

**Balancing the Dragon Softly:
Formulating a Pragmatic China Policy for
Canada**

by

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M.A. Political Science, Simon Fraser University, 2013
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Research Project Submitted In Partial Fulfillment of the
Requirements for the Degree of
Master of Arts

in the
Simon Fraser University,
Department of Political Science

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SIMON FRASER UNIVERSITY

Summer 2013

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Abstract

China's rising power has raised many questions around the world as to how best to adjust to this historic event in our time. This debate is heating up particularly in the Asia-Pacific region where China's military power is growing. Canada's fellow democracies in the region have engaged in lively security policy debates about the rising Chinese power. Yet, Canada has not. Its policy discourse on China is largely limited to the question of how Canada should balance its concerns for human rights with its interests in trade when dealing with China. Consequently, Canada suffers from the lack of a systematic, realistic, and pragmatic security policy framework in formulating its strategy toward China, which would unify various activities pursued by Canada's security policy community while taking into account the strategy of the United States, Canada's key ally. This project attempts to fill this critical void in the policy literature. It advances a "soft-balancing strategy" that focuses largely on non-military measures in coping with security threats emanating from China. More specifically, it advocates that Canada should (1) foster further cooperation with its "Five Eyes" partners (the United States, the United Kingdom, Australia, and New Zealand) in the field of intelligence and cyber security; (2) forge stronger ties with the Asian partners that share security interests vis-à-vis China; and (3) strengthen the existing policy regime to scrutinize inbound Chinese investment in Canada. While Canada should continue its engagement policy vis-à-vis China, it needs to be balanced with proper security measures in order to protect its security interests.

Keywords: China; Canada; strategy; security; policy; bilateral

Dedication

This project is dedicated to my mother and father. Dear mom and dad, thank you for your years of support, love, and understanding. I would not be where I am, and who I am, without you both. Thank you.

Acknowledgements

I would like to acknowledge the tireless efforts and contributions of my senior supervisor, Dr. Tsuyoshi Kawasaki. Thank you for your input and for always being so willing to help. This project, in its form, would not have been possible without you.

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List of Acronyms

A2/AD	Anti-Access/Area Denial
AEW	Airborne Early Warning and Control
APT	Advanced Persistent Threat
ASEAN	Association of Southeast Asian Nations
ASIO	Australian Security Intelligence Organisation
CCP	Chinese Communist Party
CIS	Chinese Intelligence Services
CNO	Computer Network Operations
CNOOC	China National Offshore Oil Corporation
CSIS	Canadian Security Intelligence Service
CSEC	Canadian Security Establishment Canada
CBSA	Canada Border Services Agency
CNE	Computer Network Exploitation
DFAIT	Department of Foreign Affairs and International Trade
DH	<i>DonHai</i> Missile
DOD	Department of Defense (United States)
DPP	Democratic Progressive Party
DND	Department of National Defence
EW	Electronic Warfare
IC	Industry Canada
ICBM	Inter-Continental Ballistic Missile
IISS	International Institute for Security Studies
INEW	Integrated Network Electronic Warfare
ISAB	International Security Advisor Board (United States)
KMT	Kuomintang Party
NATO	North Atlantic Treaty Organisation
NORAD	North American Aerospace Defense Command
ONI	Office of Naval Intelligence (United States)
PCO	Privy Council Office
PAP	People's Armed Police
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy

PMO	Prime Minister's Office
PPP	Purchasing Power Parity
RMB	<i>Yuan Renminbi</i>
SASAC	State-Owned Assets Supervision and Administration Commission
SIGINT	Signals Intelligence
UN	United Nations
US	United States
WTO	World Trade Organization

I. Introduction

The People's Republic of China (China hereafter) has captured the attention of many Western academics and policymakers. In the Asia-Pacific region, the rise of Chinese military power has become one dominant issue for discussion. Couched in this discussion is a vocal debate regarding Chinese intentions, and regarding China's role as a non-status-quo power. Security-based and economic issues have permeated this debate considerably. China is increasingly accused of cyber-attacks and espionage against the United States, Canada, and other countries, and is a potential national security concern for many these target states. However, for economic reasons, many seek to also engage the Chinese, especially the U.S., who continues to attempt to forge a meaningful relationship with China, as seen in the form of the June 7-8, 2013 meeting between Presidents Barack Obama and Xi Jinping. Furthermore, China's Asian neighbors are increasingly wary of Beijing's assertive external behavior in territorial disputes. It is thus no surprise that China's military might has become a focus of intense academic and policy debates in the Asia-Pacific region and around the world.

What, then should Canada pursue and employ in terms of a security policy framework vis-à-vis China, which is not only systematic but also pragmatic and realistic in the context of international power politics? What are the basic tenets, assumptions, and theoretical underpinnings of such a policy framework? How does this framework relate to U.S. strategy toward China, when Canada must strike a balance between two imperatives, i.e., the quest of its own independent foreign policy and the need for maintaining a good relationship with its powerful southern neighbor? Furthermore, how should the Canadian government understand the nature of rising Chinese military and economic power vis-à-vis Canada's strategic interest in the first place?

These are timely and important questions for Canada's security policy community composed of (but not limited to) the Department of National Defense (DND), the Department of Foreign Affairs and International Trade (DFAIT), the Canadian Security Intelligence Service (CSIS), Communication Security Establishment Canada (CSEC),

the Privy Council Office (PCO), and the Prime Minister's Office (PMO). Simon Palamar and Eric Jardine have stressed that "seriously considering the implications of Asia's ascent for Canada's diplomacy, economy, society and military" is imperative.¹ Their comments are particularly relevant in dealing with growing Chinese military power.

Yet, the current literature on Canada-China relations, as well as that of Canadian foreign policy toward China, does not provide satisfactory answers. No meaningful debate regarding comprehensive strategic/security policy, or grand strategy, has taken place in Canada about China. In fact, Scott McKnight notes that so little has been said, that Canada barely factors on China's radar in high-level discussions, except in regards to resource acquisition and trade.² The need for formulating a comprehensive China policy — one that includes a crucial security dimension — has been mentioned in the past, as Wenran Jiang's 2009 *International Journal* article reminds us. Jiang noted that "Policymakers in Ottawa need to think beyond the coming Prime Ministerial visit, beyond the current economic downturn, beyond short-term Canada-China relations, and beyond partisan politics when it comes to China policy."³ This "need" has been mentioned several times in the past; however, it has yet to be met—especially in the field of security policy.

In a recent article in the *Canadian Foreign Policy Journal*, furthermore, James Manicom pleads for a "China debate" to start in Canada, a debate on Canada's security interest and responses vis-à-vis China's rising power.⁴ After reviewing the relevant literature, Manicom points out that Canada, as a Pacific nation, stands out for the lack of such a debate among fellow major democracies in the Asia-Pacific region—the United States, South Korea, Japan, and Australia—although Canada does have a similar debate on Africa.⁵ Manicom further points out that the security dimension is largely ignored in the current literature on Canada-China relations; yet, Manicom himself stops short of presenting a comprehensive security policy framework to fill this gap.

¹ Simon Palamar and Eric Jardine, "Does Canada Need a New Asia Policy?" *Canadian Foreign Policy Journal* 18, no. 3 (2012): 254.

² Scott McKnight, *Misperception, Misunderstanding and Miscalculation: How China Sees Canada in the World*. Issues in Canada-China Relations (Toronto: Canadian International Council, 2011), 31-40.

³ Wenran Jiang, "Seeking a Strategic Vision for Canada-China Relations," *International Journal* 64, no. 4 (Autumn 2009): 909.

⁴ James Manicom, "Canadian Debates about China's Rise: Whither the "China Threat"?" *Canadian Foreign Policy Journal* 18, no. 3 (2012): 287-300.

⁵ *Ibid.*, 288-293.

Meanwhile, Tsuyoshi Kawasaki's 2000/2001 article, which does submit such a policy framework of sort (not specifically vis-à-vis China, though), requires significant updating and "refreshing" as it was written more than a decade ago.⁶

While taking Manicom's article as a starting point, the present project, as a policy paper, proposes a new security policy framework for Canada which centers on the concept of *soft balancing*, in dealing with growing Chinese military might. The term "soft balancing" was originally coined by Robert Pape in the context of second-class powers' actions against the preponderant power of the United States in the post-Cold War period.⁷ According to Pape, soft balancing is defined as a set of "actions that do not directly challenge U.S. military preponderance but that use non-military tools to delay, frustrate, and undermine aggressive unilateral U.S. military policies."⁸ More specifically, such measures include "international institutions, economic statecraft, and diplomatic arrangements."⁹ The opposing concept is known as *hard balancing*, whose form takes "military buildups, war-fighting alliances, and transfers of military technology to" allies.¹⁰ This project borrows Pape's soft balance concept and applies it to Canada's China policy with appropriate adjustments and modifications.

The present paper's central argument, therefore, is that to fulfill the need for a systemic, pragmatic, and realistic security-based foreign policy towards China, Canada should pursue a course of soft balancing, as the new Asian great power does pose a set of significant security problems to Canada both in the Asian theater (i.e., the aggressive behavior of China in territorial disputes, especially by its navy at the expense of U.S. naval power in the Western Pacific) and on the home front (Chinese cyber-attacks and

⁶ Tsuyoshi Kawasaki, "Formulating Canada's Grand Strategy in Asia," *International Journal* 56, no. 1 (Winter 2000/2001): 135-148.

⁷ Robert Pape, "Soft Balancing against the United States," *International Security* 30, no. 1 (Summer 2005): 7-45.

⁸ *Ibid.*, 10.

⁹ *Ibid.*, 36. Pape further notes that "Although soft balancing relies on nonmilitary tools, it aims to have a real, if indirect, effect on the military prospects of a superior state. Mechanisms of soft balancing include territorial denial, entangling diplomacy, economic strengthening, and signaling of resolve to participate in a balancing coalition" (*ibid.*, 36).

¹⁰ *Ibid.*, 9. I realize that there is an important debate among theorists of international relations on the concept of a 'soft balance'. For the most recent review, see Ilai Z. Saltzman, "Soft Balancing as a Foreign Policy: Assessing American Strategy toward Japan in the Interwar Period," *Foreign Policy Analysis*, 8, no.2 (2012): 131-150. Since this project is a policy paper, however, I will not delve into this debate. I concur with Saltzman in accepting the concept of soft balancing as a useful tool in understanding and formulating a foreign policy.

investment in the critical sectors of the Canadian economy). This policy argument should be distinguished from three *alternative* positions:

- (a) An engagement policy, without balancing components whatsoever;
- (b) A policy that completely abandons engagement with China;
- (c) A policy of hard balancing against China.

The present paper does acknowledge, in other words, the need to keep engaging China particularly through economic ties, due to Canada's resource-based economy. However, this type of engagement policy must be accompanied by balancing measures, and these measures should be those of soft balancing, and not hard balancing. In addition, Canada should shape its economic engagement with China in accordance with its national security imperatives — hence, economic statecraft is required in the form of investment legislation and regulation. The pursuit of this soft balancing strategy also necessitates policy coordination among Canada's domestic and international federal agencies involved in security affairs, and coordination with similar agencies of Canadian allies and partners.

More specifically, the project argues that the Canadian government should implement the following key measures:

1. Active policy coordination with "Five Eyes" partners (the United States, the United Kingdom, Australia, and New Zealand) in the field of intelligence and cyber security;
2. Stronger ties with the other Asian partners that share interests vis-à-vis China; and
3. Strengthening the existing policy regime to scrutinize inbound Chinese investment in Canada.

These, as well as other relevant policies, require not only policy coordination among relevant agencies within the Canadian government, but also a careful analysis of U.S.

grand strategy toward China. Articulating this central thesis requires logical steps. The following section will clarify these steps.

II. Major Research Questions

The primary research question of this project is: “What security policy framework should Canada employ vis-à-vis China, which is not only systematic but also pragmatic and realistic in the context of international power politics?” This question can be broken down to the following sub-research questions, to be answered in order:

1. The definition of threat to Canada: Is China a status-quo power? How should the Canadian government understand the nature of rising Chinese military and economic power vis-à-vis Canada’s security interest?
2. The inadequacy of Canada’s orthodox, liberal-internationalist approach: Why is the hitherto approach employed by Ottawa vis-à-vis Beijing not adequate in pursuing Canada’s security interest, given the answer to (1) above?
3. The features of an alternative approach: If we in fact need an alternative approach, we have to articulate it beyond the current line of arguments put forward by Canadian academics.
 - a. What are the basic tenets, assumptions, and theoretical underpinnings of a proposed security policy framework?
 - b. How does it relate to U.S. strategy toward China, when Canada must strike a balance between two imperatives, the quest of its own independent foreign policy and the need of maintaining a good relationship with its southern neighbor?

