Article

Managing the Canada-China Political Relationship in an Indo-Pacific Era

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Abstract

This paper outlines the risk and opportunity for managing an increasingly complex Canada-China bilateral relationship. As we argue, competitive pluralism and divergent political agency has led to increased tension and confusion on how Canada can build effective tactics for strengthening its relationship with China. To show this, we draw on the concept of social constructivism as a substantive theory for explaining how the current diplomatic crisis unfolded while calling for new and creative approaches for navigating the political relationship through socio-economic connections. We further contend that it is in Canada’s national interest for all levels of government and business actors to develop long-term strategies for working with the world’s second largest economy. Embracing political and economic pragmatism serves both Canada’s vital interests and values while offering a window on how to live with authoritarian China. We conclude with several policy recommendations for working with China through Canada’s Indo-Pacific Strategy framework.

Résumé

Cet article décrit le risque et l’opportunité de gérer une relation bilatérale Canada-Chine de plus en plus complexe. Comme nous le soutenons, le pluralisme concurrentiel et l’agence politique divergente ont entraîné une tension et une confusion accrues sur la façon dont le Canada peut élaborer des tactiques efficaces pour renforcer ses relations avec la Chine. Pour le montrer, nous nous appuyons sur le concept du constructivisme social en tant que théorie de fond pour expliquer comment la crise diplomatique actuelle s’est déroulée tout en appelant à des approches nouvelles et créatives pour naviguer dans la relation politique à travers les connexions socio-économiques. Nous soutenons en outre qu’il est dans l’intérêt national du Canada que tous les niveaux du gouvernement et les intérêts divers des commerces élaborent des stratégies à long terme pour travailler avec la deuxième plus grande économie du monde. Adopter le pragmatisme politique et économique sert à la fois les intérêts vitaux et les valeurs du Canada tout en offrant une fenêtre sur la façon de vivre avec la Chine autoritaire. Nous concluons avec plusieurs recommandations politiques pour travailler avec la Chine dans le cadre de la Stratégie indopacifique du Canada.

Keywords: Canada, China, Indo-Pacific, Agency, Foreign Policy, Business, Diplomacy

Mots-clés : Canada, Chine, Indo-Pacifique, Agence, Politique étrangère, Affaires, Diplomatie (Hanlon and Lien)

Introduction

In December 2021, the Canada China Business Council released its latest survey offering a sobering account of perceptions held by the private sector for doing business in China. The report’s findings balance between potential opportunities for growth while accepting the serious challenges brought on by a challenging political environment and a deadly global pandemic (CCBC 2021). There is little doubt that Canada’s detention of Huawei CFO Meng Wanzhou along with China’s subsequent arrests of Michael Kovrig and Michael Spavor derailed bilateral relations between the two countries while Covid-19 disrupted supply chains and shut borders. These stresses have placed extraordinary pressure on Canadian businesses operating in China looking to leverage the ‘Canada’ brand (CCBC 2021) while
others have become increasingly pessimistic in a deteriorating trade relationship (Sun, 2022). At the same time, calls to bolster the security architecture of the Asia region by the West while the government’s recently announced Indo-Pacific Strategy (GAC, 2022a) risks placing new pressure on the Canada-China bilateral relationship.

There is little debate that Western-China rivalry increased under the tenure of Chinese President Xi Jinping and former US President Donald Trump. In fact, China’s relations soured with many countries including Australia, Sweden, and the United Kingdom among others. Structural tension within the international liberal order driven by the rise of populism and pushback against globalization has placed increasing pressure on Western democracies. This is especially the case for governments considering their diplomatic and trade relationships with China along with additional stresses brought on by the global pandemic. Canada is no exception as observed in the brutal diplomatic spat following the US government’s request to detain and extradite Meng Wenzhou for violating US sanctions. The Huawei incident pushed the Canada-China relationship to a historical low since official diplomatic ties between the two governments began in 1970.

Yet hostility and divisive political dynamics does not end at governments; rather, there has also been an eroding of trust within the people to people ties and business networks as expressed in national opinion surveys (MLI, 2022; APF, 2020). In this paper, we ask why Canada’s relationship with its second largest trading partner has been in continuous decline. As we argue, competitive pluralism and divergent political agency has led to increased tension and confusion on how Canada can build effective tactics for strengthening its relationship with China. To show this, we draw on the concept of social constructivism as a substantive theory for explaining how the current diplomatic crisis unfolded while calling for new and creative approaches for navigating the political relationship through socio-economic connections. We further contend that it is in Canada’s national interest for all levels of government and business actors to develop long-term strategies for working with the world’s second largest economy. Embracing political and economic pragmatism serves both Canada’s vital interests and values while offering a window on how to live with authoritarian China.

What is becoming increasingly clear is that Ottawa must prepare for an era of sustained competitive pluralism. This requires a flexible approach to the Canada-China business relationship in the context of technology and competition, the emergence of the Indo-Pacific construct, and the urgent need for pragmatic economic and political strategies for Canada’s foreign policy toolkit. While Canada’s Indo-Pacific Strategy (IPS) was launched in November 2022, the aim of this position paper is to offer practical policy advice for governments and business looking to operationalize IPS and navigate the Canada-China relationship within a dynamic Indo-Pacific environment.

