

CANADA AND CHINA RELATIONS

MINDS ON

When Prime Minister Stephen Harper made his first trip to Asia, he was denied a face-to-face meeting with the Chinese president, in part because he wanted to put China's human rights record on the agenda. In response to the snub, Harper said, "I think Canadians want us to promote our trade relations worldwide, and we do that, but I don't think Canadians want us to sell out important Canadian values — our belief in democracy, freedom, human rights. They don't want us to sellout to the almighty dollar." (The Globe and Mail, October 13, 2010)

Do you agree with the prime minister's perspective? Are his comments a reflection of Canadian values?

SETTING THE STAGE

When Stephen Harper's Conservative Party first came to power in 2006, trade with China was not a high priority. In fact, some political insiders say Harper resented the high-profile "Team Canada" trade missions that his predecessor Jean Chretien made to the emerging economic powerhouse. By 2014, however, the resentment (if there was any) was long gone and trade with China became one of Harper's top priorities.

Harper's change of heart

While Stephen Harper was cool to the idea of trade with China in 2006, many of his Conservative colleagues were not. They worked hard to convince the prime minister that China's



burgeoning middle class was hungry for the fruits of Western capitalism: namely trade, investment and profit. Eventually, in 2011, negotiators from Canada and China came to terms on an agreement that set the ball rolling on a number of other deals that, by the end of 2013, represented billions of dollars in bilateral exchanges between the two nations.

Hard to resist

The 2011 agreement constituted a significant trade deal and strengthened economic and political ties between the two nations (Harper also managed to get the Chinese to lend the Toronto Zoo two giant pandas). A year later, Canada and China came to terms on a much more comprehensive trade deal — one that stood to boost trade over the long term, giving Canada access to the huge Chinese market and giving the Chinese access to Canada's natural resources.

Things nearly fell apart

However, things nearly fell apart when the Chinese government quickly ratified the trade pact, while Canada shelved the agreement. With

the deal in limbo, matters grew worse when a Chinese state-owned company paid \$15.1 billion to take over a major Canadian petroleum producer operating in Alberta's oil patch. This frightened the Harper government enough to ban Chinese state-owned companies from scooping up any more Canadian oil companies. Next, the prime minister publicly expressed security concerns related to a Chinese telecom company that was hoping to bid on a redesign of the government's communications infrastructure. Finally, in the summer of 2014, Harper accused the Chinese of trying to hack into Canadian government computers. It looked as though the two countries were at an impasse.

Change in an instant

But in an instant everything changed. Suddenly, in September 2014 (after an hour of debate in a trade committee meeting late on a Friday afternoon) the government ratified the 2012 trade agreement. Next, plans were made for the prime minister to head to China to sign another trade deal. This one included \$2.5 billion in

bilateral agreements and called for the creation of a currency hub to allow for direct exchanges between Chinese and Canadian businesses without the inconvenience (and expense) of validating transactions in U.S. dollars.

Motivation

Optimists claimed that Harper and the Conservatives were motivated by the mountain of cash that stood to be earned by improving trade relations with China. The cluster of deals even had some wondering if it was just a matter of time before China surpassed the United States as Canada's number one trading partner. Pessimists saw the trade deals as a massive sellout of Canadian economic independence and democratic values. Many even wondered if the Chinese leveraged Canada's \$30 billion trade deficit against them. However, no matter how we interpret the motivations of the Harper government, what is readily apparent is that Canada and China are now long-term business partners.

To consider

1. a) Why was Prime Minister Harper initially reluctant to negotiate trade deals with China?
b) Why did he change his mind?
2. How did the Canada-China trade relationship nearly fall apart?
3. Review the Harper quote in the Minds On section at the start of this section. In light of your reading, do Prime Minister Harper's sentiments ring true?

VIDEO REVIEW

Pre-viewing

A Canadian Press-Harris Decima poll in 2012 found that 71 per cent of respondents viewed the prospect of Chinese companies taking over Canadian companies as bad for Canada. The majority of respondents even felt that Chinese companies taking over foreign companies based in Canada as a bad thing.

Why do you think many Canadians are leery of Chinese participation in the Canadian economy?

While viewing

1. a) Who is Canada's largest trading partner?

b) Who is Canada's second largest trading partner?

2. For the mill in the video, what impact did China's 13 per cent duty on dissolving pulp have?

3. How much is the Canada-China trading relationship worth?

4. What two differing perspectives emerged from Harper's cabinet regarding improving trade relations with China?

5. How has the Harper government changed its approach when it comes to dealing with China?

6. What actions have the Chinese taken to jeopardize good relations with Canada?

7. What does former Canadian ambassador to China David Mulroney mean when he says, “Engaging China doesn’t mean agreeing with China”?

8. a) How has the Chinese government treated some religious minorities living in Zhejiang?

b) What did Prime Minister Harper do to show his concern over China’s treatment of religious minorities?

9. Why does Guy Nelson think Canada should be careful about telling China how best to treat its citizens?

10. What is the value of the trade deals signed by Canada and China during Harper’s visit in 2104?

11. a) What happened to Julia and Kevin Garratt?

b) What did Prime Minister Harper do to address the plight of the Garratt’s?

12. Why is the currency hub an important component of Canada’s future business dealings with China?

13. What difficult issues did Harper say he addressed with the Chinese government?

Post-viewing

In the fall of 2014, Canada ratified the Foreign Investment Promotion and Protection Agreement (FIPA) with China. The deal allows Chinese companies to sue Canada through international trade courts that are in no way bound by Canadian law. The agreement also allows Canada to hide these lawsuits from the Canadian people.

1. Why do some critics of FIPA find provisions like these to be contrary to Canadian values?

1. Do you agree or disagree with this viewpoint? Explain your answer.

WHAT'S A FIPA?