It follows that this project will employ the following research strategies to answer these questions:

- A. On the question of China as a status-quo power:

The project will critically review the relevant literature on this topic and argue that China is displaying behaviour of a non-status quo power on a *regional* level (i.e., in the Asia-Pacific region). While there are a variety of definitions about a status-quo power, this project claims that for *Canada, as a U.S. ally*, China *does* constitute a significant national security problem. For the purpose of this project, the current status quo in the Asia-Pacific region is defined as the military pre-eminence of the United States in the Western Pacific.

B. On the question of the adequacy of liberal internationalism:

The following sections will analyze the assumptions of this orthodox Canadian foreign approach and clarify its limitation given the conclusion of (A) above. This project will rely on the existing critical analyses of liberal internationalism to articulate its assumptions and weaknesses.¹¹ This analysis will then be applied to the case of Canadian security policy toward China.

C. On the feature of an alternative approach:

Upon a comprehensive review of the above issues, the project will answer the questions (3a) and (3b) noted above by articulating and proposing a comprehensive security framework centering on the concept of soft balancing. The rest of this project follows the trajectory mapped out above (i.e., addressing points A, B, and C in that order).

III. The Strategic Rise of China: Behaviour of a Non-Status Quo Power

¹¹ For example, David Dewitt and John Kirton, "Three Theoretical Perspectives," in *Readings in Canadian Foreign Policy*, edited by Duan Bratt and Chirstopher J. Kukucha (Don Mills, Ontario: Oxford University Press, 2007), 27-45.

Canada's recognition of China's seat in the United Nations (U.N.) in 1970 demonstrated one of the first steps to re-integrate China into the international system.¹² Since Deng Xiaoping's economic reforms of 1979, China has seen steady integration into the capitalist world economy, which has resulted in massive growth in its economy, accompanied with new, shining, world-class cities.¹³ As the Chinese economy grew rapidly, so did the budget of the Chinese military. China has risen as a great power. Canada now faces this reality.

Meanwhile, in academia, the "rise of China" phenomenon has sparked lively debates, one of which centers on whether or not China is a status-quo power. Many come into the debate on opposing sides, bringing valuable points regarding China's place in the international system, as well as those regarding the question of what a status-quo power means in the first place.¹⁴ As Canada contemplates what to do with China, it cannot avoid this fundamental question: Is China a status-quo power like Canada?

The present section of the project will argue that *as far as security affairs in the Asia-Pacific region are concerned*, recent Chinese behavior is displaying clear signs of a

¹² This was done prior to U.S. recognition, and during the Vietnam War. It represents a bold step, when considering the allegation that Chinese forces were providing assistance to North Vietnamese forces.

¹³ China's "economic miracle" also caused the serious gap between the rich and the poor, as well as substantial environmental problems. For a review of the Chinese environmental crisis just prior to the 2008 Beijing Olympics and the role of the Chinese government in trying to maintain constant economic growth at the cost of environmental change, see Elizabeth C. Economy, "The Great Leap Backward? The Costs of China's Environmental Crisis," *Foreign Affairs* 86, no. 5 (2007): 38-59.

¹⁴ Relevant works include: Robert J. Art, "The United States and the Rise of China: Implications for the Long Haul," *Political Science Quarterly* 125, no. 3 (2010): 359-391; Barry Buzan, and Rosemary Foot, eds., *Does China Matter? A Reassessment: Essays in Memory of Gerald Segal* (London: Routledge, 2002); Steve Chan, "Can't Get No Satisfaction? The Recognition of Revisionist States," *International Relations of the Asia-Pacific* 4, no. 2 (2004):207-238; Steve Chan, "Realism, Revisionism, and the Great Powers," *Issues and Studies* 40, no. 1 (2004): 135-172.; Steve Chan, "Is There a Power Transition between the U.S. and China? The Difference Faces of National Power," *Asian Survey* 45, no. 5 (2005): 687-701; Katherine Combes, "Between Revisionism and Status Quo: China in International Regimes," *Polis Journal*, no. 6 (2011): 1-37; Jason Davidson, *The Origins of Revisionist and Status-Quo States* (New York: Palgrave Macmillan, 2006); 5-56; Alastair Iain Johnston, "Is China a Status Quo Power?" *International Security* 27, no. 4 (2003): 5-56; Scott L. Kastner and Phillip C. Saunders, "Is China a Status Quo or Revisionist State? Leadership Travel as an Empirical Indicator of Foreign Policy Priorities," *International Studies Quarterly* 56, no. 1 (2012): 163-177; John J. Mearsheimer, "The Gathering Storm: China's Challenge to U.S. Power in Asia," *Chinese Journal of International Politics* 3, no. 4 (2010): 381-396; Randall Schweller and Xiaoyu Pu, "After Unipolarity: China's Visions of International Order in an Era of U.S. Decline," *International Security* 36, no. 1 (2011): 41-72.

non-status quo power. This argument is specific in terms of issue-areas and regions; it is concerned neither with the international economy nor with international organizations. Nor is this argument discussing China's global-level behavior or Chinese activities in Europe, Africa, or Latin America. As such, this project's argument differs significantly from many academic writings' on the question concerned. It is also based on analysis of sustained Chinese military behavior patterns. It follows that it is not examining Chinese-language sources to gauge "true Chinese intentions";¹⁵ its analysis is based on publicly available English-language sources about Chinese behavior.

Furthermore, this project defines the status-quo in Asia-Pacific security affairs as the military pre-eminence of the United States in the Western Pacific, expressed in the forms of U.S. air-naval capabilities and military presence deployed in the sub-region, the treaty or any other arrangements sustained by Washington with its Asian friends and allies, and the present borders among Asian states. In this specific context, Canada is a status-quo power, firmly tied to the interests of the United States, with strategic interest to sustain the status quo defined here—although it is often assumed only implicitly.

A challenge to the parameters of the Asia-Pacific status quo is considered revisionism—or non-status quo behavior—and as stated earlier, Chinese military behavior indicates signs of revisionism. China's military has followed a policy of rapid modernization and professionalization of its forces, especially in its naval forces, to challenge U.S. naval predominance in the Western Pacific. China is testing its regional (if not world) boundaries vis-à-vis U.S. allies and friends in Asia in a decidedly *realpolitik* manner, as seen in recent territorial disputes.¹⁶

Coupled with the dominant physical air-naval capabilities of the United States are Washington's powerful intelligence-related capabilities, especially in the cyber sphere. Without the latter, no effective U.S. military operations, even with sophisticated military

¹⁵ Many have argued that Chinese strategists think about the world from the standpoint of a deep-seated *realpolitik* mentality, stemming from centuries of experience. This mentality, we are told, has caused China to engage in a steady program of military and economic expansion in the past few decades. See, for example, Huiyun Feng, "Is China a Revisionist Power?" *Chinese Journal of International Politics* 2, no. 3 (2009): 313-334.

¹⁶ Jonathan Manthorpe, "China Risks War as It Pushes Territorial Claims on Three Fronts," *The Vancouver Sun*, April 29, 2013. <http://www.vancouversun.com/opinion/columnists/somnia/8311327/story.html> (accessed May 15, 2013).

hardware, would be possible. This means that any threats to U.S. cyber capabilities from an Asian country would constitute a direct challenge to the U.S. dominance in the Western Pacific (i.e., the status quo). And it is China that not only has developed critical capabilities of cyber warfare but also is using them extensively against the United States—hence conducting revisionist behavior. In fact, Canada is also a target of such Chinese cyber activities. Canada, as a U.S. ally, and as a member of the closely knit “Five Eyes” intelligence community (composed of the United States, the United Kingdom, Australia, New Zealand, and Canada), is facing a direct Chinese threat in the cyber sphere.

In this section, we will first provide a general assessment of growth in Chinese military capabilities. Then, the following two sub-sections demonstrate China’s status-quo challenging behaviour: China’s cyber warfare activities and recent Chinese behavior in territorial disputes. In the fourth sub-section, we will review some common arguments against typifying China as a revisionist power, followed by rejoinders to them.

A. General Military Capabilities

Recent actions by the Chinese military lead us to believe that China is set in the deep-rooted mentality of *realpolitik*, that China has taken increasing steps to bolster its military presence in the Asia-Pacific region, and that China is taking the initiatives to challenge the existing preponderance of U.S. influence in the same region. In essence, the growth in Chinese military power has increasingly focused on ways to *project* that power abroad, demonstrating behaviour that can be regarded as inherently challenging the existing Asian security balance.

First, let us examine the overall defense spending of China. In the last decade alone, the People’s Liberation Army (PLA) has made massive progress in the technological modernization of its fighting force. Even after the 2008 global economic recession, the Chinese defence budget grew by 7.5%.¹⁷ The official 2009 budget for the Chinese armed forces was set at 480.7bn *Yuan Renminbi* (RMB), equivalent to

¹⁷ The International Institute for Strategic Studies (IISS), *The Military Balance, 2011* (London: IISS, 2011), 195.

roughly U.S. \$127.85bn, when taking into account Purchasing Power Parity (PPP). The Chinese government does not include in its official budget funding for foreign weapons purchases, defense industry subsidies, research and development programs, government-funded science and technology activities, and the People's Armed Police (a domestic, paramilitary organization).¹⁸ In reality, with these extraneous, unenclosed expenses included, the actual budget would stand at 671.78bn RMB, or just over U.S. \$166bn, about 1.4 times greater than the official budget stated for that year, with PPP taken into effect.¹⁹ Updated figures show that military spending has not stalled. In 2012, the official defense budget grew approximately 8% from 2011; and in 2011, the defense budget had grown approximately 9% from the year prior. Official figures for the 2012 budget were stated at 648bn RMB, or approximately U.S. \$153bn, when taking into account PPP. Again, these figures do not include the above noted extraneous items. When these missing figures are factored in, China's defense spending balloons to 1.4-1.5 times of the officially stated budget, to approximately 940-980bn RMB, or U.S. \$223-232bn, again, with PPP taken into account.²⁰

In conjunction with a discerned effort in expanding projection capabilities through the development of air-force operation range and a blue-water navy, these figures display a significant trend of military growth. Since the late 1990s, China's defense industry has striven to "build a market-based and research-driven regime that would provide the discipline and competition required to nurture these critical but neglected capabilities."²¹ It has performed this task with "noticeable gains in efficiency, profitability and the development of more capable weapons."²² This development marks a significant change in the dynamic of the Chinese defense industry in the previous decade, signalling a rapid modernization. After the publication of the 2009 figures, the day before China's National People's Congress, the Chinese government announced that its *official* military budget will increase by 12.7%.²³ The 2006 report to the U.S.

¹⁸ While the People's Armed Police (PAP) is a domestic organization, it is highly plausible that in a time of international conflict, their role may quickly change to a support function for the PLA, as many paramilitary organizations in the world are capable of doing.

¹⁹ IISS, *The Military Balance, 2011*, 198.

²⁰ IISS, *The Military Balance, 2013* (London: IISS, 2013): 252-258, 286.

²¹ *Ibid.*, 201.

²² *Ibid.*

²³ The budget officially increased to 601.1 billion RMB or US \$91.5 billion approximately. "China Says It Will Boost Its Defense Budget in 2011," *BBC News*, March 4, 2011, <http://www.bbc.co.uk/news/business-12631357> (accessed December 12, 2011).

Congress by the U.S. Department of Defense (DoD) marks key developments in Chinese military capabilities, emphasizing that the PLA is pursuing a platform of “a broad-based military build-up encompassing force-wide professionalization; improved training; more robust, realistic joint exercises; and the accelerated acquisition of modern weapons.”²⁴ This modernization is based in a desire to transform the PLA:

From a mass infantry army designed to fight a protracted war of attrition *within its territory to a modern, professional force, sized for and capable of fighting high-intensity, local wars, or short duration against high-tech adversaries, at or beyond China’s borders.*²⁵

Furthermore, a 144-page, comprehensive report published in 2007 by the U.S. Office of Naval Intelligence (ONI) argues that the Chinese navy’s doctrine is partly motivated by a new reform termed “The National Military Strategic Guidelines for the New Period.” Within this modernization component is a distinct desire and trend for the entire PLA to transform itself “[f]rom an army preparing to fight local wars under ordinary conditions to an army preparing to fight and win local wars under modern, high-tech conditions,” and “[f]rom an army based on quantity to an army based on quality.”²⁶ An updated report by the ONI in 2009 noted a marked increase in the procurement strategy of the Chinese navy to procure high quality naval hardware, including sophisticated nuclear and diesel submarines that are difficult to detect.²⁷ A 2008 report by the U.S. State Secretary’s International Security Advisor Board (ISAB) further argued that “Chinese military modernization is proceeding at a rate to be of concern even with the most benign interpretation of China’s motivation.”²⁸

²⁴ The report also stresses a trend of “deception” in Chinese military strategy, with a remarkably opaque military institution. U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military Power of the People’s Republic of China, 2006* (Washington, D.C.: U.S. Department of Defense, 2006), 14, 26.

²⁵ *Ibid.*, 14, emphasis added. Also see U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military Power of the People’s Republic of China, 2008* (Washington, D.C.: U.S. Department of Defense, 2008) for an update with similar conclusions.