The article begins by offering a background discussion on the evolving Canada-China relationship shaped by socio-economic and political contention. As we argue, great power competition between the United States and China has exposed serious gaps in Canada’s foreign policy capacity as it looks to navigate a nascent Indo-Pacific era. Yet socio-economic and political contention between Canada and China appear bleak and are often amplified by ideologues linking state interests and individual values to hardline nationalist doctrine. In this context and through the lens of social constructivism, we consider how the ‘Indo-Pacific’ moniker made policy inroads (Robertson 2021; Paikin 2022; Holland 2021; Nagy 2021; Miller and Nagy 2020; Reeves 2020) as we draw on the concepts of agency and structure as
substantive tools for understanding Canada’s Indo-Pacific Strategy. We then offer several policy recommendations for governments and business actors calling for ‘strategic and selective engagement’ where we build on the frameworks put forward by Potter (2021) and Noakes and Burton (2019).

The politics of aid, trade and diplomacy

The Canada-China relationship has a long, complex yet affable history and as Burton (2021) points out, China has always been a central concern for Canada. The Toronto-based Sunlife Financial established an office in Mainland China as early as 1893, while Canada’s first trade mission opened in Shanghai in 1909 (Potter, 2019). In 1961, Canada had also entered the wheat selling business, a full nine years before official diplomatic relations in 1970 (Wells and Slade, 2021). In 2007, China had become Canada’s second largest trade partner and by 2019 was importing roughly $75 billion worth of goods into the county (China Institute, 2020). Today, there are 10 trade offices supporting Canadian businesses ranging from the services sector, Agri-trade and energy. Apart from strong and dynamic trade ties, Canada has also worked to promote development and aid assistance to the Asia region while seeing China as pivotal to the program.

Chin (2009) has argued Canada’s aid to Asia sought to find ‘the appropriate balance between development assistance motives and Canadian international security and international economic interests’ (993). In fact, the China portfolio was given the highest priority to bring ‘political and commercial considerations’ together. Canada helped build critical commercial and political linkages while Ottawa’s targeted strategy towards China would serve as the government’s flagship Asia aid program. By the early 2000s, Canada’s aid to China sought an alignment with the intergovernmental development banks that targeted poverty alleviation, as well as environmental governance and rule of law programs. And like all countries, Canada’s foreign policy preferences are largely driven by domestic politics which continue to influence the government’s approach.

Since the end of World War II, bi-partisan consensus on foreign policy had been the preferred approach in Ottawa (Bratt, 2021). As Bratt (2021) points out, this would change in 2003 when the Progressive Conservatives merged with Reform/Alliance party leading to infighting over how human rights linked in with foreign policy. Seen as a contentious, former Prime Minister Stephen Harper wanted to ‘shift the focus away from ‘totalitarian China’ to ‘democratic India’ (Bratt, 2021: 276). At one point, the party considered China a nuclear armed godless country (Evans, 2014).

Indeed, the Conservative Party frequently criticized China’s human rights record while awarding the Dali Lama who the Chinese Communist Party considers a separatist. Members of the Conservative Party caucus would also travel to Taiwan in a move consistently denounced by Beijing. It would not be until 2009 that Harper would first officially visit China. In 2011, relations would further improve when the Conservatives captured a majority government which saw two more visits by the Prime Minister characterised in the media as ‘panda diplomacy’ and ‘more pragmatic than principled’ (Brean, 2014; Stephens, 2012).

Yet Harper and the Conservative Party’s relationship with the Chinese Communist Party (CCP) was not without its controversies. For example, in 2013 China National Offshore Oil Corporation (CNOOC) took over Nexen for $15.1 billion. Then in 2014, Canada entered into the Foreign Investment Promotion and Protection Agreement (FIPPA) with China. The
agreement sough to protect both Chinese and Canadian companies from being discriminated against based on their nationality. FIPPA proved highly contentious as its critics remained unconvinced the China’s rule of law system could guarantee transparency, accountability and fair market access, a concern repeatedly expressed by many Canadians (Burton 2021). But by the end of Harper’s tenure, the early tension between his previous governments and the CCP had waned as both looked to strengthen the trade relationships.

After Harper lost the 2015 election to Justin Trudeau’s Liberal Party, the Trudeau promised to provide a reset to Canada’s foreign policy remarking ‘To this country’s friends all around the world — many of you have worried that Canada has lost its compassionate and constructive voice in the world over the past 10 years. Well, I have a simple message for you: on behalf of 35 million Canadians: We’re back’ (Siekierski, 2015). While the statement was directed at the United States, European allies and the United Nations, Trudeau would also work quickly to improve the Canada-China relationship. For example, the Liberal’s would overturn Harper’s decision to block Q-Net Communication based in Hong Kong and joined the Asian Infrastructure Bank (AIIB). Hytera’s purchase of Norsat was also approved. The Liberal’s then began talks for building a free trade agreement with China. But as quickly as the relationship was seemingly repaired, it would abruptly reach a catastrophic low following the now infamous Huawei incident.

What the above section shows is that Canada’s historical interactions with China have been built on a triad of trade, aid, and diplomacy. While the relationship has evolved, socio-political tensions continue to be complicated. Friction between the two countries is structural as divergent ideological systems of governance and economic organization define the political identity of each state. As we argue in the next section, constructivist theory can effectively explain how ideation influences agency and structure thereby shaping the Canada-China relationship. Indeed, competing economic interests driven by nationalism masked in a narrative of morality and values will test diplomatic tactics in the contested Indo-Pacific region.

