriented industry associations, such as the Canola Association, the Automotive Industries Association of Canada and the Canadian Association of Petroleum Producers, to establish offices in China to further develop direct market knowledge and on the ground product promotion. Although such government funding assists a domestic industry, it does not constitute a violation of the WTO Subsidies Code. This model is used both by the U.S., Australian and many other governments.

For example, through its Market Access Program (MAP), the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA) partners with U.S. agricultural trade associations, cooperatives, state regional trade groups and small businesses to share the costs of overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural products and commodities. In 2019, US $200 million was budgeted for MAP.

The Australia–China Agricultural Cooperation Agreement (ACACA) is a treaty-level agreement between the Australian and Chinese governments signed in 1984 to enhance cooperation across agricultural industries, develop the trading relationship, and to provide a forum for the mutual exchange of scientific information between the two countries. The 2020 ACACA grant program funds activities that enhance agricultural cooperation, including technical exchanges, training programs, conferences, missions, workshops, information exchanges or programs, industry scoping missions and feasibility studies.

The Export Market Development Grants (EMDG) scheme can reimburse up to 50% of eligible export promotion expenses above A$5000. EMDG funding was A$207.7 million for the 2019-20 financial year, its highest level in more than 20 years.

29. The Government should offer return airfare and per diem to representatives from Canadian Chambers of Commerce based in Greater China for an annual trip to Ottawa for trade reviews and other key policy discussions directly with International Trade Canada, Export Development Corporation, Canada Commercial Corporation as well as Global Affairs Canada. The Government should actively promote proactive and direct engagement among the Canadian Chambers, the relevant Embassies and Consulates and the government agencies listed above in designing trade promotion programs.

Administrative Considerations

Recommend:

30. Applicants for business and tourist visas be offered, for an extra fee, a Fast Track option of 3-5 workdays for processing, as is the case in several G20 countries, including the United Kingdom and Australia.

31. Because Foreign Service Officers (FSO) are understood to be of higher value the longer they are in their postings or region, Global Affairs Canada should consider the increased effectiveness from being on the ground longer as a factor in managing postings.

32. The Government should consider how better to rotate FSOS into the private sector and rotate private sector appointees into mission commercial sections.

33. Treasury Board guidelines for the majority of China research tenders issued by the Government should require the input of the Canadian Embassy on both the design of the research project and on the list of service providers prequalified to receive the Request for Proposal (RFP). Decision criteria on awarding such contracts should assign extra points for a company or consultant with an office in China or other means of guaranteeing personnel on the ground in China are a major part of the research, such as an affiliated office or a sub-contractor in China. Such a change to guidelines seeks to maximize access to primary sources and up-to-date in-country insights that become incorporated into research deliverables.

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10 Ibid.
11 https://www.fas.usda.gov/programs/market-access-program-map
About the CIC

The Canadian International Council (CIC) is Canada’s foreign relations council. It is an independent, non-partisan membership organization and think tank dedicated to advancing constructive dialogue on Canada’s place in the world and providing an incubator for innovative ideas on how to address the world’s most pressing problems.

The non-profit CIC integrates the voices of a diverse and multidisciplinary group of societal actors from academia, business, civil society, government and the media, and endeavours to inform and develop the capacity of the country’s next generation of foreign policy leaders.

One of Canada’s oldest and most respected think tanks, the CIC is not only dedicated to nurturing dialogue on Canadian foreign policy domestically, but also in projecting a Canadian perspective on the international stage. In our rapidly changing world, this effort to promote greater understanding and foster meaningful debate on critical challenges is more important than ever.

Canadian International Council