

Paul Evans

## “Canada, meet global China”

Atlases in any Canadian home invariably display a vast expanse of blue separating the land masses of Asia and North America. The two continents comfortably occupy different pages, usually in separate sections.

We need a new kind of map. Globalization has increased Canada’s connections around the world through the multiple bands of diplomacy, commerce, migration, culture, and communication. That new map will shrink oceans, especially the Pacific, and show that human interactions are expanding in remarkable ways.

What Wang Gungwu has called the fourth rise of China has in the course of a decade shrunk the map even further and with unprecedented speed.<sup>1</sup> Responding voraciously to global opportunities, deepening interconnections with Asia, and connecting positively to North America and

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<sup>1</sup> Wang Gungwu, “The fourth rise of China: Cultural implications,” *China: An International Journal* 2 (September 2004).

other parts of the world, China has been transformed from being a place out there to a daily reality for Canadians. In part this reflects the changes in Canada's demography resulting from large numbers of immigrants from greater China over the past two decades and the increase in Chinese tourists in the past three years. But even more tellingly, a trip to the shopping centre reveals how China's manufacturers have reduced the price of consumer goods; a trip to the gas station reveals how China's demand for energy is increasing prices for energy and natural resources; and a trip to the bank reveals how mortgage and interest rates are tied to China's purchase of US securities.

The new map will not present Canada as being closer to China than to the United States, Britain, France, or Mexico. But it will need to reflect that China's impact is growing dramatically in ways that will affect our domestic affairs as well as our relations with all of these countries.

What follows is a brief and generally optimistic assessment of the forces behind China's expanded presence, Canadian reactions, and the policy choices that lie ahead for a new Canadian government. China has mattered deeply for Canadians going back to the era of railroad building at home and missionary activities across the Pacific. Since the establishment of diplomatic relations with Communist China in 1970, it has been a diplomatic priority of successive governments. What is changing is that the challenges posed by China are now as much for domestic arrangements *within* Canada as for our foreign relations. What we consume, what we produce, and how we produce it have all entered a globalized world in which China is suddenly a cutting edge.

#### GLOBAL CHINA

Contemporary China is portrayed in a variety of ways, including as a rising power, an emerging superpower, a potential hegemon, a peer competitor to the United States, and a failing authoritarian government. The term global China is preferable for several reasons. It underscores China's new gravity without implying an inevitable power struggle with the extant superpower. It signals that China has grabbed the world's attention by opening its door to the forces of globalization, looking outward, and connecting to supply chains, production networks, and foreign investment that have both regional and global reach. China is both the product and beneficiary of a period of intensive globalization. It has not just opened its own door but serves as a model that other developing economies are scrambling to repli-

cate or follow. If Japan once led a formation of flying geese in eastern Asia, China is provoking a buffalo charge that extends across Asia and into emerging markets around the world.

China has become part of the global economy at the same time that it is changing it. In the course of a generation, it has emerged as the shop floor of the world by crafting a production system that fuses high-end technology with low-wage, labour-intensive activity; cut-throat domestic competition; a reliable, docile, and capable industrial workforce; utilization of huge sums of foreign investment and technology; and the new appetites of a billion domestic consumers. The historical parallel that best captures the scale and implications of this economic transformation is the emergence of American industrial capacity a century ago.

Many of the factoids about global China, and its importance to Canada, are part of national discussions. China has achieved average annual growth rates of more than nine percent over 25 years. Currently it is Canada's second largest trading partner; is poised to overtake Mexico to be the United States' second largest trading partner and may well surpass Canada as the largest by the end of this decade; generates 13 percent of world economic output in purchasing parity terms, second only to the US; is the world's largest consumer of commodities including steel, copper, coal, and cement and is the second biggest consumer of oil after the US; is the world's third largest trading country, accounting for six percent of the world's total; received in excess of \$60 billion in FDI in 2005 and has accumulated a total of about \$610 billion of inward FDI in the past 20 years; and holds about \$710 billion US in foreign currency reserves and some \$224 billion in US treasury bills, making it the second largest creditor to the United States.