Constructivism and political identity

Drawing on the theory of constructivism, we consider the role of agency and structure for explaining Canada’s interaction with China. Constructivism is a normative theory that attempts to relate social change with a specific focus on the power of ideation and how it can shape collective knowledge and perceptions of reality (Freedman and Starr 2002; Wendt 1995; Most and Starr 1989; Starr 1978). For example, the collective knowledge and the power of ideas confirms the existence of regimes and how state actors cooperate within them achieving collective responsibility and security. Within the field of international relations, state identity is shaped and influenced by interaction with other states thereby constructing the agent’s political characteristics, interests, and values. And as Ruggie (1998) argues, this ideation can therefore impact an actor’s perception of their political legitimacy.

This can help explain pressures placed on Canada-China relations in that constructivism considers motivation behind state behaviour (Flockhart 2012) and how knowledge is developed, mainstreamed, and empowered within institutions. Hay (2016) notes that constructivism looks to understand the politics entrenched within structures on account of political conceptions which seek to explain how collective human agreement (and disagreement) may drive institutions. Yet policy preferences of governments may not always
be in the public good and may be more of a reflection of actor self-interest. For example, a political party may advance a policy that benefits a small group of constituents rather than the greater public at large. In this sense policy outcomes can possibly be shaped through interest rather than good governance. Constructivism can therefore help explain actor behaviour within the structure of Canada-China bilateral diplomacy in the Indo-Pacific. And as Wendt (1995) explains, there is a significant risk of socially constructed actor perceptions leading to self-fulfilling structural outcomes. If Canada’s political actors believe China to be an adversary in the structure of bilateral relations, the national political narrative and governing policy preferences will respond to China as an adversary.

Understanding the behaviour of actors shaping Canada’s political narrative requires a deeper study of what may be influencing their choice. For example, Sprout and Sprout (1969) as well as Freedman and Starr (2002) considered the impact of an agent’s environment a key factor for understanding and explaining cognitive behaviour of an agent. They were concerned with how environmental structures remain independent variables from agents who interact with each other within the structure. Depending on the type of environmental, agents who negotiate and work with one another may produce multiple outcomes. Such complexities are what led Giddens (1984) to conclude that while structures impact agents, agents can also influence structure. In other words, there is a two-way socialization (Chin 2012) at play impacting the agency of actors who also have an ability to impact the behaviour or structures. This can explain the complexities between domestic interests of political elites who are able to constantly reshaped state interests or what Jessop (1999) may call ‘strategic selectivity’. In this context, identity changes and shifts while divergent interests between competing actors shape the institution.

It is here we argue constructivism can help explain the changing Canada-China relationship especially as domestic actors in each country perceived their political vulnerability to the other. The collective yet also diverse domestic perceptions on how to interact within the regime structure of Canada-China bilateral diplomacy is influencing each government’s foreign policy preferences. This is critical for understanding how Canada’s policy actors advocate interests which are tied to state survival and therefore influence policy relations over time. As China’s own foreign policy and behaviour became increasingly nationalistic and assertive, the conversation on how Ottawa should interact with Beijing began to adversely transform. In some ways, driving fear within certain political parties most notably the Conservatives who see China’s political system in direct opposition to Canadian values, human rights, and free trade.

Constructivism provides a framework for analyzing how diplomatic tension can cycle back into national policy narratives thereby shaping and constructing an emergent political identity that results in new strategic approaches for addressing the concerns. Wendt refers to this as altercasting where identities can transform when the status quo is challenged thereby forcing a re-examination of a relationship while introducing new ideas and perceptions that transform into a new identity. In this case, the Canada-China relationship, the lived experiences of diplomatic tension brought on by conflicting perceptions of political systems, economic relations and human rights have all been accelerated by the Huawei incident and are contributing to endemic political distrust.

At the same time, China’s ‘century of humiliation’ provides the Party with a powerful narrative built on the very real violence suffered by the Chinese people under imperialist and colonial systems imposed by Japan, Europe, and the United States. The Cold War also
led to wariness between China and the West which contributed to Beijing’s political isolation (Dryer 2018; Shambaugh 2013). The political socialization of China impacts how it perceives the world or what was mentioned earlier in this paper as ‘two-way socialization’ (Chin 2012). The lived experience of both Canada and China and agency dynamics of the Chinese Communist Party and Canada’s liberal democracy both impact the role of ideology, nationalism and state identity thus causing diplomatic tension. Yet it is the ideational power of agency and actor autonomy that serve as key drivers for socially constructed public policy outcomes which are often crafted by the public service.

In the end, the responsibility lies with elected officials as policies are organic and change throughout cycles while decisions may not always align with public interests. It is also important to remember that principals often turn to agents when they have imperfect information and hope to insulate themselves in policy recommendations to protect their decisions or when there are conflicting opinions among agents and principals themselves (Pollack 2002). But how does such an approach continue to apply to the world’s most dynamic region especially as it takes on an emergent political identity of the ‘Indo-Pacific’? In answering this question, the following section seeks to explain how nationalism serves as a tool for special interest actors (agents) looking to build self-serving narratives around values which are ultimately disrupting the Canada-China bilateral relationship (structure).