²⁶ U.S. Office of Naval Intelligence, *China’s Navy: 2007* (Washington, D.C.: U.S. Office of Naval Intelligence, 2007), 24.

²⁷ U.S. Office of Naval Intelligence, *A Modern Navy with Chinese Characteristics: 2009* (Washington, D.C.: U.S. Office of Naval Intelligence, 2009), 18-23.

²⁸ U.S. State Secretary’s International Security Advisory Board, *China’s Strategic Modernization* (Washington, D.C.: U.S. State Secretary’s International Security Advisory Board, 2008), 1. The report also argues that “China’s emphasis on industrial and defense espionage reflects the priority of acquiring advanced technology for its economic development and military modernization” (p. 2).

These developments have provided Chinese military forces with increased potential regional force projection capabilities. Among all the states in East Asia, China represents 50.9% of all military spending in the region, while Japan represents only 29.5%.²⁹ China also far outpaces all other regional competitors both in military spending and in technological capabilities.³⁰ Chinese military spending represents more than a third of all the military spending in the entire Asia-Pacific region (excluding that of the United States).³¹ This ratio may increase steadily as Chinese military spending increases over the next few years.

While these developments are significant, it should be noted, Chinese military capabilities are yet to rival U.S. military capabilities on any significant level. The U.S. military budget was approximately eight times its Chinese counterpart in 2011, and U.S. forces remain technologically superior, with a vast advantage in nuclear and conventional capabilities as well as in force deployment abilities. The U.S. navy remains a formidable power in the Pacific, giving the Chinese good reason to develop their naval capabilities.

This fact seems to be motivating China to compete on a regional scale, where China is vastly increasing its capabilities. Thomas Christensen argues that China can still present significant problems and challenges for Taiwan and the United States, and with the growing naval power of the Chinese, this concern is becoming more real.³² Chinese analysts are distinctly concerned with the conventional projection capabilities of the U.S. Armed Forces, which generates a strong push for Chinese forces to develop a sufficient counter-force (i.e. anti-access/area denial capabilities, otherwise known as 'A2/AD').³³

The dream of these Chinese analysts to "defeat" U.S. forces may become reality in a few decades. New data from the International Institute for Security Studies (IISS)

²⁹ IISS, *The Military Balance*, 2013, 251.

³⁰ *Ibid.*, 248.

³¹ *Ibid.*, 249.

³² Christensen argues that U.S. forces are spread thin, and that most potential regions for conflict are in fact geographically adjacent to China, making deployment significantly cheaper, faster and easier for Chinese forces. Thomas Christensen, "Posing Problems without Catching up: China's Rise and Challenges for U.S. Security Policy," *International Security* 25, no. 4 (2001): 10.

³³ Lora Saalman, *China and the U.S. Nuclear Posture Review*, The Carnegie Papers (Beijing: Carnegie-Tsinghua Center for Global Policy, 2011): 25-27.

suggest that based on the current rate of *official* Chinese military spending increase (and the current trend of defense spending slowdown in the United States as a result of sequestration), there may be a convergence of defense expenditures as early as 2025.³⁴ In the case of slower U.S. military growth, and if figures from China are to include spending in other aforementioned areas, convergence could occur as early as 2022 (even without adjusting for PPP). It is important to note that while these figures are telling, they are based on the assumption of sustained economic growth in China, which is far from certain. Nevertheless, the drastic rise of Chinese military spending in recent years, and the potential for further growth are clear.³⁵

While the discussion of numbers, statistics and figures provides a baseline upon which to establish an evaluation, how has this increase in Chinese military spending translated into actual power projection capability? Corruption in certain parts of the Chinese military-industrial complex notwithstanding, China has managed to vastly increase its regional power projection capability, providing a significant challenge to (and in some cases, completely out-shadows) most of its immediate competitors in the region, most notably to the indigenous forces of Japan, Taiwan, and South Korea. The People's Liberation Army Navy (PLAN) is pushing forward the development of a true blue-water fleet, complete with aircraft carriers, tactical nuclear submarines, and destroyers. There has been a concerted effort here to develop projection capability. China's first aircraft carrier, the 50,000-tonne *Liaoning*, was commissioned in September 2012, after an extensive modernization, refit, and refurbishment program which has run well ahead of schedule.

Shortly thereafter in November 2012, several prototype, domestically made J-15 fighter aircraft landed on the carrier as a part of sea trials. Marine Z-8 Airborne Early Warning and Control (AEW) helicopters were seen landing and taking off from the aircraft carrier at various times between 2011 and 2012. Recent information suggests that the J-15 may serve in a multi-role fashion, i.e., it may be used in an anti-ground, and anti-ship operations. The *Liaoning* has also been fitted with what appear to be launch tubes for the *DonHai-10* (DH-10) land-attack nuclear-capable cruise missile. The presence of a land-attack cruise missile, which is arguably an offensive weapon, on a

³⁴ IISS, *The Military Balance*, 2013, 256.

³⁵ Ibid.

Chinese aircraft carrier signals a significant development in the offensive capabilities of the *Liaoning*. Blue-water capability continues to be enhanced with the development of two new Type-052D destroyers. The destroyers have been noted as possessing 64 vertical launch-system tubes for missiles, these tubes may carry the DH-10. Chinese power can now be projected further than ever before: the PLAN continues to patrol the Gulf of Aden to protect Chinese vessels against piracy in the region; and the DF-41 inter-continental ballistic missile (ICBM),³⁶ which has the potential to reach the continental United States,³⁷ was test-fired in July 2012.³⁸ In addition to the aircraft carrier and new destroyers, the PLAN has made an effort to procure nuclear submarines (in addition to its diesel-electric fleet). The PLAN has 65 submarines as of 2013, with four of these being nuclear-powered ballistic-missile capable (SSBN hull-class), and five nuclear non-ballistic capable attack submarines (SSN hull-class). These may be potentially dangerous to U.S. carrier fleets in the region, especially considering their newer designs.³⁹

It is safe to assume that this developing naval power projection capability continues to be driven by China's "first island chain" and "second island chain" policies. These policies are specifically geared towards disrupting U.S. fleets and bases in the Asia-Pacific region. China aims to be able to challenge and push back U.S. power beyond what it considers and calls the "first island chain"—stretching from Japan, through Taiwan and the Philippines, to Borneo—effectively creating a defence perimeter in the area, while securing the defence of Taiwan against foreign intervention. An ultimate goal for Chinese strategists would be to create a greater, more ambitious defence perimeter, along the boundary of the "second island chain"—from Japan to Guam (a U.S. territory). Being able to project power to the extent of these two chains is

³⁶ The Federation of American Scientists reports that as of early 2013, China had an estimated inventory of approximately 250 military-ready nuclear weapons, with 180 in reserves. "Status of World Nuclear Forces 2013," *Federation of American Scientists*, last modified 2013, <http://www.fas.org/programs/ssp/nukes/nuclearweapons/nukestatus.html> (accessed June 5, 2013).

³⁷ It has been noted that China has one of the more sophisticated land-based handling facilities for its nuclear warheads and missiles. For more information regarding China's nuclear handling facilities, see Mark A. Stokes, *China's Nuclear Warhead Storage and Handling System*. (Arlington, VA: Project 2049 Institute, 2010). Furthermore, while China is increasing its nuclear arsenal, it does have a "no first use" policy that has been expressed by officials. See Lora Saalman, *China and the U.S. Nuclear Posture Review*: 17-19.

³⁸ IISS, *The Military Balance, 2013*, 252-254.

³⁹ *Ibid.*, 289.

crucial for the PLAN if China intends to challenge U.S. power in the region (see Figure 1 below). Current capabilities and recent developments allow China to project power relatively easily into and beyond the “first island chain,” and the development of new intermediate-range ballistic missiles are affording China with a growing capability to challenge power up to the “second island chain.” It should be noted that while China is able to project power into these regions, it is yet to achieve total force superiority due to the existing presence of U.S. military bases and assets in South Korea, Japan, Guam, and Hawaii.⁴⁰

Because of this preponderance of U.S. military strength in the region, the PLA has followed a strong A2/AD strategy in order to deter third party intervention in potential military conflicts. This strategy is aimed specifically at U.S. forces in the region, and it is comprised of a sustained effort to develop the capability “to attack, at long ranges, military forces that might deploy or operate within the western Pacific.”⁴¹ The PLAN is noted as being “in the forefront” of China’s A2/AD developments, “having the greatest range and staying power within the PLA to interdict third-party forces.”⁴² Surface ships and submarines have been theorised by the U.S. DoD to be able to challenge U.S. power in the “second island chain.” In addition to applying these weapons systems to PLAN vessels, the PLA is developing measures that allow for the engagement of a hostile maritime force from up to 1,000 nautical miles from China’s coast.⁴³

⁴⁰ U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China, 2012*. (Washington, D.C.: U.S. Department of Defense, 2012), 40, and U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China, 2013* (Washington, D.C.: Office of the Secretary of Defense, 2013). Also see Ronald O'Rourke, *China Naval Modernization: Implications for U.S. Naval Capabilities - Background and Issues for Congress*. (Washington D.C.: Congressional Research Service, 2011) for further information regarding implications of PLAN expansion.

⁴¹ U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments, 2013*, 32.

⁴² *Ibid.*, 33.

⁴³ *Ibid.*, 32-35.

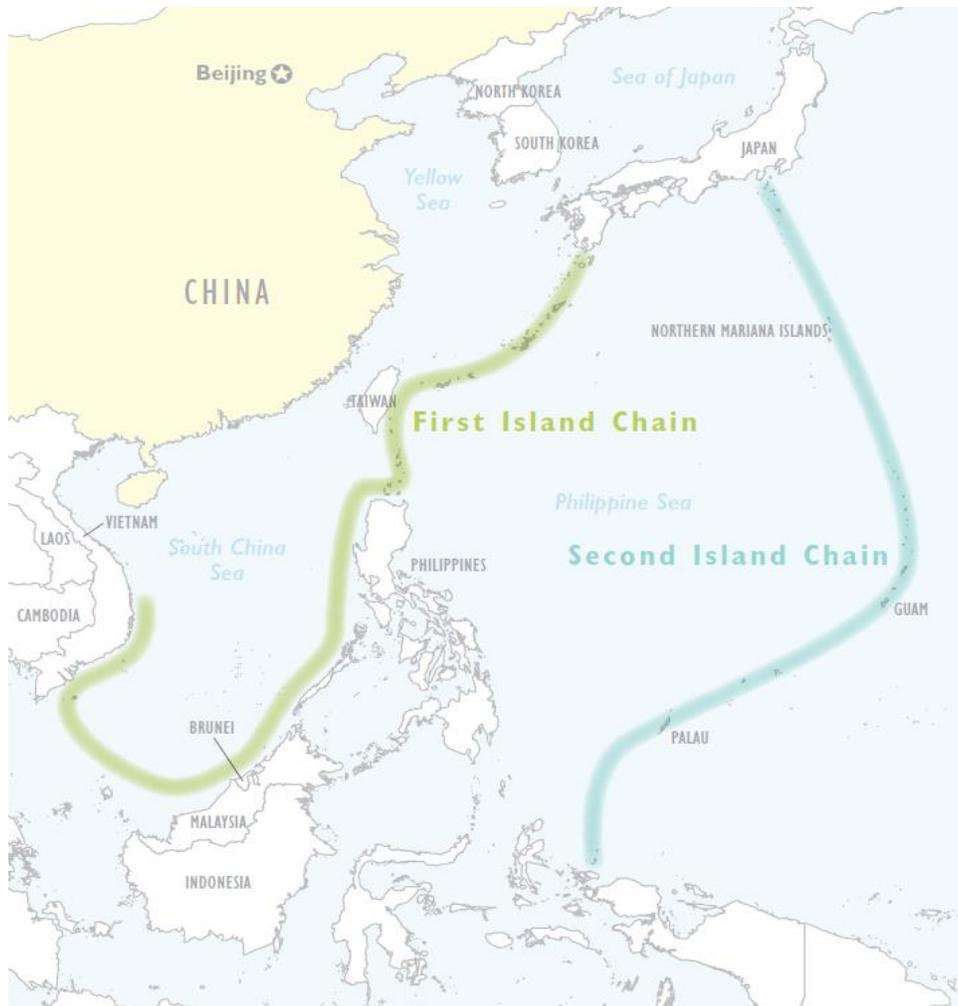


Figure 1: The First and Second Island Chains ⁴⁴

Territorial claims by various countries within these two ‘chains’ are complex and intricate, and while unresolved, will always provide potential for conflict. This fact serves as additional motivation for the PLAN to continue modernising and maintain an ‘edge’ over other regional forces.