That China is the leading producer of household electronics, toys, clothing, and textiles is widely appreciated. Less so is that it is also becoming a key producer of component parts and intermediate goods that are essential to increasingly refined supply chains in which research and development, software development, physical production, and after-sales service are geographically dispersed but precisely integrated. And it is quickly moving into higher-end assembly and export including trucks, aircraft, ships, telecommunication equipment, and machinery.

Paralleling its economic capacity, China has become more self-confident, more sophisticated, more assertive, and frequently more constructive in international institutions dealing with a variety of issues ranging from

economics and trade policy to nonproliferation, chemical and biological weapons, missile technology control, exports control and arms control and disarmament issues, pandemics, terrorism, and transnational crime. In a regional context, Beijing in the last decade has moved quickly from defensive presence to active participation and now leadership in groups including APEC, the ASEAN regional forum, the ASEAN-plus-three and the east Asia summit processes. It has played a key role in creating and hosting the Shanghai Cooperation Organization and the “six party talks” focusing on the North Korean nuclear issue. And it seems to be developing a reputation for “soft power” that at once reassures its neighbours and increases its long-term influence.

In the United Nations, it has become a more mature and responsible member of the security council and, while not always aligned with Canadian interest and perspectives, has demonstrated increasing commitment to the principles and activities of the organization. It is beginning to assert itself in multilateral economic forums such as the WTO and Doha round, sometimes aligning in a supporting role behind Brazil and India on G-20 trade issues, but more often behaving opportunistically with both developing and developed countries.

By almost any indicator China is challenging Japan as the most important country in an increasingly dynamic and integrated Asia and a major player on the world scene. Through a combination of its sheer size, production system, integration into regional and global supply chains, and increasing diplomatic self-confidence and weight, it is contributing to transformative processes that are reshaping world affairs. Decisions made by its government—and by its consumers—have enormous impact beyond its borders, including in Canada.

#### CANADIAN REACTIONS

In Canada, as elsewhere, these new realities have excited various emotions including admiration and awe, anxiety and fear. An Ipsos-Reid poll in April 2005 found that about 60 percent of Canadians do not see China’s emergence as a threat to world peace even though about 40 percent believe China “will soon dominate the world.” Forty-five percent of Canadians indicated they were concerned about the level of Chinese investment in Canada and 51 percent that China is a serious threat to jobs in Canada, yet 61 percent see China’s economic development as an opportunity and 68 percent see expanding trade relations with China as a good idea because it helps

reduce trade dependence on the US.<sup>2</sup> A poll by the Asia Pacific Foundation of Canada in May 2004 revealed that only 24 percent of respondents felt the Chinese economy was more of a threat than an opportunity.<sup>3</sup> And a Pew poll in June 2005 puts this in comparative perspective by indicating that 58 percent of Canadians hold a favourable view of China, almost equal to the 59 percent who hold a favourable view of the US but below the 78 percent who hold a positive view of France.<sup>4</sup>

Corporate Canada is coming to understand that the challenge posed by China is much deeper than short-term trade and investment matters. Canadian manufacturers are caught in the pincers of competing with the dread “China price” at the same time the cost of their inputs are rising because of Chinese demand. Canada is losing manufacturing jobs. To survive, manufacturers need to compete with Chinese producers at the same time that they cooperate with them in benefiting from supply chain innovation.

Businesses have been scrambling to devise strategies to take advantage of opportunities afforded by global China or to protect themselves against the competitive pressures it brings to bear. The Canadian media, symbolized by the now annual *Globe and Mail* feature edition on China, are abuzz with China-related stories.<sup>5</sup> The CBC is opening a bureau in Shanghai. Canadian educational institutions are scrambling to recruit more Chinese students (there are now estimated to be 55,000 in the country) and create new kinds of programs to connect Canadian and Chinese universities.<sup>6</sup> Provincial and municipal leaders, like their federal counterparts, are travelling to China in unprecedented numbers.