**Concepts of identity, values, and the role of nationalism**

Nationalism plays a complex yet important role in crafting a nation’s political identity (Gellner, 2008). At the same time, it can serve as a tool for consolidating state power and be used as a source of pride as well as humiliation (Anderson 2006). As we argue in this section, both Chinese and Canadian nationalist sentiment is having a significant impact on shaping perceptions of values and interests. While there is no agreed upon definition of nationalism, we draw on the work of Gellner (2008), Anderson (2006) and Grosby (2005) who outline the ingenuity of political actors able to string together notions of patriotism, identity, religion, and geography to construct the modern idea of nationhood. We therefore see nationalism as a tool used by the state and other agents to socially construct a common political identity. Yet nationalism allows for pluralistic interpretations of how one should identify and support the state regardless of political system. Nationalism in China and Canada are both effective state-building tools yet diverge on the political application.

This has especially been the case around the contentious themes of human rights, democratic values, and socialism with Chinese Characteristics. For example, the Canadian parliament voted to label the CCP’s behaviour towards the Uighur population in the province of Xinjiang as genocide (Reuters, 2021). Similarly, Canadian politicians and activists have leveled heavy criticism of China’s crackdown on Hong Kong’s democracy movement and an increasingly assertive foreign policy. Such sentiment has driven everything calls for an Olympic boycott to economic decoupling through diversifying Canada’s supply chain. In other words, human rights and democratic values are increasingly associated to the idea and rhetoric of the Canadian identity.

In fact, opinion pieces in Canadian media outlets are consistently critical of the government’s handling of the China portfolio citing irreconcilable human rights values and the risk of politically exposed Canadians being susceptible to manipulation by China’s interests as publicly declared in media by the Canadian Security Intelligence Service (Globe
and Mail, 2022). To be clear, nationalism plays a vital role for special interest actors to rally constituents around the flag through oratorical narratives of alleged values grounded in patriotic responsibility in a world of distinctive political identities.

Indeed, as Hutchinson et al. (1994) have argued there is a long history of political actors using nationalist rhetoric and symbolism to galvanize public support for statist interests. From colonial expeditions to religious crusading, nationalism has proved a powerful tool for the social construction of political identities and nation building. Nationalism brings in concepts of the economy, beliefs in political systems, and can overlap cultural identities through art and sports. Lawrence (2016) has also argued that nationalism has historically served as a link to colonial efforts at unifying territories in solidarity-based on one’s political identity. Yet as Benedict Anderson (2006) famously showed, nationalism is little more than a social construct. Individuals imagine the nation creating the myth of nationhood, or state construct.

China’s use of nationalist mechanisms under President Xi can be seen through political narratives of the China Dream concept, the ‘century of humiliation’, the country’s unprecedented economic hyper-development, and the Belt and Road Initiative (BRI) which all help shape the country’s political identity. When states in the West such as Canada challenge or questions these notions, they are effectively dismissing a pillar of modern China’s political identity. Nationalism is connected to patriotic movements and the domestic political narrative especially around its economic success. The arrest of Meng Wanzhou was followed by a sustained political campaign calling out China on its human rights record which complicates the relationship as the Party sees this as political persecution and an attack on its identity.

Similarly, the detention of the Michael Kovrig and Michael Spavor were seen as an afront to Canada’s rule of law principles while ‘socialism with Chinese characteristics’ are considered illiberal and anti-democratic by most Canadians. In fact, many believe the CCP’s human rights record is abhorrent and have called on Canada to step back from the relationship. For example, McCuaig-Johnston (2019) has called for Canada to take a much harder line recommending a series of sanctions and moves to place greater pressure on Beijing. The divisive question on how to trade and engage an illiberal state strike at the core of the country’s political identity which is making greater in-roads to the broader conversation on what it means to be Canadian.

The challenges described above are further complicated with structural pressures that China places on its trading partners. For example, Noakes and Burton (2019) have rightly argued the PRC uses an adaptable and carefully constructed strategy dependent on the environments the government targets. They introduce the term ‘strategic value’ for explaining the Canada-China relationship. In that, Canada has advantages given the ‘strategic value’ of being close to United States. Moreover, understanding how China interacts bilaterally with middle-power states of strategic importance provides insight for others on how China may engage states of strategic importance. China must therefore consider a diplomatic approach within the structure of international relations while Canada may learn how it can leverage its geographical significance against great powers such as China.

In the end, there is urgent need to critically reflect on how nationalism and ideological rhetoric is impacting the Canada-China bilateral relationship. Heightened levels of nationalism tied to so-called ‘values’ being propagated by diverse agents seeking to advance narrow policy interests for self-serving ideological ends. Recognizing the impact of
nationalism on the national conversation on Asia and more specifically China, while noting the ideational power of political actors manipulating the discourse is critical for finding ways on how to successfully build policy in a controversial political environment. Canada must find creative approaches to rethink the importance the nation’s presence in the Indo-Pacific given the risk of a China-US trade war (Stephens, 2020).