One of the highlights of the Canadian-Chinese trade bonanza was the ratification of the Foreign Investment Promotion and Protection Agreement (FIPA). FIPAs are nothing new: Canada has signed 17 of them and is currently negotiating 10 others with potential trading partners. Each FIPA is designed to open the doors to trade and prevent trading partners from discriminating against companies seeking to operate on foreign soil. For example, Canada uses FIPA agreements to protect the interests of Canadian mining companies operating on foreign soil.

Canada's FIPA with China

What makes the FIPA with China unique is that it seems Canada didn't want anyone to notice its existence. Initially negotiated in 2012, the Chinese ratified the pact almost immediately. Meanwhile, Canada tucked the agreement away for two years and, when they did ratify the deal in the fall of 2014, they only allowed an hour of debate at a House of Commons trade committee meeting before announcing its approval on a Friday afternoon. Many saw this as a sign that the government was trying to bury the agreement in a news cycle with the fewest number of onlookers.

Critics of the Canada-China FIPA say the Harper government has good reason to want to hide the deal from Canadians. Here are a few of the more contentious points:

- China is on the verge of becoming the largest economy in the world. They have billions of dollars ready to invest. Many fear that this FIPA opens the door for state-owned Chinese companies to buyout Canadian companies, particularly in the natural resource sector.
- China can sue Canada in international trade courts if they can demonstrate they are being treated unfairly. These types of lawsuits have nothing to do with Canadian law. The agreement also stipulates that Canada is under no obligation to disclose these lawsuits to Canadians. Canada has experience with this kind of process. Under the terms of the North American Free Trade Agreement (NAFTA) Canada has been sued over 30 times to the tune of about \$170 million. Of the 16 cases Canada has brought forward against foreign competitors, they have never recovered a dime and have lost every case.
- The term of the deal is inordinately long — spanning 31 years. After a minimum of 15 years, either Canada or China can opt out with one year's notice. The agreement extends rights to Chinese companies already operating in Canada by 15 years after the deal is cancelled. By way of comparison, Canada could get out of NAFTA with six month's notice.

To consider

1. What is the goal of a typical FIPA?
2. Why are people concerned about Canada's FIPA with China?
3. As this FIPA takes effect, is Canada's track record of litigation through NAFTA a concern? Explain.
4. Is the length of the deal cause for concern? Why or why not?

TROUBLE FOR JULIA AND KEVIN GARRATT

Minds on

Many human rights activists view the government of China as an authoritarian, one-party dictatorship. The Chinese government reserves the right to curtail freedom of expression, association and religion. As a result, people who go against China's ruling elite are routinely arrested and imprisoned, people forming groups without the permission of the government are disbanded, and religious practice is only possible if those in charge permit it.

Should the way China governs its people be considered before Canada negotiates trade deals with this economic superpower?

Coincidence?

The timing seemed too coincidental. A week after Prime Minister Harper accused China of hacking into Canadian government computers, Julia and Kevin Garratt were arrested on espionage charges. This prompted some observers to wonder if the couple were pawns in a spat between Canada and China.

The Garratts

From all accounts, the Garratts were the last people you would associate with spying. The couple left Canada and arrived in China in 1984. They initially took on jobs as teachers in southern China before settling in the city of Dandong where they opened Peter's Coffee Shop in 2008.

Situated on the border between China and North Korea, Dandong is believed to be home for many of the 200 000 North Korean refugees who have fled their homeland. The Garratts were drawn to the region for humanitarian reasons. In addition to their coffee shop, they have worked for the Christian missionary group North Star Aid providing food, clothing and other essentials to both North Korean refugees

and Chinese outcasts. Proselytizing is strictly forbidden by Chinese law and by North Star's mandate. According to those close to the Garratts, while devoutly Christian, the couple were not actively seeking to convert those they helped to Christianity.

Definition – Proselytize

To attempt to convert someone from one belief to another. Many Christian denominations believe proselytizing is a vocational call of their faith.

The Garratt's main business enterprise, Peter's Coffee Shop, had become profitable and was a well-known institution in Dandong. A hub for locals and travelers alike, Peter's became the go-to destination for people looking for a North American style experience. The Garratts offered dining, hospitality and travel information to their many guests.

Upended

The Garratts' lives were turned upside down in August 2014 when the Chinese authorities arrested them on espionage charges. Word first broke on official Chinese newswires that two Canadian nationals were under investigation for suspected theft of state secrets about China's military and national defense research. When Canadian officials learned of the charges, they pressed Chinese officials for an explanation and received very little information.

Another theory

Not long after their arrest, another theory was put forward. Earlier in 2014, China had started a steady and systematic crackdown on Chinese Christians and foreign missionaries. Hundreds were arrested and detained. Religious expression is only permitted with the official approval of the Chinese government. In other words,

whether Buddhist, Muslim, Christian or Jew, Chinese authorities decide who gets to represent the faith and how they are allowed to express their ideals. The Garratts may have been caught up in Chinese efforts to put a lid on freewheeling, Western-style religious practice.

No charges

For their part, Julia and Kevin Garratt are being detained in Dandong in separate locations under

24-hour surveillance, with only 30 minutes of outdoor activity each day. While Canadian consular officials have been allowed to visit them every other week, none of the Garratt's four children have seen their parents since their arrest in August. To date, the Garratts have not been formally charged with espionage despite repeated interrogations and a lack of evidence linking them to the accusations levied against them by Chinese authorities.

To consider

1. Why were Julia and Kevin Garratt arrested?
2. Why did the Garratts choose to settle in Dandong?
3. What possible reasons were given for the espionage charges?
4. How have the Garratts been treated since their arrest?