2 “A public opinion survey of Canadians and Americans about China,” Ipsos-Reid, June 2005. Report prepared for the Canada Institute of the Woodrow Wilson International Center for Scholars and the Canada Institute on North American Issues, [www.wilsoncenter.org](http://www.wilsoncenter.org).

3 Asia Pacific Foundation of Canada, “National opinion poll: Canadian views on Asia,” May 2004, [www.asiapacific.ca](http://www.asiapacific.ca).

4 Pew global attitudes project 2005, “American character gets mixed reviews,” 23 June 2005, 11, [www.pewglobal.org](http://www.pewglobal.org).

5 23 October 2004 and 29 October 2005.

6 Carin Holroyd, “Canada missing opportunity in the booming China education market,” *Commentary* #40, Asia Pacific Foundation of Canada, January 2006, [www.asiapacific.ca](http://www.asiapacific.ca).

#### POLICY RESPONSES

There is not yet a comprehensive Canadian strategy for dealing with a global China, though the Chrétien and Martin governments went some distance down the path in formulating one. The policy response has been emerging piece-meal in a series of federal and provincial initiatives.

On the analytic side, the Martin government's international policy statement noted that China is "poised to become the most important national economy in the 21st century" and "is at the heart of regional and global supply chains that are vital to the Canadian and world economy." It correctly observed that China's rise will put new pressures on Canadian manufacturers, reduce the price of consumer goods, and increase the price of commodities, including oil. It outlined a commitment to doubling the volume of bilateral economic interaction by 2010 and acknowledges that achieving Canada's global objectives including the "responsibilities agenda," forging a new multilateralism, and tapping into east Asian value chains bilaterally and as part of North American supply chains will depend upon deeper and better relations with China and other Asian countries.<sup>7</sup>

On the diplomatic side, both the Chrétien and Martin governments pursued the same path of relationship-building via high-level visits and contacts initiated by Pierre Trudeau, sending and receiving senior politicians and officials on a frequent basis. While the team Canada concept for expanding trade has run its course, the size of the embassy has expanded dramatically, new offices are being opened in at least six new Chinese cities, and inter-governmental strategic working groups have been created on several topics including energy, multilateralism, and foreign investment. Bilateral negotiations continue on issues including "approved destination status" for Chinese tourists wishing to visit Canada and expanded air links.

The "strategic partnership" with China announced unexpectedly during the visit of Chinese President Hu Jintao in September 2005 raised official relations another notch. The specifics included seven new agreements to deepen cooperation in the areas of transportation, food safety, health sciences, and nuclear energy, and a joint declaration on science and technology that includes a program of collaborative research on climate change and sustainable energy.

<sup>7</sup> Canada's international policy statement: A role of pride and influence in the world, Department of Foreign Affairs and International Trade, 19 April 2005, [www.dfait-maeci.gc.ca](http://www.dfait-maeci.gc.ca).

In some respects the strategic partnership is a logical extension of the generally warm and improving relations of Canada and China over three decades. Yet it had a special symbolic and practical meaning as well. Ottawa not only signalled an interest in a deeper commercial relationship, but a willingness to open Canadian energy markets to Chinese investment on a commercial basis.

In October 2005 the Liberals tabled bill C68, the Pacific gateway strategy. While the bill did not pass before the government fell in November, it does indicate the direction of Liberal thinking. The federal program was to have built upon some of the transportation and infrastructure projects already being pushed ahead by the government of British Columbia. In addition to providing \$590 million for additional infrastructure improvements to connect the ports of British Columbia to cross-Canadian and inter-continental transportation systems, it was intended to fund a wide range of additional activities related to innovation, tourism, education, and culture that would open doors to deeper contact with Asia. Surging Chinese trade with Canada and a west coast capacity crunch drove the strategy. It was embedded in the realization that China was a part of a much more integrated Asian economy and that the federal and provincial aim was not just to do more trade with Asia but to connect economies and societies in deeper ways.