As the next section lays out, advancing the Indo-Pacific construct through the IPS will be an important part of Ottawa’s foreign policy toolkit however it should be approached with a balanced tone. And as the IPS clearly demonstrates, Canada is mainstreaming the language of Indo-Pacific despite the term’s controversy. Some have said using the language is a response to China’s global push and ongoing state transformation which is driving so-called techno nationalism. Indeed, the question we now consider is how Canada can become more involved in the emerging Indo-Pacific framework.

**Trajectories of competitive pluralism and progressive trade**

As other articles in this special issue point out (Hanlon and Brydges, 2023; Harrison and Huang, 2023; Ramraj, 2023; Williams and Haynes, 2023), one of the most difficult challenges facing Canada is how to navigate the many structural pressures placed on middle powers looking to navigate changing dynamics of international relations (Neack, 2017; Ping, 2017; Robertson, 2017; Hanlon, 2012). This is especially the case given the rise of ‘competitive pluralism’ which can be understood as an emergent order of multipolarity where political system diverge yet compete within an international order of economic liberalism (Hanlon, 2022). At the same time, a new variant of liberalism known as ‘progressive neoliberalism’ is making inroads which consider the deeper nexus between trade, human rights, and the environment. Concerns over the social responsibility of business and a ‘race to the bottom’ have shined light on the darker side of globalization and capitalism.

Meanwhile, a wide range of stakeholders are demanding greater behavioural accountability from governments and business actors. Activists, academics, and analysts, who can be colloquially referred to as the 3As, are increasingly concerned about corporate social responsibility (CSR), environmental, social, and governmental (ESG) corporate strategies, as well as the efficacy of triple-bottom line theory (social, environmental, and economic). This new thinking has set a pathway for advocates of ‘progressive’ trade, a concept that is advanced and was mainstreamed by Justin Trudeau and the Liberal Party of Canada as witnessed in the formation of the CPTPP trade deal (CBC, 2017).

Historically, Canada has supported neoliberal economics and still does but this is transitioning to a new narrative around progressive trade. Neoliberalism has thrived by advocating global trade with minimal regulations while evangelizing the benefits of free trade and economic interdependence. Of course, trade liberalization is highly controversial (Harvey, 2007) which has led to the emergence of ‘progressive neoliberalism’ which often focuses on broader themes of social justice and human rights (Fraser, 2017).

Themes of social responsibility are also increasingly becoming aligned with progressive neoliberalism especially human and labour rights. The paradox that China is an illiberal state advocating principles of trade liberalization as the government participates in multilateral institutions such as the World Trade Organization and seeks to join others such as the CPTPP. At the same time, media censorship, freedom of speech and political suppression stifle competition as China’s bureaucracy works to support the CCP’s legitimacy. A question
emerges then of how Canada can justify advancing its progressive liberal values while trading with a politically illiberal state.

Meanwhile, China has established parallel structures such as the Asian Infrastructure Investment Bank, as well as the Belt and Road Initiative (BRI). The CCP is seen as both an arbiter of human insecurity and unparalleled success of economic development. The government is both frequently criticized over its human rights record while simultaneously lauded for its success in ending extreme poverty (Washington Post, 2021). At the same time, China has exhibited a more assertive foreign policy as it seeks to expand its state interest, minimize political risk, and achieve growth in hypercompetitive markets. China’s global firms have multiple pressures for achieving profit, advocating patriotism, defending CCP ideology and promising win-win development for partners.

What the above discussion briefly captures is an emergent system of competitive pluralism which is being driven by illiberal states such as China that have been accepted into the liberal order under conditions “good governance, accountability, and transparency (Woods, 1999). While Canada’s post-Cold War trade policy has displayed a general sense of political agnosticism towards partners, new pressures from civil society actors are forcing planners to consider progressive neoliberal demands. China and other illiberal states looking to maintain the status quo are pushing back against Western claims of social responsibility. China’s efforts to support and sustain the system is seen through its institution building ironically working to strengthen the existing Bretton Woods trading order.

As progressive neoliberalism is mainstreamed by Western governments it will be branded a model based around so-called values and liberal democratic interests. This era of competitive pluralism however must not be conflated with strategic rivalry which runs significant risk. It is here where agents benefit from crafting a nationalist narrative built around subjective values to mask special interests. Competing agents work to influence the perceptions of their principals who find themselves in the middle of an ideational conflict on what it means to work with illiberal China. Canada’s historic struggle to craft a coherent Asia (or China) policy is contributing to the ongoing tension between policy actors which can also partially explain the government’s delayed IPS framework.

**Challenges of balancing policy in the Indo-Pacific**

The Indo-Pacific can be thought of as a super region of geostrategic and economic importance as it stretches from Japan to Madagascar. While there is debate on how the region converges between Western nations, the language put forward by its advocates places special emphasis on the region being ‘free’ and ‘open’ implying that there are areas of the region which are not. In this sense, the FOIP language is very much a political and security term that is contested especially by China. Indeed, the FOIP language has become increasingly declared by Western governments concerned with China’s assertive foreign policy. Interestingly and importantly, it is worth noting that Canada abandoned the ‘Free’ and ‘Open’ terminology when it released its IPS. This is probably due to the reality that much of the Indo-Pacific is not free nor open, but also that many states within ASEAN and the Pacific Islands have distanced themselves from the Indo-Pacific terminology as they see it as securitized and divisive language.
Regardless, the ‘Indo-Pacific’ offers the latest variant of a strategic frameworks that look to engage yet also contain Beijing’s influence in the Asia region. Following Obama’s Asia Pivot policy, the Trump administration officially endorsed an ‘Indo-Pacific Strategy’ which complimented Japan’s early efforts to advance a broader strategy to restrain China. In the past, Japan has advocated for a ‘democratic security diamond’ that would stretch from Japan to the Indian Ocean (Lee, 2016) that would work with like-minded liberal democracies. But as Lee (2016) notes, any defence cooperation is still in its very early days since many countries (especially India) face structural restraints if they are to take a hard ‘anti-China’ stance.