The above discussions are not meant to fear-monger, or sensationalise the threat posed by the Chinese military machine. Many academic writers have come in on either side of the argument regarding China’s growth, with some arguing that it will be

⁴⁴ U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments*, 2012, 40.

peaceful, and some theorizing a violent or turbulent rise.⁴⁵ This project seeks to point out that growing Chinese power projection capability is merely a fact, and represents a trend that should be expected to continue in the face of sustained economic growth in China. These developments are a part of the growing physical *capability* of the Chinese military.⁴⁶

Beyond academic writings, we may note at this point, the U.S. policy circle seems to see offensive intentions behind Chinese military buildup, especially in the area of naval capabilities, according to various reports. See, for example, the following statement from the aforementioned 2008 report entitled *China's Strategic Modernization*, authored by the U.S. ISAB:

China's military modernization is inspired in part by growing nationalism and pride, by the goal of checkmating U.S. military power while expanding its own presence and capabilities in Asia and the Pacific, by its increasing

⁴⁵ This debate is quite important, as it deals with the true intentions of China. Due to this project's focus, we will not delve too deeply into issues of Chinese intentions. As an example of the current debate regarding Chinese intentions, on the one hand, Bernstein and Munro claim that China is "[p]ropelling itself towards Asian hegemony" (p.18), and that China should not be allowed to become a hegemon (p.31), as Beijing sees Washington as the chief obstacle to its interests (p.19). See Richard Bernstein, and H. Ross Munro, "The Coming Conflict with America," *Foreign Affairs* 76, no. 2 (1997): 18-32. David Kang, on the other hand, argues that China's rise maybe quite peaceful as a possible result of the establishment of a Chinese-led hierarchy—he anticipates that other East Asian powers would accommodate such a hierarchy. See David Kang, "Why China's Rise Will Be Peaceful: Hierarchy and Stability in the East Asian Region," *Perspectives on Politics* 3, no. 3 (2005): 551-554. For more insight into this debate, see Thomas J. Christensen, "China, the U.S.-Japan Alliance, and the Security Dilemma in East Asia," *International Security* 23, no. 4 (1999): 49-80; James Dobbins, "War with China," *Survival* 54, no. 4 (2012): 7-24; Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security* 18, no. 3 (1993/4): 5-33; Aaron L. Friedberg, "Are We Ready for China?" *Current History*, no. 499 (2008): 15-18; Michael Hart, "Dragon Fears," *International Journal* 66, no. 2 (2011): 285-311; Kai He, and Huiyun Feng, "Debating China's Assertiveness: Taking China's Power and Interests Seriously," *International Politics* 49, no. 5 (2012): 633-644; Jeffrey Legro, "What China Will Want: The Future Intentions of a Rising Power," *Perspective on Politics* 5, no. 3 (2007): 515-534; Mingjiang Li, "Rising from Within: China's Search for a Multilateral World and Its Implications for Sino-U.S. Relations," *Global Governance* 17, no. 3 (2011): 331-351; John J. Mearsheimer, "China's Unpeaceful Rise," *Current History* 105, no. 690 (2006): 160-162; Denny Roy, "Hegemon on the Horizon? China's Threat to East Asian Security," *International Security* 19, no. 1 (1994): 149-168; Jianyong Yue, "Peaceful Rise of China: Myth or Reality?" *International Politics* 45, no. 4 (2008): 439-456.

⁴⁶ It is interesting to note that the PLA has started to take liberties in pushing its boundaries within the state as well; Robert Gates, former U.S. Secretary of Defense, noted that Former President Hu Jintao seemed unaware that the test of a Chinese stealth jet had taken place to coincide with Gates' arrival in China. Viola Giege, "Gates Says Hu Seemed Unaware of China Stealth Jet Flight, Causing 'Worry,'" *Bloomberg*, January 13, 2011, <http://www.bloomberg.com/news/2011-01-14/gates-says-hu-seemed-unaware-of-china-stealth-jet-flight-causing-worry-.html> (accessed December 15, 2011).

commerce, and by Beijing's desire to be perceived as a serious player on the world scene. Chinese leaders believe that China has been humiliated in the past by Korea and Japan, and more recently by the United States over Taiwan. They probably believe that, with rising nationalism underway, any similar humiliation in the future would be a threat to the regime from within.

Most important, China has established the goal of becoming a global power through dominance in the Asia/Pacific region—a goal that is seen as clearly within its grasp as long as it can sustain economic growth through rapid modernization. While China's economic base is being enlarged and strengthened, Beijing seeks greatly enhanced military power and reach.⁴⁷

The same report sees a geopolitical collision course between the United States and China in the Western Pacific:

For China, phasing for this undertaking is contingent upon overcoming geographic and political hurdles. China's initial thrust is to "break out" from its centuries-long containment along the Pacific littoral. Geography has contributed to this perceived containment, through the offshore barriers of Korea, Japan, Taiwan, the Philippines, Southeast Asia, and Malaysia; but the real force that has "bottled-up" China along its coastline has been the British—and now U.S.—navies. In China's view, Taiwan is the key to breakout: if China is to become a global power, the first step must include control of this island. Achieving this objective would dramatically increase Beijing's ability to command the seas off its coast and to project power eastward. It also would deny the United States a key ally in a highly strategic location. This motivation is reinforced by Beijing's intense nationalist objective of recovering Chinese territory that was taken by force, and removing any challenge to Beijing's regime legitimacy.⁴⁸

These are not the words of such U.S. "hardliner agencies" as the Pentagon or the Central Intelligence Agency; they come from an advisory group to the top of the State Department, an agency that historically restrained hardliners within the U.S. administration.

Let us now turn our attention from Chinese capabilities (or military assets) to Chinese behavior. The following two sub-sections demonstrate China's status-quo challenging behaviour: China's cyber warfare activities and recent Chinese behavior in

⁴⁷ U.S. State Secretary's International Security Advisory Board. *China's Strategic Modernization*, 2.

⁴⁸ Beyond Taiwan, the United States has treaty obligations to protect South Korea, Japan, and the Philippines—those Pacific littoral states mentioned in the quote. *Ibid.*, 3.

territorial disputes. After that, we will review some common arguments against typifying China as a revisionist power, followed by rejoinders to them.

B. Offensive Cyber Tactics

An issue that has not translated well into conventional power politics or warfare techniques is the issue of cyber-attacks or cyber “warfare.” This technological development is essentially a form of asymmetrical capability/warfare. From the relative comfort of an office structure in Shenzhen, a member of the PLA’s 3rd Department / 3PLA / 总参三部二局 (Signals Intelligence [SIGINT]/cyber division of the PLA) can routinely perform cyber espionage and access data half a world away.⁴⁹ The direct damage of intellectual property thefts and the indirect damage of ensuing stock market turmoil cannot be understated.⁵⁰

The lack of secure internet safety protocols for many Western governments and corporations has allowed China to exploit such weaknesses towards its own benefit. Between 1999 and 2009, for example, 35 specific instances were noted by Northrop Grumman as “significant” Chinese cyber activity against Western and Taiwanese targets.⁵¹ The U.S.–China Economic and Security Review Commission, in its 2009 report, alerted the public this looming threat from China as “Local War Under Informationized Conditions.” The Chinese, we are told, was coordinating military operations in land, air, sea, and space, as well as “across the electromagnetic spectrum.”⁵² Especially worrisome for the commission was “the coordinated use of

⁴⁹ Mandiant, *APT1: Exposing One of China's Cyber Espionage Units* (Alexandria, VA: Mandiant, 2013), 3.

⁵⁰ A recent attack by the Syrian Electronic Army on the Associated Press’s (AP) Twitter account led the tumbling of the NASDAQ, as a fake story posted on that account (bomb detonation in the White House) widely circulated the web. Tim Walker and Richard Hall, “Associated Press, Financial Times and BBC Have Been Hacked by Them - But Who Are the Syrian Electronic Army?” *The Independent*, May 20, 2013, <http://www.independent.co.uk/news/world/middle-east/associated-press-financial-times-and-bbc-have-been-hacked-by-them--but-who-are-the-syrian-electronic-army-8624398.html> (accessed May 25, 2013).

⁵¹ Nigel Inkster, “China in Cyberspace,” *Survival* 55, no. 4, (2010): 55.

⁵² The report specifies in depth the INEW strategy, and the use of electronic warfare to “support” traditional warfare means. These developments should be of significant concern to both the United States and Canada, both of whom are clear targets of this new INEW strategy. Bryan Kerkel, *Capability of the People's Republic of China to Conduct Cyber Warfare and Computer Network Exploitation*. (McLean, VA: U.S.-China Economic and Security Review Commission, Northrop-Grumman, 2009), 6-7.

CNO (Computer Network Operations), electronic warfare (EW), and kinetic strikes designed to strike an enemy's network information systems, creating "blind spots" that various PLA forces could exploit."⁵³ This initiative by China, the report goes on to say, is a part of a new strategy called "Integrated Network Electronic Warfare (INEW)," designed for attacking computer networks and intelligence gathering through electronic means.⁵⁴ Moreover, a recently published MANDIANT report in early 2013 demonstrated the use of Advanced Persistent Threat (APT) technologies by China's 3PLA (Unit 61398) to infiltrate various North American companies and government organizations. According to the report, over 141 organizations over 20 major industries since 2006 were compromised by the 3PLA.⁵⁵

What purpose do Chinese cyber activities serve? The Chinese seem to rely on cyber intrusions for a multitude of economic and military purposes. In its official Annual Report to U.S. Congress regarding "Military and Security Developments Involving the People's Republic of China" in May 2013, the U.S. Office of the Secretary of Defence noted that the Chinese defense industry has benefitted greatly from integration with the civilian economy, with key benefits for information and cyber technologies industries and capability.⁵⁶ Additionally noted is the fact that in 2012, targeted intrusions against U.S. government networks and computer systems were attributable "directly to the Chinese government and military" and were focused on "exfiltrating information."⁵⁷ China routinely uses its computer network exploitation (CNE) capability to "support intelligence collection against the U.S. diplomatic, economic, and defense industrial base sectors that support U.S. national defense programs."⁵⁸ The purpose of these attacks has been noted to potentially benefit "China's defense industry, high technology industries, policymaker interest in U.S. leadership thinking on key China issues, and military planners building a picture of U.S. network defense networks [sic], logistics, and related military capabilities."⁵⁹ Recent attacks help to illustrate this focus: on May 28, 2013, a Pentagon spokesman announced that the U.S. government had been hacked, and over

⁵³ Ibid., 6.

⁵⁴ Ibid., 6-7.

⁵⁵ Mandiant, *APT1: Exposing One of China's Cyber Espionage Units*, 3.

⁵⁶ U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments, 2013*, 12.

⁵⁷ Ibid., 36.

⁵⁸ Ibid.

⁵⁹ Ibid.

two dozen U.S. weapons had been compromised, including the designs of the advanced patriot missile, F/A-18 and F-35 fighter jets, and the Black Hawk helicopter. The attack was cited as having originated in China.⁶⁰ Furthermore, on the same day, it was announced that the Australian Security Intelligence Organisation (ASIO) was compromised: the building plans of its new facilities, including that of network and server details, were accessed by a server in China.⁶¹ Cyber “warfare” of this manner has multiple purposes: for example, collecting data for intelligence and computer network attack purposes, denying service or slowing-down any potential adversary’s actions by the targeting of network-based assets, and triggering “force multiplier” effects in the case of kinetic attacks. These tactics are especially useful when countering a stronger foe.⁶²

It should be assumed that the Chinese have regularly targeted Canadian intelligence agencies and other government departments, as well as Canadian companies in various critical sectors, due to Canada’s close proximity to the United States. In other words, Canada is a “backdoor” to the United States. *GhostNet*, a report authored by Nart Villeneuve, notes that a cyber-espionage system called “GhostNet” infected 1,295 computers in 103 countries including Canada. The target computers were “based inside high value political and economic targets of strategic significance to China’s defense and foreign policy.” Some of the IP addresses used in the attack were traced back to Hainan Island, home of the PLA’s SIGINT facility.⁶³ Technically, it is possible that some of these attacks were not state-sponsored. However, there is a growing wealth of information pointing to the Chinese government as the culprit, in what seems to be a concerted effort to enhance economic and military development, as well as to secure specific state goals.

⁶⁰ “Chinese Hackers ‘Compromise’ U.S. Weapons Systems Design,” *BBC News*, May 28, 2013, <http://www.bbc.co.uk/news/world-us-canada-22692778> (accessed May 28, 2013).

⁶¹ “Australia: China Spy Agency Hack Claims ‘Will Not Hit Ties’,” *BBC News*, May 28, 2013, <http://www.bbc.co.uk/news/world-asia-22685332> (accessed May 28, 2013).

⁶² Two military doctrinal writings, *Science of Strategy*, and *Science of Campaigns*, identify information warfare (IW) as integral to achieving information superiority. U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments*, 36.

⁶³ Ronald Diebert, *China’s Cyberspace Control strategy: An Overview and Consideration of Issues for Canadian Policy*. Issues in Canada-China Relations (Vancouver: Canadian International Council, 2011), 112.