The decision of the Liberal government to open free trade negotiations with Korea was part of the same approach for fostering deeper economic connections with Asia. And it reflected a calculation that the competitive challenge posed by Korea, and in broader terms by China, would not be handled through raising protectionist barriers but through restructuring domestic industries to more closely integrate with Asia. The same outlook has underpinned Canadian resolve to move toward a comprehensive economic framework with Japan.

#### TOWARDS A CHINA STRATEGY

These activities amount to a new chapter in expanding Canadian bilateral connections with China and across the Pacific. However, they do not constitute a comprehensive strategy. In part this is because at a policy level the degree of integration of Asian economies has been underestimated. Rethinking China entails rethinking relations across Asia that Ottawa has not yet addressed.

More fundamentally, it is because these initiatives were not carefully connected to priorities and activities within continental North America and

especially Canada's relations with the United States. One can wander through policy debates in eastern Canada for days without encountering any substantial views on China or Asia. And the drum beaters for deeper relations with Asia rarely confront the constraints imposed by our aspirations for a closer embrace of the US or some form of continental integration. Can Chinese dumplings and apple pie appear on the same menu?<sup>8</sup>

Whatever the virtues of trade diversification, it is illusory to think that China is an alternative to the American market. It is equally illusory to project that Canadian and Chinese values are likely to converge in any significant way. Phrases like "strategic partnership" do not imply that the two countries can forge the kind of alliances and deep integration that Canada enjoys with the United States and some of our Commonwealth partners, including the UK and Australia. And for reasons of history and values, there are limits on the depth and range of Sino-Canadian cooperation. This is made clear by simply invoking words like human rights, Falun Gong, Tiananmen, Tibet, or Taiwan.

But it is equally dangerous to think that our commercial and political relations will be unaffected by—or in fact can be insulated from—our interactions with a global China. The American market and cross-border transfers are our geographic destiny. But the content of the goods and services, the ways they are produced, their connection to global supply chains, and their value to Canadians increasingly will be influenced by China and Asia.

Putting China and North American on the same page in Canadian thinking will have at least three dimensions.

The first is the competitive challenge raised by Chinese exports, supply chain integration, outsourcing, and two-way investment. The negative impact on the maquiladoras has already been dramatic. North American competitiveness depends on pushing for advanced manufacturing, not providing alternative production bases that can out-compete China. The challenge is to structure production such that the higher-value added aspects remain within North America and the connection to China is part of a platform for production for end markets in North America, Asia, and around the world. The implications of these new realities are hitting hardest in the automotive sector where parts manufacturers are already shifting production to China even as assemblers tend to favour various forms of protection.

<sup>8</sup> Note, ironically, that China is emerging as the world's largest exporter of apples.



The competitive pressures repeat in virtually every manufacturing sector including textiles, furniture, and machinery. And while China is a net agricultural importer, it is becoming a highly competitive exporter of specific products, including apples.

Conversely, the Chinese demand for energy and natural resources, including minerals and timber, is opening enormous export markets and increased prices for Canadian producers.

In this context, North America as a continental project can either be conceived as a platform for increasing productivity and competitiveness or, alternatively, as a region to be insulated or protected from Asian competition. NAFTA will likely have to be made stronger or will become irrelevant in the surge of trans-Pacific trade and investment that includes Canada, Mexico, and the US expanding their bilateral free trade agreements with Asian countries.

The second is in the energy sector where aspirations to an integrated North American energy market collide with increasing Chinese and Asian demand for oil. The promise extended to China as part of the strategic partnership bargain collides with views in some quarters in the US that Canadian energy is a strategic North American asset and part of an intra-North American integration scheme.