For Canada, developing the IPS framework can serve as an important exercise for clarifying the country’s security, socio-economic and political interests in a highly dynamic region (Nagy, 2021; Nuttall, 2021; Miller and Nagy, 2020). As Nuttall (2021) has noted, Canada lags significantly behind other governments when it comes to building an Indo-Pacific strategy while Nagy (2021) points out that Ottawa’s position on the region has been difficult to define. It can also provide an approach for countering China’s assertive behaviour while seeking options to work with like minded countries. Since Nuttall’s observations, the government announced its intention of building a comprehensive Indo-Pacific policy as directed in mandate letter of Minister of Foreign Affairs Mélanie Joly (The Hill, 2022). Confirmed in a recent Global Affairs Canada (2022) departmental plan:

Global Affairs Canada will coordinate the development and launch of an integrated, whole-of-government Indo-Pacific Strategy that will deepen Canada’s diplomatic, economic and defence partnerships and international assistance in the region. This includes deepening cooperation between Canada and Japan to advance our shared vision of a free and open Indo-Pacific. Canada’s evolving China Policy Framework will be integrated within the Indo-Pacific Strategy. Under this framework, Canada will continue to advance its interests through judicious and principled engagement with China and by providing services that support Canadian stakeholders in the world’s second-largest market (2022: 11).

While the government worked to develop a strategy, debate ensued on how such a strategy should be built. For Miller (2021), Canada should look to (1) develop a more assertive foreign policy advocating its liberal democratic values and interests; (2) pragmatically balance between Indo-Pacific policy and China; as well as (3) realizing that China and Indo-Pacific strategy does not need to be mutually exclusive. He suggests Canada must consider its approach through a distributed strategy, consider greater engagement with regional groupings, 3) support greater efforts within defence and diplomacy. Nagy (2021) called for a sense of realism and a clear assessment of Canada’s capacity in Asia for understanding the approach. He identifies areas such as supply-chain resilience, cyber and digital cooperation, while working such as the US, Australia, and Japan. On the other hand, Reeves (2020) strongly argued that Canada should not adopt the terminology until the construct becomes less exclusionary.

Meanwhile, the Asia Pacific Foundation of Canada has consistently highlighted the many regional opportunities such as FDI topping $16.8 which is an increase of $5.3 billion from 2019 (APF, 2021). In fact, the Indo-Pacific region holds significant interests in green energy and digital technologies for business. Moreover, Asia’s rising middle class provides incentive
for rethinking how to adopt an Indo-Pacific strategy that broadens and clarifies new and emerging markets for Canada (Fife and Chase, 2022). The region is also home to both the Comprehensive and Progressive Transpacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) signaling the region’s market potential for which Canada is actively pursuing especially through the CPTPP. For example, in 2020 trade between Canada and the Southeast Asian nation of Vietnam reached a record $11.2 billion (Donald 2021).

At the same time, China which has opposed the language of the Indo-Pacific is difficult to ignore in any type of IPS given its sheer market potential and size. In 2016, outbound FDI exceeded inbound FDI for the first time (OECD, 2016). And as Li, Kuang and Zhang (2019) have noted rapidly increasing overseas investment from China is drawing fear from competitors in the West. The authors point to an Asia Pacific Foundation of Canada (2015) study which found Canadians also experienced similar fears. They cite an information gap in democratic societies that lead to such perceptions that may be the result of misinformation. This information gap extends to understanding the actual size of China’s investment in Canada and the laws regulating such investments which has a strong correlation to negative support of China’s FDI in the country. In reality, there are significant controls and yet the past two decades has seen Canada’s domestic market demographic evolve since China, a developing country, has emerged as a core investor. But FDI is controversial, and the authors note the need for Ottawa to clarify the extent of China’s investment. As citizens consume global information of diverse sources it may skew perceptions of actual investment in the domestic market.

In the end, the 26-page IPS document mentions China 51 times demonstrating it importance to Canada. At the same time and as discussed throughout the introduction to this Special Issue, Canada has labelled China a ‘disruptive power’ signalling the tension between Ottawa and Beijing. Similarly, friction between China and US will remain the root of Canada’s foreign policy challenges in the Indo-Pacific. Indeed, as Holland (2021) rightly asks if Canada can ever accept ‘the China Dream’ or Washington’s seemingly hardline position on China which complicates Ottawa’s policy approach which he sees at a crossroads. And as Holland correctly observes, China does not need Canada as much as Canada needs China given China’s purchasing power potential.

Nonetheless, Canada’s IPS will allow the government to align more with the US and its democratic allies while refocusing its public diplomacy around human rights and democratic values. While there are many structural barriers at play especially around the emergent Indo-Pacific architecture, a clear approach is critical for balancing interest in an era marked by competitive pluralism and an increasing weaponization of values through nationalist rhetoric by special interest actors.