C. Status-Quo Challenging Behaviour by China in Territorial Disputes

While the discussion of military assets on paper is important, equally important is the analysis of recent Chinese military behaviour on a regional scale in order to infer Beijing's intentions. Chinese security policy in recent years has been assuming an increasingly aggressive and belligerent rhetoric and behavior, especially in the area of territorial disputes. We will briefly discuss three cases as illustrations: the Senkaku/Diaoyu island dispute with Japan in the East China Sea, the Ladakh/Aksai Chin dispute with India in the Kashmir region, and the Paracel and Spratly Islands dispute with the Philippines in the South China Sea. All three examples show a China strategically targeting territories over which it claims sovereignty. With a combination of physical posturing and diplomatic pressure, Beijing is making forceful assertions to advance its territorial ambitions.

In the case of the Senkaku/Diaoyu islands, China has claimed sovereignty over eight uninhabited islands and rocks in the East China Sea. Japan initially formally incorporated the islands into its territory in 1895. After a period of U.S. trusteeship following the Second World War, the islands were officially handed over to Japan in 1972.⁶⁴ Since then, they have been under the Japanese administration. The map below shows the disputed region (see Figure 2):

⁶⁴ "Q&A: China-Japan Islands Row," *BBC News*, April 29, 2013, <http://www.bbc.co.uk/news/world-asia-pacific-11341139> (accessed May 15, 2013).

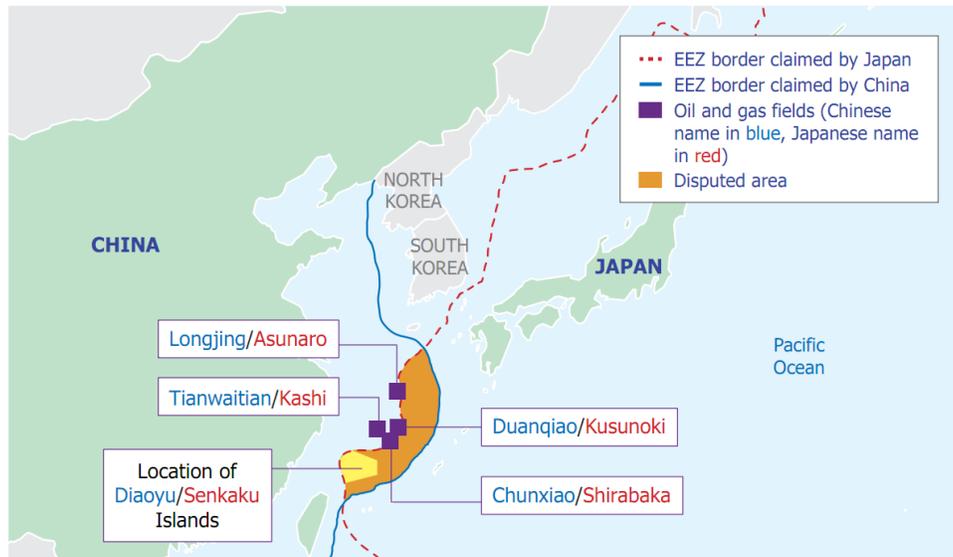


Figure 2: The Senkaku/Diaoyu Islands ⁶⁵

Sino-Japanese tensions over these islands have skyrocketed since 2010. In that year, China clashed with Japan briefly after a Chinese sailor was apprehended by Japanese authorities near the disputed islands. In response to this arrest, China, using its economic might, allegedly decided to cut off all rare earth supplies to Japan. China has a monopoly over these rare earth materials which are crucial to Japan's high-tech industries. The Japanese apparently capitulated shortly thereafter and returned the Chinese fisherman.⁶⁶ It is claimed that the flow of rare earths recommenced shortly thereafter. A fresh row over the islands was sparked after it was announced in April 2012 that public Japanese funds would be used to buy the islands from their private owner. Protests were triggered in several Chinese cities, and Japanese firms were actively targeted in China. Chinese government ships consistently sailed in and out of the waters claimed by Japan after the announcement, and in December 2012, the Japanese government formally noted that a Chinese government plane violated airspace

⁶⁵ "East China Sea, Territorial Issues," *U.S. Energy Information Administration*, last modified September 25, 2012, <http://www.eia.gov/countries/regions-topics.cfm?fips=ECS> (accessed June 25, 2013).

⁶⁶ Keith Bradsher, "Amid Tension, China Blocks Vital Exports to Japan," *The New York Times*, September 22, 2010, http://www.nytimes.com/2010/09/23/business/global/23rare.html?pagewanted=all&_r=2& (accessed May 15, 2013); and Gregory White, "China Lifts Ban on Rare Earth Exports to Japan - Days After Winning the Fishing Boat Dispute," *Business Insider*, September 29, 2010, <http://www.businessinsider.com/china-japan-rare-earth-metal-2010-9> (accessed May 15, 2013). Interestingly, Alastair Ian Johnston disputes whether this rare-earth cutoff ever took place by closely analysing import records. See Johnston, "China's New Assertiveness," 7-48.

over the islands. Beijing retaliated in January 2013 by announcing a geological survey of the islands to “safeguard its maritime rights and interests.”⁶⁷ Subsequently, Japan accused Chinese vessels of placing a weapon’s controlling radar lock on a Japanese ship and a helicopter in the same month.⁶⁸ These actions, if they are true, have marked the most aggressive rhetoric and naval action taken in the case of the disputed islands. China has become so heavily invested in the Senkaku/Diaoyu Island dispute that it has allegedly declared the chain one of its “core interests”—in other words, an issue that it would be willing to go to war over. To highlight the significance of this phrase, previously, the term was only restricted to Taiwan. It is now used to deal with the Senkaku/Diaoyu islands as well, in addition to Tibet and Xinjiang.⁶⁹ The tension over this territorial dispute still continues between Beijing and Tokyo.

The Ladakh/Aksai Chin border dispute between India and China represents one of the most bizarre aggressive actions taken by Chinese forces (see Figure 3). In April 2013, Chinese troops set up camp in the disputed region of Ladakh, approximately 18 km inside what India claims to be its territory. The apparent incursion took place mere days ahead of a planned visit by India’s Foreign Minister to China, and ahead of a scheduled visit by the new Chinese Premier, Li Keqiang, to India. In response, Indian troops camped opposite the PLA force, approximately 100 to 200 metres away from the Chinese position. A spectacular three-week diplomatic row followed, after which the two parties agreed to withdraw troops from the region. The incursion marked the highest level of tensions between the two Asian powers since they fought a border war in 1962.⁷⁰

⁶⁷ *BBC News*, Q&A: China-Japan Islands Row.

⁶⁸ *Ibid.*

⁶⁹ “China’s Evolving ‘Core Interests,’” *The New York Times*, May 11, 2013. http://www.nytimes.com/2013/05/12/opinion/sunday/chinas-evolving-core-interests.html?_r=0 (accessed June 3, 2013).

⁷⁰ Ishaan Tharoor, “After Fighting Over Mountains, India and China Lock Horns in the Indian Ocean,” May 16, 2013, *TIME*, <http://world.time.com/2013/05/16/after-fighting-over-mountains-india-and-china-lock-horns-in-the-indian-ocean/> (accessed June 16, 2013).



Figure 3: The Current Disputed Demarcations in the Kashmir Region ⁷¹

The Parcel and Spratly Island dispute with the Philippines saw the confrontation of the Philippine’s coast guard vessels by the Chinese, after China noted the island chain to be one of its “core interests.”⁷² China and the Philippines are not the only claimant of the Spratly islands; Brunei, Taiwan, Vietnam, and Malaysia also claim sovereignty (see Figure 4). The islands are of great interest especially in regards to vast reserves of natural resources in the immediate vicinity of the two island chains (especially natural gas). In early 2012, China and the Philippines engaged in a maritime standoff, after multiple strong-worded statements by Beijing warned all other claimants to cease any mineral exploration in the area. In November 2012, China authorised its border patrol police to board and search any vessels it deemed to be in its territorial waters. In January 2013, the Philippines responded by taking China to a U.N. tribunal

⁷¹ U.S. Central Intelligence Agency, “The Disputed Area of Kashmir,” last modified 2002, *United States Library of Congress*, [http://memory.loc.gov/cgi-bin/query/h?ammem/gmd:@field\(NUMBER+@band\(g7653j+ct000803\)\)](http://memory.loc.gov/cgi-bin/query/h?ammem/gmd:@field(NUMBER+@band(g7653j+ct000803))) (accessed June 25, 2013).

⁷² Manthorpe, “China Risks War”.

under the U.N. convention of the Laws of the Sea after increased rhetoric from the Chinese side.⁷³



Figure 4: Sovereignty Claims in the South China Sea⁷⁴

⁷³ "Q&A South China Sea Dispute," *BBC News*, May 15, 2013, <http://www.bbc.co.uk/news/world-asia-pacific-13748349> (accessed May 15, 2013).

These examples demonstrate a more aggressive tone in Chinese foreign policy in a relatively short span of time, providing some insight in to the *intentions* of the state's role in the Asia. The importance of naval capability is highlighted by the fact that two of these major disputes are over islands in the Pacific. While China has acted aggressively in the past, it is now clearly testing its boundaries against its immediate neighbours, after a sustained period of military growth. These tests can be seen as a method of sending a clear message of Chinese capabilities and intentions, amid a desire to assert a strong Chinese foreign policy and strategic position in Asia. It is important to note here that China is not looking to upset the status quo on a *global* scale. Instead, evidence points to the fact that for now, China is focused strongly on the Asia-Pacific region, and probably will be for some time, at least until the Chinese government can match U.S. power in the region. In a response to this behaviour, the United States has already implemented a "pivot" towards Asia to balance against China's rise through its allies in the region.

D. Problems with Arguments against Chinese Revisionism

Thus far, it has been argued that China is displaying the behavior of a non-status quo power in Asian territorial disputes and in cyber activities against the United States and Canada. Meanwhile, some have argued that China is not a revisionist power. For example, such analysts as Bates Gill, Susan Shirk, and Alastair Ian Johnston focus on many international trade agreements that China has concluded, as well as a high level of integration that China has embraced in the international economic system.⁷⁵ These signify, we are told, that China is no revisionist power; a revisionist power would be isolationist in orientation, trying to dissociate itself with the U.S.-founded international

⁷⁴ U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments*, 2012, 37.

⁷⁵ Alastair Ian Johnston has published several studies on the rise of China. For example, see Alastair Ian Johnston, "China's New 'Old Thinking': The Concept of Limited Deterrence," *International Security* 20, no. 3 (1995/6): 891-909, "Is China a Status Quo Power?" *International Security* 27, no. 4 (2003): 5-56, and "How New and Assertive is China's New Assertiveness?" *International Security* 37, no. 4 (2013): 7-48. In his most recent work, Johnston addresses several common-held beliefs regarding China's recent 'assertive' behaviour, in addition to taking a close look the imports of rare earth materials through Japanese ports. Johnston concludes that China's behaviour is far less 'assertive' than is commonly accepted. Also, for an overview of Gill and Shirk's points regarding Chinese revisionism, see Peter Hays Gries, "China's Rise: A Review Essay," *Asian Security* 4, no. 1 (2008): 101-105.

economic order. Others bring up the argument that quieting domestic discontent is a key policy priority for the Chinese Communist Party (CCP), and challenging existing international power relationships in the Asia-Pacific region is less of a concern for China—implicitly emphasizing “peaceful intentions” behind Beijing external behavior.⁷⁶ Beyond the definitional issues surrounding the concept of status-quo powers that we have already discussed, let us critique these two views.⁷⁷

The first argument to be examined focuses on China’s international economic relations. It assumes that international relations in the economic sphere are power-free at least, and peace-promoting at most. A state deeply integrated into the international economic system, so the argument goes, is only seeking commercial benefits. And such a state, this line of reasoning concludes, cannot be a revisionist power intent to destroy the very international system from which it is benefiting so much. The problem with this argument—a version of commercial liberalism—is that it overlooks the element of power inherent in international economic relations. In other words, participation in the international economic system does not automatically mean that it is a status-quo behavior; instead, international economic relationships can be manipulated as a tool of power for revisionist purposes.

It is true that China has, in recent years, avoided all-out conflict with its neighbours in the interests of economic growth. Any military conflict in the region has the potential to hamper this growth. However, these points ignore the potential Chinese capacity to use economic power for political purposes. For example, China now has the largest foreign exchange reserves (i.e., U.S. dollars) in the world, and its state-owned enterprises have followed a “going out” policy which has seen significant investment around the globe especially to acquire key resources for Chinese economic development.⁷⁸ These realities provide China with leverage, that is, the ability to influence target states. In other words, China could pursue its state interests without

⁷⁶ Gries overviews Susan Shirk’s points, which argue that social unrest, political corruption, and environmental degradation have provided significant challenges for the Chinese government, thereby occupying a higher priority than international expansionism. Peter Hays Gries, “China’s Rise: A Review Essay”, 102-103.

⁷⁷ There are other kinds of arguments to disagree with this project’s position, but these two are representative arguments in the literature.