The third is in transportation infrastructure and port and border security. As the volume of trans-Pacific flows of goods, services, and people (legal and illegal) increases, pressures will rise on facilities and resources that connect Canada and the US. The infrastructure investments in the Pacific gateway aim to open a wider door for flows between Canada and China and between China and the United States. Whether Canada and the US maintain separate facilities, move to closer integration of inspection services, or eventually move to a common security perimeter, there will be substantially more pressure to harmonize rules and procedures in areas including visas, refugee claims, and container security.

#### *US-China relations*

Aspirations to connect intracontinental and trans-Pacific objectives would be easier to realize if the Canadian and American approaches to China were identical or at least similar. They have rarely been so in past, are not now, and likely won't be in the near future. Canadian policy is made in Ottawa but is greatly affected by the very fact of US policies and attitudes towards China.

The biggest risk for Sino-Canadian relations may well be a deterioration in US-China relations. There are reasons for concern. In general terms, the Canadian public and policy elites tend to take a more benign view of China than do Americans. In a 2005 BBC/GlobeScan poll, 49 percent of Canadians reported a mainly positive view of Chinese influence in the world where only 39 percent of Americans did. And 53 percent of Canadians replied that China's economic rise was mainly positive compared to 46 percent of Americans.<sup>9</sup>

These differences in outlook reflect different patterns in bilateral relations with China since the creation of the People's Republic in 1949. In the contemporary period, they also reflect different domestic and coalitional dynamics. Opposition in Canada to deeper relations with China tends to focus on issues of human rights, religious freedom, and Taiwan. These voices rang loud and clear during the visit of President Hu Jintao to Canada in September 2005 and frequently find resonance in the house of commons and the Canadian media.

In the United States there are equally loud voices with similar concerns. What is different is that they conjoin with two additional groups, one intent on protecting American jobs and prosperity from unfair Chinese competition and labour practices, and a second worried about the emergence of China as a peer competitor and threat to America's predominant position in Asia and the world. The capacity for coalitional politics in congress to constrain China was seen in its full spectacle in the decision to derail the sale of Unocal to CNOOC in the spring of 2005.

There is a broad consensus in Canada that China's rise is generally positive for the Chinese people, its Asian neighbours, and the world; that China will continue to mature as a responsible international and multilateral player, even as Canada and China disagree on many key international issues (including Darfur and the International Criminal Court); that engagement has been useful and that containment is now unsustainable and counter-productive; that it is possible to accommodate a rising China within an American-centred and rule-based international system; and that China's role in the development of Asian-centred international institutions is likely to be of value to Canada and world order rather than a threat to them.

9 Program on International Policy Attitudes (PIPA), "'China in the world' 22 nation poll," 2005, [www.pipa.org](http://www.pipa.org).

Even as US-China relations become more mature, complex, and interdependent, a substantial number of Americans do not share this Canadian catechism.

Unlike in the US, the opening to China has provoked little serious political debate in Canada except on the human rights and Taiwan agendas. There are signs, however, that a variety of economic groups in the country are either wary about or opposed to deeper economic opening. Recent complaints filed before the Canadian International Trade Tribunal about imports of bicycles and barbecues from China led to decisions that did not find any unfair Chinese practices but that nevertheless imposed market restrictions on Chinese exports as Canadian firms adjusted to the new competition. Manufacturers in Canada that oppose the Canada-Korea FTA currently under negotiation are doing so because of fear of competition from Korea itself and because of the parallel worry about an increased level of Chinese penetration in auto parts and other industries.

A protectionist surge in the US would be difficult to resist in Canada. In the face of a \$250 billion bilateral trade deficit with China in 2005, complaints about the valuation of the Chinese yuan, and criticisms of unfair labour practices, there are now some 20 anti-China bills before congress.<sup>10</sup> Should the US impose new tariffs, new quotas, or antisubsidy or antidumping duties, this would make the Canadian dream of a Pacific gateway more tenuous and might also strengthen protectionist forces in Canada.

So far as the division of players into "panda huggers," "dragon slayers," and "panda hedgers" is useful, dragon slaying is more popular in the US than Canada. The resulting ambiguity in US attitudes toward China, embodied in the idea of "con-gagement" (one part containment, one part engagement), produces a volatility that puts limits on Sino-Canadian relations, especially for those who espouse deeper continental integration.