**Working with China through Canada’s Indo-Pacific strategy**

The Indo-Pacific has emerged as an ever-important dynamic region that demands Canada find ways to work within its IPS framework for both business and government. Achieving this end will require effective diplomacy between Canada and China which will play a vital role in the success of any business organization in the Indo-Pacific region. At the same time, policy can have both a positive and negative impact on organizations (Margan, 2021). Success will often depend on effective rule of law and the regulatory systems at play which
highlights the need for a sophisticated strategy for working with government actors to protect core business interests in China, or what Canada’s Foreign Minister may have referred to as needing an ‘eyes wide open’ approach to the bilateral relationship. Of course, this becomes increasingly difficult given the Party’s rejection of Western constitutional democracy (CBC, 2021; ChinaFile, 2013).

Here, we draw on Potter’s (2020) argument for ‘selective engagement’ which allows for a pragmatic discussion on China’s human rights record while seeking strategies for Canada to work with the government on matters of mutual benefit. This will require an enhanced policy focus on rule of law, IP protection, and anti-corruption as part of the Canadian-China bilateralism. The approach will allow Canada to work with allies on human rights while rejecting China’s revisionist claims. Potter calls for ‘a position of confidence’ as the best approach for Canada to advocate its values and commitment to the rule of law while finding pragmatic strategy for working with China on areas of mutual interest. Potter’s approach is straightforward and highly instructive for the private sector.

Selective engagement will also require business actors to identify strategic government priorities that do not conflict with Canada’s progressive liberal principles nor IPS framework. To do so, Magan (2021) offers a helpful strategy for developing legislative priorities and preferences of government actors. For example, business must set legislative targets while continuously surveilling state policy and governmental action. Lobbying government through outreach can also educate policy makers on specific firm interests which can provide insight on priorities from the business community as stakeholders seek space for working pragmatically with China. At the same time, stakeholder engagement at the grassroots is key for educating the broader spectrum of actors who may have interests especially the challenges faced by business as they work in a politically charged Indo-Pacific environment. Finally, business should have a mechanism for evaluating the firm’s outreach program to government. Measuring the effectiveness of firm policy is critical for advocating policy interests that support IPS framework.

Another approach offered by Acloque (2021) outlines a strategy for building selective government relations which could be adapted to businesses operating in China and the Indo-Pacific region. Firms would identify policy priorities that align with policymaker preferences through extensive networking. This is vital and critical within the context of the Indo-Pacific because the culture of most countries in this region is relationship-oriented (or networking-oriented). Business actors should also target high level assets in government relationship building which can be employed through media and communication firms for advocating public policy interests and achieving greater credibility through publicizing the firm’s objectives which support IPS people-to-people policy objectives.

The work of Magan (2021) and Acloque (2021) offer important Insight into how business and government actors build coherent and effective communication for approaching the challenges associated with the Canada-China relationship. Business-government policy coordination is critical for finding a neutral path on working with China that is not dominated by ideological interests. One can be against China’s human rights record while supporting economic trade which requires political innovation through cross-party negotiations that minimizes ideological positions under the banner of national interest. This is even more important with an ever-increasing risk of a hardened rivalry doctrine which was backed by Donald Trump and his supporters. What is clear, perceptions of divergent values and supply
chain complications brought on by Covid has mainstreamed a narrative of rethinking the Canada-China business relationship with some going as far as suggesting decoupling.

Yet decoupling should not be considered the natural outcome for China-Canada diplomatic tension. As Bratt (2021) sees, the future relationship can take on several directions. First, there could be greater possibility to work alongside allies on security and economic interests. Second, Bratt acknowledges that calls for decoupling have emerged with force especially within political circles demanding more alignment with the United States. Finally, there is a middle route where Canada works to clearly define its position between China and the United States. Bratt goes on to outlines the difficulties in achieving the middle ground given the extensive cultural, economic, security and geographical ties to the United States.

However, others have argued that this must be reconsidered. For example, Nimijean and Carment (2020) have pointed to the benefits of Canada rethinking the so-called special relationship status with the United States which they see as no longer guaranteed as recognised during the Trump presidency. Decades of unipolarity allowed Canada to bandwagon with the US which may now be changing especially within a context of an emboldened and assertive China (Noakes and Burton 2019). Given these challenges which have also been worsened by a dysfunctional China-US relationship, we offer five areas for consideration as the government and private sector seek to reset the China portfolio that align with IPS framework.

First, government *principals* must develop greater resilience for countering foreign and domestic *agents* seeking to impact Canada’s policy landscape through nationalistic and ideological positions. This will require a serious assessment by bureaucratic actors and members of political parties on how they reached certain policy conclusion that may serve as barriers for building any sustainable whole of government non-partisan China policy. Extensive reflection using technics often found in peacebuilding and mediation literature (Ramsbotham, Woodhouse, and Miall, 2016) can help build resilience for principals that are vulnerable to conflicting opinions often disseminated through media, think tanks and academia. Greater self-awareness on how ideational pressures impact policy networks should be considered a national priority.