⁷⁸ In 2011, China’s foreign exchange reserves were valued at roughly US \$2.4 Trillion. Wenran Jiang, *The Dragon Returns: Canada in China’s Quest for Energy Security*, China Papers, no. 19, (Toronto: Canadian International Council, 2010), 13-25.

having to engage in a direct military conflict with its Asian neighbors. A case in point is the de facto embargo of Chinese rare earth to Japan in 2010.

As China's weight increases in the international economic system, Beijing has steadily gained influence, which can be used to threaten to damage the economic interests of other countries if its demands are not met. This is the situation that China enjoys vis-à-vis the United States as it possesses a massive amount of U.S. Treasury bonds (although it is balanced against China's need to access the U.S. market). It is not enough, therefore, to discount the status-quo challenging behaviour of China simply because China is integrated into the international economic system originally created by the United States.

Furthermore, China may use its economic leverage to regain its historical position as the height of the Asian international hierarchy (i.e., to establish Chinese hegemony in Asia, with the United States retreating its reach all the way to Hawaii)—a situation which James Holmes describes as being antithetical to U.S. interests in the region.⁷⁹ A new hierarchy with China at the top will invariably undercut and subvert U.S. power in the region. Thus, Chinese economic power can be used for revisionist purposes, and this is the dimension that the commercial liberalism fails to notice.

Now, let us address the second argument under consideration: that China seeks internal stability so that it wants to maintain—not challenging or changing—its “peaceful” international environment. One serious problem of this argument is its basic assumption that two spheres, domestic and international, are separate; they are indeed united in the Chinese context.

On the one hand, it is true that domestic disillusionment with the authoritarian nature of the CCP regime has caused conflict within China. Pervasive censorship and draconian laws regarding free speech are the norm for a Chinese citizen. On the other hand, however, those who emphasize this as a reason for China's non-revisionist intent

⁷⁹ James R. Holmes, “Top 3 Takeaways from the Pentagon's China Report,” *The Diplomat*, May 10, 2013, <http://thediplomat.com/the-naval-diplomat/2013/05/10/top-3-takeaways-from-the-pentagons-china-report/3/> (accessed May 27, 2013). For the possibility of the emergence of a China-led hierarchy system, see David Kang, “Why China's Rise Will Be Peaceful,” 551-554. Kang does not go into detail as to why other East Asian states would benefit from such a system, especially when many seem to be doing quite well under the current balance of power condition.

vis-à-vis the Asia-Pacific status quo neglect one key fact: that the Chinese people and government both have a vested interest in righting the “wrongs” from which their country has suffered in its recent history at the hands of “imperialist’ powers.”⁸⁰ The CCP gains legitimacy by challenging countries like Japan and the United States, as the riots against Japanese citizens and business in China during the recent Senkaku/Diayou disputes have clearly demonstrated. Aggressive, status-quo challenging behaviour has the effect of increasing nationalist sentiment, and it is fuelled by a sense of “justice,” which in turn helps protecting the CCP from domestic criticisms—here, recall the earlier quote from *China’s Strategic Modernization* by the U.S. ISAB. In simpler terms, the relationship between Chinese citizens and the CCP can be best seen as a “compact”: the Chinese public is largely willing to accept CCP leadership in return not only for economic growth, but also for a return to glory where China is a formidable world player.⁸¹

Thus, the mere facts (a) that China’s economy is deeply linked with the international economic system and (b) that China has many domestic problems do not give us sufficient grounds to rebuff this project’s argument that China is a revisionist power in Asian-Pacific security affairs.

E. Summary

This section has examined the strategic rise of China. After reviewing China’s military spending as an indicator of Beijing’s potential military capabilities, we have examined two cases of actual policy behavior: China’s cyber-attacks on the United States and Canada, and China’s belligerent actions in three recent territorial disputes. (These can be conceptualized as assaults on the global commons: oceans and the cyber space.) These observations lead us to conclude that China is a revisionist power in Asian-Pacific security affairs, a position that we have defended by critically assessing the alternative argument of China as a status-quo power.

⁸⁰ Christopher Hughes, “Chinese Nationalism in the Global Era,” *OpenDemocracy*, April 17, 2006, http://www.opendemocracy.net/democracy-china/nationalism_3456.jsp (accessed May 31, 2013).

⁸¹ Jeremy Paltiel, *Canada in China’s Grand Strategy* (Toronto: Canadian International Council, 2010) 5-7.

To conclude this discussion of Chinese revisionism, we may focus on one question: Why is Chinese revisionism a concern for Canada? China's rise in the Asia-Pacific region means that U.S. power in the region is on a relative decline. Then, it means Canada's standing, as a key U.S. ally and a member of the status-quo camp, will inevitably suffer in the long run as well.⁸² In other words, the Asia-Pacific balance of power is shifting towards the disadvantage of Canada. Canada benefits the most from the current balance of power where the United States remains a very strong influence in Asia through its ties with South Korea, Japan, Taiwan, and Southeast Asian countries, as well as through the U.S. Armed Forces stationed in the region. Security is like air; we do not notice it when it is plenty. Canada is now breathing Asia-Pacific security supplied by the United States, which is now under increasing challenges posed by China as seen in Beijing's efforts on naval buildup against the United States and in diplomatic clashes with several Asian states.⁸³

Is Canada ready for Chinese revisionism? To be sure, Canada does not have any territorial disputes with China. But Canada is adjunct to the United States. For example, increasing Chinese investment in Canada may come with certain "strings" attached. It may provide leverage to China over certain critical resources, which in turn would affect Canadian national security interests. Furthermore, Canada is already under cyber-attack emanating from China. These developments should be of top concern to Canadian policymakers. But are we engaging ourselves in an adequate policy discourse about Chinese revisionism? The following section will critically analyse the current debate regarding Canada's policies towards China.

IV. The Lack of a Strategic Canadian Debate on China

Beyond the previous points identified by Manicom, the current literature on Canada-China relations has serious limitations when looking for hints in formulating Canada's comprehensive security policy toward China. At least three weaknesses can be pointed out.

⁸² Palamar and Jardine, "Does Canada Need a New Asia Policy?", 255.

⁸³ "Diplomatic Tensions after Japanese Arrest Chinese Fisherman," *The Telegraph*, September 8, 2010, <http://www.telegraph.co.uk/news/worldnews/asia/japan/7989126/Diplomatic-tensions-after-Japanese-arrest-Chinese-fisherman.html> (accessed December 20, 2011).

First, the literature in question tends to focus on a narrow set of topics. As a result, we have “islands” of works without an overall framework to bundle them. Put another way, the literature tends to stay at the tactical-level of addressing certain issues without providing an overarching, strategic-level framework to unite them. This deficiency is clearly seen, for example, in the 2011 volume entitled *Issues in Canada-China Relations* published by the Canadian International Council. This volume contains 24 chapters, each addressing an interesting issue in Canada-China relations, including, for example, cyber security, trade relations, and space cooperation (without any chapter on broad security concerns). As exemplified by this volume, the current literature and debate remains silent as to what kind of strategic-level framework (or concepts) Canada should employ in coordinating these issue-specific policies for the sake of its security interest.⁸⁴

China specialists in Canada do engage in debates among themselves. One long-lasting “hot” debate concerns the question of how to balance Canada’s interests in trade with Canada’s concerns with human rights violations when dealing with China. On the one hand, scholars like Bruce Gilley and Charles Burton advocate a hardliner China policy on human rights even at the expense of Canada’s trade interest.⁸⁵ On the other hand, Paul Evans, Jeremy Paltiel, and others critique it as unbalanced and counterproductive.⁸⁶ While this debate highlights some key issues, it is a fairly narrow one. As Manicom points out, furthermore, this debate is rather parochial as countries like Australia, which share similar concerns, have already transcended such discussion.⁸⁷ More important to our concerns, neither position in this debate clarifies what kind of a strategic-level framework it is advocating for Canada’s security interest.

⁸⁴ Canadian International Council, ed. *Issues in Canada-China Relations*, (Toronto: Canadian International Council), 2011.

⁸⁵ Charles Burton, *A Reassessment of Canada’s Interests in China and Options for Renewal of Canada’s China Policy*, *A Changing World: Canadian Foreign Policy Priorities*, no. 4 (Toronto: Canadian International Council, 2009); Bruce Gilley, “Reawakening Canada’s China Policy,” *Canadian Foreign Policy Journal*, 14, no. 2 (2008): 121-130.

⁸⁶ See Paul Evans, “Responding to Global China: Getting the Balance Right,” *Canadian Foreign Policy* 14, no. 2 (2008): 131-139; Jeremy Paltiel, “Canada and China: An Agenda for the Twenty-First Century: A Rejoinder to Charles Burton,” *Canadian Foreign Policy* 15, no. 2 (2009): 109-117; Paltiel, *Canada in China’s Grand Strategy*; and Jeremy Paltiel, “Canada’s China re-set: Strategic Realignment or Tactical Repositioning? Re-energizing the Strategic Partnership,” *Canadian Foreign Policy Journal* 18, no. 3 (2013): 267-272.

⁸⁷ Manicom, “Canadian Debates about China’s Rise,” 290.

Regarding works in Canadian Security Studies, there are some studies that touch on Canada's security interest vis-à-vis China, but they either (a) narrowly focus on a particular branch of the military (e.g., the role of the Canadian navy), or (b) analyze U.S.-China security relations or Chinese security policy with brief discussions on implications for Canada.⁸⁸ Either way, these works lack a broader or in-depth analysis of what comprehensive strategic framework that should bundle Canadian policy measures across various branches of the Canadian government in the fields of defense, security, and intelligence.

Second, the literature on Canada-China relations does not properly address a fundamental question for Canada: In what way and to what extent is China a threat to Canada's security interest? Take, for example, the aforementioned debate on trade and human rights. The positions of Evans and Paltiel seem to stem from the orthodox Canadian approach called liberal internationalism.⁸⁹ The problem with this traditional approach is that it assumes that a target country (i.e., China in this case) and Canada share basic interests in maintaining or supporting the existing international order; or that it underplays the possibility of conflict or incompatibility of national interest between the two countries with regards to the international order. Since the end of World War II, Canada has been a status-quo power as it has been an ally of the United States, and the United States has maintained a level of global primacy that provides Canada with a great degree of global security. As was noted earlier, furthermore, this basic picture applies to Canada and the Asia-Pacific region. Is China a status quo power as well? The argument put forward by Evans and Paltiel seems to answer "Yes" (perhaps vaguely) to this question. On the other hand, Gilley, Burton, and other writers from the Canadian security community seem to answer the question "no."⁹⁰ Either way, this

⁸⁸ For example, see Thomas Adams, "Shift to the Pacific: Canada's Security Interests and Maritime Strategy in East Asia," in *Canada's National Security in the Post-9/11 World*, edited by David S. McDonough (Toronto: University of Toronto Press, 2012), 160-173; Zhiming Chen and Dominique Caouette, "China's South China Sea Policy and Its Implications for Canada: Claims, Strategies, and Consequences," *Canadian Foreign Policy Journal*, 18, no. 3 (2012): 301-318; Elinor Sloan, "U.S.-China Military and Security Developments: Implications for Canada," *International Journal*, (Spring 2011): 265-283.

⁸⁹ Evans, "Responding to Global China"; Paltiel, "Canada and China"; Paltiel, "Canada's China Re-set"; and Paltiel, *Canada in China's Grand Strategy*.

⁹⁰ Adams, "Shift to the Pacific"; Burton, *A Reassessment of Canada's Interests in China*; Gilley, "Reawakening Canada's China Policy."

question of (in)compatibility of interest in Canada-China security relations is not fully explored in the literature.

Third, in the current literature, it is not clear if or how Canada should coordinate its China policy with the United States. From the Canadian security community perspective, the close relationship with the United States is a given parameter. This is particularly the case when it comes to the Asia-Pacific where the United States has historically kept the position of dominance since the early Cold War years. Within this parameter, Canada would have to seek its independent security policy. How should Canada balance its desire to pursue an independent course of action toward China with its need to take into account U.S. security policy toward Asia? The current literature of Canada-China relations does not provide coherent answers, largely ignoring the question. The aforementioned writers do not articulate a full-fledged security policy framework that must address, among others, this key question.

As noted previously, the Canadian debate on China has traditionally been entrenched in a discussion of how to strike a balance between the desire to forge stronger economic ties with China on the one hand, and that of promoting human rights in China on the other. Geoffrey York and James Manicom have also pointed out this fact, and Paltiel typifies it as a debate between “economic engagement” (or trade) and “human rights.”⁹¹ This project argues that Canada’s orthodox, liberal internationalist approach to foreign policy underlies this “trade versus human rights” debate. The liberal internationalist approach, in its turn, stems the larger tradition of thought called liberalism.

In the rest of this section, we will first analyze the theoretical underpinnings of Canada’s current discourse on China policy. We will then examine why this discourse is not adequate for us to design Canada’s comprehensive security policy toward China.

A. Canadian Liberal Internationalism and China

⁹¹ Manicom, "Canadian Debates about China's Rise", 288.