#### ISSUES FOR THE HARPER GOVERNMENT

Foreign policy, much less China policy, was simply not a topic of debate during the election campaign. In the last parliament, the Conservative opposition made minor criticisms of the main planks of the Martin government's approach to China, sometimes focusing on stronger support for human rights and showing some support for a private member's bill to create a

<sup>10</sup> "China bashing: Portman's complaint," *Economist*, 18 February 2006, 28, 31.

“Taiwan affairs act” to provide a legislative framework for imparting a new legal status on Taiwan.

David Emerson’s crossing the floor and his appointment as minister of international trade with responsibilities for specific initiatives including the Pacific gateway, portend more continuity than change in the approach to China, and Asia, that the Harper government will take. The Pacific gateway was identified in the April 2006 throne speech as a Conservative priority, though with somewhat less funding and a narrower focus on transportation infrastructure. It is unclear whether China will be as high a priority in the government’s commercial agenda.

And there may be some differences in nuance and approach on several issues, six of which deserve special attention.

First, if new primacy is given to improving bilateral relations with the United States, several issues may be looked at in a new light, among them Chinese investment in Canada’s energy sector and participation in an American ballistic missile defence system, something that Canada and China have both opposed in past, in part because of fears it will lead to a weaponization of outer space.

Second, in the energy sector and beyond, Chinese outward investment to Canada is growing and could very well jump dramatically. China’s accumulated FDI in Canada amounted to \$220 million in 2004 with an inflow in 2005 of an additional \$130 million. This is less than 0.15 percent of total FDI stock in Canada. The total Chinese investment in Canada was less than three percent of China’s total outward. The important conclusion is not so much that the current levels are low but that they have the potential to rise quickly and dramatically if encouraged. Chinese investors are expressing interest in Canada’s natural resources as seen in various investments in the oil sands, energy, and mining. In his former role as minister of industry, Emerson was uneasy about the purchase of Canadian resource firms by state-owned Chinese corporations and proposed legislation to bring concerns of “national security” into foreign investment review rules.<sup>11</sup> The scope of the issue will be even larger as ICT and manufacturing investments come into play, with the recent Nortel-Huawei joint venture an important example.<sup>12</sup> These are consonant with the strategic partnership with China but may not always play well in Washington.

11 “US officials sound alarm on China,” *Globe and Mail*, 14 July 2005, B1, B6.

12 “Nortel-Huawei deal marks a new model of Canada-China business relations,” Asia Pacific Foundation of Canada, bulletin #245, February 2006, [www.asiapacific.ca](http://www.asiapacific.ca).

Third, until now Canada has been relatively sanguine about the emergence of new multilateral institutions within Asia, including the ASEAN-plus-three and east Asian summit processes, that exclude the United States and Canada. And while Canada has occasionally joined coalitions of the willing, including the Proliferation Security Initiative, it has generally preferred inclusive multilateral processes globally and regionally rather than bilateral or coalition-type instruments. A commitment to closer relations with the United States could lead to some changes in the approach to institutional architectures, as it already has with the Howard government in Australia. And it could lead to a deeper Canadian interest in getting on the FTA bandwagon beyond North America.

Fourth, as suggested above, the competitive challenge from China could underwrite adjustments in thinking about North America’s future, including the security and prosperity agenda and NAFTA. The institutional infrastructure of North America could either be deepened or discarded but will certainly have to be revisited.

Fifth, the Harper government’s approach to the human and global security agendas is difficult to determine. The support for the Canadian presence in Afghanistan appears strong, but may be based on traditional national security concerns and fighting terrorism rather than the peace-building and responsibility-to-protect agenda of the Liberals.