Secondly and building on the previous point, structuration theory provides a unique tool for considering how Canada is being impacted by Indo-Pacific language that is championed by Canada’s allies. The Indo-Pacific language has roots in security doctrine, which differs from the economic language of Asia-Pacific or the political identity dynamics of East Asia (Acharya, 2021). It is here where policy networks must consider the impact of language and how this is intersecting with nationalism and contestation at a time of competitive pluralism. Canada must balance between its vital economic-political interests in the ‘Asia-Pacific’ while recognizing critical security needs within the ‘Indo-Pacific’. Canada has a sophisticated ability to differentiate and leverage both constructs that serve specific policy pursuits in the context of the Canada-China business relationship within the IPS framework. In other words, as Canada becomes increasingly fixed to the language of Indo-Pacific it must work to operationalize regional policy tactics and not simply recite the expression in white papers that lack any real substance.

Third, the government should find a way to build policy coherence which should come through existing parliamentary committee documents as they seek a middle ground and look to reset the Canada-China business relationship. There is significant expertise and analysis
on how the government may approach the China file while considering the importance of business stakeholders. Establishing consistent strategies on how to live with authoritarian China exist within the findings of the Special Committee on Canada-China Relations (Parliament of Canada, 2020). Adopting Potter’s ‘selective engagement’ technic while recognizing Noakes and Burton’s (2019) ‘strategic value’ argument can help establish a blueprint for building a robust ‘strategic and selective’ China policy that advocates explicit interests while marketing Canada’s strategic value as a trade partner. The work of the Special Committee must not be dismissed nor forgotten in the annals of history.

Fourth, Canada must identify its policy priorities and be prepared to abandoned others. Canada should leverage a non-political working relationship with the world’s second largest economy through areas such as education, climate change mitigation, sustainable development, tourism, and Agri-trade. It should not be overlooked that political and economic pragmatism serve Canada’s vital interests and values. For example, Wells and Slade (2020) remark that canola alone is Canada’s most valuable crop and China is the largest market for Canola seed. Thus, the impact of China’s 2019 revoking of canola export license to Canadian firms caused significant harm. The authors estimate the trade restrictions reduced the price of canola by 3.6 percent in under a year, for a lose of between $340–$370 million annually for canola producers. In the end, the Canada-China business environment will continue to bring both challenges and opportunity.

Fifth, the government must do better at educating the public that the political relationship is sensitive but working with China does not have to be controversial nor run counter to Canadian values. At the same time, Loo and Iqbal have (2019) found China as the most optimal partner within the BRICS economies to work with, a point that should be of note within Canada’s policy spheres. The authors recommend aligning with specific sectors such as education and higher learning, financial markets, as well as areas for improving government efficiencies. At the same time, Canada’s leading think tanks such as the Canada West Foundation and the Asia Pacific Foundation can offer unrivaled insight for bridging the public and political domains. As China continues its state-transformation the government of Canada should be working carefully to reassure the public that political divergence and ideological nationalism do not need to define the entire Canada-China business relationship.

Conclusion

Western governments must come to terms with China as an emergent great power that will shape the next generation’s understanding of global order. China’s rise is both a regional and global phenomenon that is forcing all liberal democracies to consider how they work with an authoritarian government which will soon be the caretakers of the world’s largest economy. At the same time, Canadians must have a serious conversation on whether human rights are considered a deal breaker for trade relationship, or how to link aspirations with pragmatism as Nagy (2022) convincingly argues. If so, Canada should decouple from all partnerships with illiberal states to show consistency otherwise the targeting of China is nothing short of discriminatory. Indeed, Canada continues to have significant ties with many of the world’s worst offenders who are not on the radar of mainstream media.

On the other hand, ‘strategic and selective engagement’ gives room for business relationships deemed of mutual benefit to both Canada and China while allowing the governments of both countries to confidently advocate values without risking the political
relationship. Such an approach is essential as the government looks to build, sustain, and contribute to Asia’s security architecture as advocated and declared in Canada’s Indo-Pacific Strategy. At the same time, Ottawa’s efforts to build such a strategy must not diminish the importance of the socio-economic language of ‘Asia-Pacific’ that has been highly successful in developing the country’s economic prosperity.

Of course, it should also not be dismissed that nationalism at home and in Mainland China continues to act as an underlying driver of bilateral friction. But recognizing how autonomous agency shape and determine foreign policy preferences of principals introduces a broader conversation on how Canada’s regime is responding to the onset of competitive pluralism. The Huawei event has demonstrated the level of risk faced by Canada and how ill-prepared the government was for navigating China-US rivalry. The government’s inability to solve the crisis on account of a hostile Trump administration that showed little regard for its neighbour exposed striking vulnerabilities in the special relationship. Canada proved little more than a political weapon for a fundamentally belligerent Trump administration and Republican Party that could soon return power.

The Indo-Pacific is a region full of opportunity but one that must be navigated carefully. From trade agreements such as the CPTPP to the recently launched RCEP, the Indo-Pacific is a mega-region too important to ignore. Meanwhile, maintaining a strong relationship with China should be a core objective for any nation hoping to build successful partnerships in Asia. While human rights will always be a concern for Canadians, governments must consider diplomatic and mediation technics for maintaining trade relationships that balance values and interests. At the same time, any sustainable non-partisan China policy can only be achieved if political leadership is prepared to meaningfully work across party lines.

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