The non-hegemonic, “middle power” status of Canada in the international system has meant that Canadian policymakers have traditionally favoured a liberal internationalist approach. This Canadian approach, in its turn, is implicitly based on a set of the theoretical underpinnings that international politics scholars call liberalism. Liberal theories provide a more positive, progressive view of the international system when compared to their realist (i.e., *realpolitik*) counterparts. One, newer version of liberalism, called neoliberalism, accepts similar prerequisites as realists—the international system is seen to be in a competitive state of anarchy (i.e., the absence of authority above sovereign states) where states as rational and egoistic actors try to maximize their interests. Unlike realists, however, neoliberalism assumes that international cooperation is possible among states, and that international politics is not always a zero-sum game. A prominent neoliberal theorist, Robert Keohane further articulates the mechanism through which this international cooperation may arise: international organizations are essential in reducing inter-state suspicion as they offer means for effective communication and cooperation among member states.⁹² Keohane’s ideas reflect the traditional liberal desire to see sovereign states cooperate and move towards a more harmonious and peaceful system of international relations. Such a system, then, would allow for status-quo middle powers like Canada to have a larger “voice” in managing the international system.

Furthermore, liberalism, of which neoliberalism is merely one branch, holds that democracy is inherently good and that an international system populated by democracies are less war prone. This line of thinking is called “republication liberalism.” Liberalism also tends to see economic ties as a force for international peace. That is to say, the more economic ties, the more peaceful inter-state relations will be. This is labelled as “commercial realism.” Thus, liberalism regards international organization, democracy, and economic interdependence as agents for international peace and cooperation—the three form “a Kantian Triangle” to borrow the language of Bruce Russett and John Oneal.⁹³

In liberalism, it should be noted here, international relations can be positive-sum within a particular international organization—this trend only increases if the members of

⁹² Robert O. Keohane, *After Hegemony* (Princeton: Princeton University Press, 2005), 49.

⁹³ Bruce Russett and John Oneal, *Triangulating Peace* (New York: W. W. Norton, 2001).

that organization are democracies and enjoying economic interdependence among themselves. In other words, it is assumed here that these member states' interests do not inherently clash with one another.

Canadian liberal internationalism by and large is rooted in liberalism. Its proponents may differ which “leg(s)” of the Kantian Triangle they emphasize; nevertheless, their policy discourse is confined within that Triangle. Often, liberal internationalists in Canada argue for the greater use of international organizations and a more multilateral approach to world politics in order to foster a more democratic and hence, peaceful world.⁹⁴ Bruce Gilley states that Canada’s liberal internationalism is essentially about the “advance of universally recognized and widely accepted human rights and the creation of effective and legitimate international institutions.”⁹⁵ It is no surprise, then, that one version of Canadian liberal internationalism advocates humanitarian interventions. For example, recent involvement in the North Atlantic Treaty Organisation (NATO) mandate in Libya saw Canadian troops take part in intervening (at least, officially) in order to protect human life. Another version of Canadian liberal internationalism argues for Canada’s role to constrain excessive U.S. unilateralism through international organizations. Thus, Canada intervened, so the argument goes, during the Korean War in the 1950s to try to limit potential American use of nuclear weapons in the region.⁹⁶ As well, Canada specifically insisted on a U.N. mandate for this conflict in order to restrain potential American unilateral action.⁹⁷ In short, Canadian liberal internationalism seeks the use of international organisations and the promotion of liberal values. Meanwhile, Canadians tend to see international economic activities—

⁹⁴ It should be noted that Liberal Internationalism as a theory is not one singular concept. For the purposes of this project, the discussion of the theory is limited to some core concepts. Some authors encapsulated in this framework may borrow ideas from realist theories.

⁹⁵ Human rights would be best protected in a democratic society. Bruce Gilley, “Reawakening Canada’s China Policy,” 121.

⁹⁶ President Harry Truman made a press statement on November 30, 1950, in responding to a question posed by a reporter if “the use of the atomic bombs is under active consideration.” Truman remarked: “Always has been, it is one of our weapons.” This statement was quickly adjusted by the White House shortly thereafter. Graeme S. Mount and Andrew Laferriere. *The Diplomacy of War: The Case of Korea* (Montreal: Black Rose, 2004), 82.

⁹⁷ This kind of policy always raised risks for Canada to be accused of being a mouthpiece for U.S. interests through international organizations. For example, when Canada joined the International Control Commission during the Vietnam War, it was accused of being blatantly subservient to U.S. interests, instead of functioning in its capacity as a neutral party. Douglas A. Ross, “Middlepowers as Extra-Regional Balancer Powers: Canada, India and Indochina.” *Pacific Affairs* 55, no. 2 (1982): 185-209.

including international development—explicitly or implicitly, in a positive light, as a force for stability and peace.

It is in this context that the “trade versus human rights” debate flourishes in Canada’s policy discourse about China. Two positions exist in this debate about what Canada’s policy priority should be toward China: those who put more emphasis on the goal of improving China’s human rights record, and those who seek to closer economic ties with China as Canada’s first priority.

While the two sides disagree on some key issues, they both support the larger Canadian liberal internationalist paradigm in dealing with China. They both agree to the following points:

1. Canada is a liberal, Western, status-quo power;
2. International multilateral organizations (non-governmental and governmental) are important because of (1), whatever Canada’s policy aim toward China may be;
3. Canada must deal with China while taking into account both (1) and (2) in a way that supports Canada’s national interest; and
4. China is a compatible player in terms of Canada’s national interest, in the sense that Canada can work with China eventually, under certain circumstances.

Let us analyze the two competing positions in the “trade versus human rights” debate in detail. It should be noted here that there is significant depth to the works presented by the authors discussed below; however, for the purposes of this project, we will shed light only on their major points.

1. The “Human Rights First” Position

From a Canadian perspective and specifically in regards to China, the liberal internationalist paradigm has been used to further arguments that support the Canadian

promotion of human rights treatment—as well as political liberalisation—in the Chinese government system. Broadly speaking, human rights issues feature prominently as a common theme among these authors, as do warnings regarding doing business with Chinese companies that are notorious for disregarding important human rights. Advocates of this “Human Rights First” position do not necessarily argue that China is a flat-out threat to Canadian national security. Instead, they posit that significant concerns do exist about certain facets of Chinese state behaviour, and that these behaviours can be countered in a multitude of ways so that Canada can steadily solicit political liberalisation and democratization in exchange for increased trade.

Charles Burton, for example, has been one of the champions of this position. In a 2009 report published by the Canadian International Council, he laid out a comprehensive set of policy recommendations on how to engage China effectively.⁹⁸ Burton outlines several key suggestions in his report, including the promotion of “human rights, democratic development, and good governance programming” in mainland China, while also noting that Canada should seek the views of Tibetans, Uyghurs, and Mongolians in order to support focused programming in their “native lands.”⁹⁹ According to Burton, Canada should “support and empower agents of change in ways consistent with international norms of interaction between sovereign states.”¹⁰⁰ In regards to issues regarding Taiwan, Burton notes that Canada should not support a “two Chinas” or “one China, one Taiwan” policy, but instead promote the participation of Taiwanese membership in international organizations such as that World Trade Organization (WTO). In the case of Tibet, Inner Mongolia and Xinjiang, furthermore, Burton argues that while Canada should not overtly endorse their sovereignty, it should consider views from these communities when designing aid programs in these regions. Actions such as these can be used to supplement and justify engagement with China.¹⁰¹ David Webster supports Burton’s views, and he claims that Canada should engage in bilateral human dialogues with China and “paint this country [i.e., Canada] as an eternal voice of human rights.”¹⁰²

⁹⁸ Burton, *A Reassessment of Canada’s Interests in China*, 1-19.

⁹⁹ *Ibid.*, 10.

¹⁰⁰ *Ibid.*, 12.

¹⁰¹ *Ibid.*, 15.

¹⁰² David Webster, “Canada and Bilateral Human Rights Dialogues,” *Canadian Foreign Policy Journal* 16, no. 3 (2011): 56.

Bruce Gilley follows a similar line of thought regarding the promotion of liberal values. He argues that Canada must focus on “tangible outcomes” with Beijing, and that relations with China should be “citizen-centered” as opposed to regime-centered.¹⁰³ In his view, the absence of a democratic government demands a broad, citizen-centered strategy which cultivates and favours discussions with “reform-oriented figures.” Accordingly, Canada should focus its efforts on engaging with activists, independent scholars, and journalists, to name a few.¹⁰⁴ In fact, according to Gilley, “Canada can and should be doing much more to promote democracy and human rights in China.”¹⁰⁵ Gilley’s approach would most likely see a protracted period of less than warm Canada-China relations. Gilley himself even notes that promoting human rights in China means abandoning certain bilateral dialogues with Beijing.¹⁰⁶ Despite such tension, Gilley expects that due to the need for trade in several crucial sectors, investment between the two countries would likely continue.¹⁰⁷

2. The “Economy First” Position

The “Economy First” position promotes a mentality of “warm politics, hot economics.” Its proponents argue that close bilateral relations must and will facilitate better economic relations between Canada and China.¹⁰⁸ For them, China is not inherently incompatible with Canada’s national security interests. Through their publications, major Canadian think tanks, including the Asia-Pacific Foundation and the Canadian International Council, have advocated engaging China in this manner.¹⁰⁹ Jeremy Paltiel, a significant contributor to the Asia-Pacific Foundation’s publications, responds directly to Burton’s warnings regarding Chinese engagement: “[I]nstead of looking upon Chinese investment with suspicion, we should view the opportunities

¹⁰³ Gilley, “Reawakening Canada’s China Policy,” 124.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid., 126. Gilley continues to argue that promoting rights and democracy is by far one of the most important goals that Canada can have in China, making little or no mention about potential intelligence and security issues.

¹⁰⁶ Ibid., 127.

¹⁰⁷ Ibid., 125.

¹⁰⁸ Manicom, “Canadian Debates about China’s Rise,” 288.

¹⁰⁹ See “China Papers,” *Canadian International Council*, 2010-2011, <http://opencanada.org/features/reports/china-papers/> (accessed June 2, 2013); “Research Reports,” *Asia Pacific Foundation*, 2009-2013, <http://www.asiapacific.ca/research-report> (accessed June 10, 2013).

provided by China's 'going out' strategy ... as a way to build up our investment community."¹¹⁰ Paltiel goes as far as to warn the Canadian government that unless there is an immediate warming of relations between Canada and China, "there is little prospect of forward momentum in the bilateral level and close collaboration in multilateral discussions is unthinkable."¹¹¹ Furthermore, he argues that instead of "tinkering with the mechanics of our human rights outreach," Canada should focus on deepening ties with China and on restoring a relationship of "strategic importance."¹¹²

Paul Evans further advances the argument for engagement with China. He welcomes China increasingly becoming involved in international institutions in a constructive manner, and warns us that confrontational approaches to China would ultimately be counter-productive and futile. Canada must, in other words, should avoid an inherently untenable strategy of "cool politics, warm economics."¹¹³ Evans notes the first few years of Stephen Harper's minority Conservative government brought an unprecedented era of "cool politics" that threatened any constructive relationship with China because of the prime minister's heavy "anti-China" rhetoric about human rights, democracy, and Tibetan solidarity. Evans points out that Canada's Conservative government even went so far as to grant the Dalai Lama honorary Canadian citizenship.¹¹⁴

Wenran Jiang has also commented extensively about Chinese investment in Canada. He has supported the continued presence of Chinese investors in the Canadian economy, especially in the energy sector. Jiang notes that China requires resources for its economic development, and Canada has plenty of them. He warns that if Canada does not engage China in a meaningful capacity, China will look elsewhere. Jiang then argues that "the lack of a favourable framework is almost

¹¹⁰ Paltiel, "Canada and China," 114.

¹¹¹ Ibid., 116.

¹¹² Ibid.

¹¹³ Evans disagrees with Bruce Gilley's assessment, calling for a more balanced approach towards a China policy. Paul Evans, "Responding to Global China," 131; Also see Paul Evans, *Engagement with Conservative Characteristics: Policy and Public Attitudes, 2006-2011*. Issues in Canada-China Relations (Toronto: Canadian International Council), 19-31.

¹¹⁴ Evans, "Responding to Global China," 19-22.

certainly perceived as an obstacle for economic cooperation.”¹¹⁵ While, for Jiang, friendly relations with China are not a requirement for trade, cordiality between the two countries would certainly make a trade relationship much easier. Liu Xuechiang and Zhou Xingbao support Jiang’s comments, arguing that China and Canada can benefit greatly from friendlier relations and increased economic trade.¹¹⁶

Finally, Yuen Pau Woo of the Asia Pacific Foundation has gone as far as to argue that a free trade agreement with China should be signed. He has even opined that such an economic partnership with China “would not only expand Canada’s options but also demonstrate an awareness of the bigger game that is played out in the region.”¹¹⁷

B. The Inadequacies of the Current Debate from a Strategic Perspective

In Paul Evans’ own words, Canada’s current approach “does not define an integrated strategy for connecting China to broader regional and global security matters.”¹¹⁸ Why is this the case? Ultimately, the inadequacies of the “trade versus human rights” debate stem from its liberalism root, if we look for hints as to what Canada should do in the area of security affairs vis-à-vis China. Liberalism does not have a set of concepts to analyze power politics among states, such as balance of power, national power, alliance, spheres of influence, buffer zones, and so on. But from the perspective of policy pragmatism and effectiveness as well, each position in this debate—the “human rights first” position and “economy first” position—has serious limitations.