The road to solving virtually every crisis in Asia or Africa, and to some extent in the Middle East and Latin America, runs through Beijing. In general terms, Chinese views on humanitarian intervention and the responsibility to protect are gradually evolving in ways compatible with Canadian views.<sup>13</sup> But in specific instances, including Ethiopia, Liberia, Myanmar, Nigeria, North Korea, Sudan, Uzbekistan, and Zimbabwe, China has aligned itself with what Robert Zoellick calls “troublesome states.”<sup>14</sup> Beyond human rights *within* China, international observers are increasingly critical of China’s behaviour *outside* its own borders in the developing world, described by some as “neocolonial.”<sup>15</sup> So far as the new Conservative

13 Position paper of the People’s Republic of China on the United Nations reforms, 7 June 2005, part III.1, “Responsibility to protect,” <http://news.xinhuanet.com>.

14 Robert B. Zoellick, “Whither China: From membership to responsibility. Remarks to the national committee on US-China relations,” 21 September 2005, [www.state.gov](http://www.state.gov); and republished in *NBR Analysis* 16 (December 2005).

15 “China and Africa: No questions asked,” *Economist*, 21 January 2006, 43-44.

government decides to see the promotion of human rights and corporate social responsibility as major themes in its foreign policy, China may loom as an even larger target.

Sixth, past Canadian governments have made human rights a significant strand in Canada-China relations though, save for a brief period immediately after the events in Tiananmen Square in June 1989, not at the expense of the high-level contacts that have been the centrepiece of diplomatic and commercial engagement. No Canadian government, including those of Joe Clark and Brian Mulroney, has emphasized democracy or democratization.

Conservative backbenchers and parliamentary staffers already echo voices in the United States calling for new instruments to promote democracy globally and in China in particular. Whatever is done bilaterally to hasten the pace of democratization in China, a popular idea in US think tanks is deeper cooperation among Pacific democracies, possibly including the creation of some kind of alliance of the democracies or an Asian equivalent of NATO. However defined, China is unlikely to be a member. And the same logic could lead to a desire to recalibrate relations with a democratic Taiwan.

It would be surprising if there was not an Australian turn in Canadian government thinking in the months to come. Australian advisers assisted the Harper election team. The success of the Howard government in simultaneously deepening commercial relations with China and other Asian countries while pursuing a more friendly relationship with Washington (including negotiating a bilateral FTA) must be tempting. Whether Canadian public opinion would permit an Australian style “junior partner” approach is less certain.

#### *Remaking Canada?*

The China challenge would not be so significant, and changes to our mental map less important, if the responses were limited to foreign policy. It was instructive that during Hu Jintao’s visit to Canada in September 2005, the prime minister instructed all of his cabinet ministers to come up with policy measures and practical steps to connect more closely to China. The so-called “whole of government” approach is quite extraordinary.

At a societal level, the new catchphrase is that every manufacturer and every university needs a China strategy. The implications for agricultural producers, human resource development, and labour force restructuring

are equally arresting. In sum, they portend a potential change in Canada's social contract, at least in the domains of employment, training, pensions, and career opportunities.

The emergence of a dynamic Asia is already having an impact on the political economy of Canada. The recent prosperity seen in higher growth rates in western Canada is in part driven by Asian imports of natural resources and the increase in commodity prices fuelled by Asian demand. British Columbia and Alberta are trading almost as many goods with Asia by value as the rest of the country combined. The trans-Pacific container flow that means jobs and opportunities in western Canada are part of the same process that, at least in the short term, means the loss of jobs in central Canada. Certainly the costs of adjustment are greater in the manufacturing heartland of Ontario and Quebec.

A legion of Sino-skeptics feel that China will be unable to sustain its rate of growth and that it faces myriad domestic and external problems that will slow or reverse its global rise. They may well be right. But it would be very difficult to base Canada's domestic and foreign policies on the prediction that China's influence will decrease.

For several generations, Canadian traders and farmers were beguiled by the prospects of a vast China market across the Pacific. That market now exists. The surprise, as the new mapmakers know, is that we don't need to leave home to be part of it.