¹¹⁵ Jiang, *The Dragon Returns: Canada in China's Quest for Energy Security*, 13; Wenran Jiang, "China's Global Quest for Energy Security," *Canadian Foreign Policy Journal* 13, no. 2 (2011): 105-131.

¹¹⁶ See Xuecheng Liu, *CIIS Comment: China and Canada in the Global Arena*, Issues in Canada-China Relations (Toronto: Canadian International Council, 2011), 388-396; Xingbao Zhou, *CIIS Comment: Bring China-Canada Economic Cooperation and Trade to the New Height: In Commemoration of the 40th Anniversary of the Sino-Canadian Diplomatic Relationship*, Issues in Canada-China Relations (Toronto: Canadian International Council, 2011), 282-286.

¹¹⁷ Yuen Pau Woo, “Harper Should Lobby for Free Trade with China,” *The Huffington Post*, January 13, 2012, http://www.huffingtonpost.ca/yuen-pau-woo/roar-like-a-dragon-harper_b_1201808.html (accessed May 30, 2013).

¹¹⁸ Paul Evans, *Engagement with Conservative Characteristics*, 26.

To begin with, we should not forget that dealing with China is unlike dealing with a Western European power. When considering action or engagement with the China, one must understand that first and foremost, one is engaging the CCP. The CCP has acquired and maintains a monopoly of political power in the country, and it controls every facet of government to best of its ability while simultaneously attempting to control Chinese society. Dealing with China means dealing with an authoritarian oligarchy. Power is concentrated in one relatively centralised force with a very specific agenda—to maintain regime legitimacy.¹¹⁹ Against such a regime, it is doubtful if using liberal internationalism—either through human rights and democracy promotion, through pure engagement in international organizations, or through trade, or through all of these—would produce the robust and tangible policy outcomes that Ottawa desires.

Canadian liberal internationalism relies heavily on the ability of international organizations to enact results when mandated.¹²⁰ Although the Chinese are increasingly becoming involved in international organizations, it is unlikely that membership in these organizations will significantly alter the behaviour of Chinese strategists. This is particularly the case when such organizations are merely forums without any binding decision mechanisms. As Amitav Acharya explains, international organizations in Asia are exactly such “weak” organizations built on a foundation of a strong notion of sovereignty and anti-colonial resistance.¹²¹ A case in point is the ASEAN Regional Forum: the only Asia-Pacific region-wide security organization to which China and Canada belong.

Furthermore, when dealing with rising or great powers such as China, excessive use of rhetoric surrounding human rights or interference in what may be considered the domestic realm runs the real risk of antagonizing the country, resulting in the destruction of potential diplomatic channels. To be sure, the above discussed authors do not argue that Canada should overtly support the sovereignty movements within China. But any complicit funding for “targeted programming” or promotion of minority communities within

¹¹⁹ “China's Modern Authoritarianism,” *The Wall Street Journal*, May 25, 2009, <http://online.wsj.com/article/SB124319304482150525.html> (accessed May 30, 2013).

¹²⁰ See David Dewitt and John Kirton, “Three Theoretical Perspectives,” 27-45.

¹²¹ Acharya argues that the colonial history of Asia has created a desire to keep “out” any potential “imperial” powers. Amitav Acharya, “Will Asia's Past Be Its Future?” *International Security*, V. 28, no. 3 (2003/4): 149-164.

China would no doubt be seen as a threat to, or subversion of, the power of the CCP, thereby representing a direct threat to Chinese unity.¹²²

Compounding the issue is the fact that in Canada there is no universal approach to the promotion of human rights abroad. This raises the concern of creating confusion and it would highlight a lack of a clear understanding of what values Canada is actually trying to promote.¹²³ Ultimately, Canada, with potential human rights issues of its own, is not in a prime position to comment on issues Uyghur or Tibetan sovereignty, as to do so would be involving itself in the domestic affairs of another country. In the same vein, Canada cannot rightly accept Chinese intervention in First Nations communities that may disagree with the federal government's controversial *Indian Act*.

What about engaging China through strengthening economic ties? Any engagement of this sort with China must consider the ramifications such direct engagement may have on Canadian partners in the intelligence community, our defense relationship with the United States, or the effect of an empowered China flush with Canadian resources on the Asia-Pacific regional balance. Yet, the "economy first" position remains silent about these points. Blindly entering trade agreements or allowing Chinese corporations unrestricted access to the Canadian economy through an open engagement model suggested by those such as Yuen Pau Woo would most likely damage Canadian national security interests, potentially irreparably.

In sum, it is evident that the "trade versus human rights" discourse does not help much when Canada must deal with security issues surrounding China in a strategic manner.¹²⁴ In other words, Canada does not have a true, serious debate in strategic terms regarding China's growing naval power, reach of state-owned enterprises, and offensive asymmetrical cyber capabilities. Canada is significantly behind in formulating

¹²² Growing access to digital media and the internet has already had a "liberalising" effect on the Chinese population, whose "netizens" are frequently seen criticizing the CCP in various ways through outlets such as the micro blogging website *Weibo*. The public is becoming increasingly aware of the CCP's deficiencies, scandals, corruption, and cronyism. If China democratizes or pursues discussion regarding human rights, these initiatives will come from the Chinese people, within China. See: Melanie Lee, "China's Twitter-like Weibo Poses Danger, Opportunity for New Leaders," *Reuters*, October 31, 2012, <http://www.reuters.com/article/2012/10/31/us-china-congress-weibo-idUSBRE89U1N320121031> (accessed June 1, 2013).

¹²³ David Webster, "Canada and Bilateral Human Rights Dialogues," 50-56.

¹²⁴ Paul Evans, "Responding to Global China," 131-139.

a comprehensive China policy. Furthermore, in order for Canada to ensure survival in a world of great power rivalry, we must take into account the strategic interests of the United States, our primary ally. This does not mean that Canada must pander to every whim of the United States. It means, however, that in formulating a comprehensive China strategy, Canada must consider U.S. grand strategy toward China. What then should Canada do? That is the topic of the next section.

V. An Alternative Security Policy Framework for Canada

At the first glance, the concept of a grand strategy is strangely un-Canadian, as it is found only among great powers. David McDonough argues, however, that this conception is inaccurate. Too much emphasis is placed on a strategy that is *grand*, “as defined in a narrowly material sense, while forgetting that the crux of the term is actually *strategy* – and the need to match *limited* means with political ends.”¹²⁵ This project agrees with McDonough: a strategy consists of *limited means with political ends*. On that basis, this project proposes a security strategy policy for Canada. To reiterate, it has argued up until this point that:

1. Canada must accept that China is not a status-quo power and potentially poses a strategic challenge to Canada’s national security interests in maintaining the status quo;
2. The Canadian debate regarding China has not included a strategic policy perspective; and
3. The current Canadian approach of liberal internationalism does not include a strategic component while focusing only on economic or human rights issues.

The above three premises can be understood as a diagnosis of the current problems Canada faces in its China policy. It is only after this initial diagnosis that the project can

¹²⁵ David S. McDonough, "Canada, Grand Strategy and the Asia-Pacific: Past lessons, Future Decisions," *Canadian Foreign Policy Journal* 18, no. 3 (2013): 273.

move towards a prescription in the form of a systemic, pragmatic, realistic, and strategic security policy framework that Canada should employ vis-à-vis China.

Our policy prescription starts with the premise that it must be based on realism, a rival political thought of liberalism. According to realism, a rising power must be balanced. This general policy prescription, however, must be operationalized further, in accordance to the specific conditions that the balancing state faces. For Canada, these conditions include:

1. Geographical conditions of Canada vis-à-vis China, a source of threat
 - a) A great distance from Asia where Canada has no ongoing substantial force deployment
 - b) Canada's navy as the principal vehicle for power projection, given the vast distance across the Pacific
 - c) The Pacific being a de facto "U.S. lake" since the early Cold War years, with U.S. forward deployment and alliance networks along the Western Pacific littoral zone.
2. Geographical conditions of Canada vis-à-vis the United States, a great power and Canada's primary ally in a relative decline vis-à-vis other great powers including China
 - a) Canada's close proximity to the United States
 - b) High volumes of Canada-U.S. interaction—and a high level of human bonding—across the border in both the private and the public sectors
 - c) High level of Canada-U.S. integration in the homeland defense sector e.g., the North American Aerospace Defense Command (NORAD)
3. Canada's military capabilities (mid-size without nuclear weapons)

- a) More generally, Canada’s relatively limited material assets to be used as a leverage vis-à-vis China and other Asian countries in the “great power game” dominated by U.S.-China rivalry

- a) Canada’s membership in the Five Eyes intelligence community since World War II, while the cyber zone emerging as a critical security theatre

- b) Canada’s economic interest in keeping ties with China while Canada has many of the natural resources that China needs

- c) Canada’s rich tradition of using international organization as a diplomatic tool
 - i. Canada’s membership in Asia-Pacific multilateral organizations such as the ASEAN Regional Forum, as well as the Rim of the Pacific naval exercises (RIMPAC)

 - ii. Canada’s good standing, with a rich history of engagement in Asia

 - iii. Canada’s British Commonwealth ties in Asia

- d) Liberal-democratic values, which must be a part of its foreign policy agenda given the Canadian public’s preference

This list of conditions is by no means exhaustive (for example, it does not include Canada’s fiscal condition, demographical trends, immigration patterns, etc.).

Given the extensive list of conditions surrounding Canadian policymakers, it would not make sense for Ottawa to simply pursue the policy of “hard balancing,” that is the policy of all-out, out-right, military-first balancing posture, in balancing China. Such a policy would drive Ottawa to start a military buildup program in a determined fashion, with explicit alliance formation and other anti-China activities in Asia, while cutting off economic ties with China—all in a Cold War fashion. Such actions would almost certainly be detrimental to Canada’s geopolitical interests and resource-based economy.

Instead, this project argues that Canada should pursue a “soft balance” approach towards China.

Soft balance policy seeks to utilize non-military assets and tools as primary measures to counter a Chinese threat, in a comprehensive and sophisticated fashion, although military assets do play a certain critical role. In this way, it significantly differs from hard balancing. Furthermore, this policy by no means is designed to limit or stop engagement (including economic engagement) with China. Rather, it is meant to strike a healthy balance between engagement and deterrence vis-à-vis China. What it argues against is the “engagement only” China policy.

A policy framework based on the concept of soft balance has the following three pillars:

1. On how to define China as a threat to Canada’s national security interests:

A status-quo power and a strong U.S. ally, Canada is a stable, liberal democracy with a rich business culture and relatively strong economy with abundant resources. Non-status quo behaviour by China has created risks of upsetting the balance in the Asia-Pacific region, which requires Canadian attention, specifically in partnership-building with East Asian powers. Furthermore, China’s need to fuel its economic growth means that Canada is an important target for Chinese state-owned enterprises that are specifically tasked with acquiring resources abroad. Canada’s stability and relatively open markets makes it a safer place for Chinese investment (as opposed to say, the Sudan or Libya). These foreign investments can and do present unique risks to Canadian national security interests. Moreover, Canada’s close defense and intelligence relationship to the U.S. means it should be assumed that Canada is a *de facto* a target for Chinese intelligence and cyber forces.

2. In regards to Canadian policy measures across various branches of the Canadian government in the fields of defence, security and intelligence:

Canada, through its relevant government departments and agencies, should pursue a set of counter-balancing measures against China in a sophisticated manner,

while taking into account its conditions. One such measure is to build stronger, autonomous, bilateral diplomatic relations with crucial, strategic states in Asia in order to further national interests in balancing China's naval expansionism. In other words, Ottawa should concentrate its efforts to forge relationships with other Asian status-quo states (that are perhaps like-minded) in order to obtain "alternative sources of resources such as information, markets, investment and general political support."¹²⁶ This is an act of alignment (as opposed to alliance-building). This also requires a good sense of balance: avoiding to be tied *too* strongly to U.S. interests while being careful not to undermine the general U.S. activities to balance China.

Furthermore, Canada must develop closer intelligence ties to members of the "Five Eyes" community, i.e., Australia, New Zealand, the United Kingdom, and the United States, in order to better facilitate the exchange of defense and security intelligence information that would point to trends in China's behaviour and intelligence activities.¹²⁷ It should also remain active in regional multilateral organizations like the ASEAN Regional Forum to keep itself informed about regional developments.

Additional measures to be considered and implemented include:

- a. The fact that Canada benefits greatly from keeping economic ties with China in the private sector; but, it should protect its critical sectors against Chinese state-owned companies in the area of direct investments;
- b. Canada should refrain from overtly or covertly supporting Taiwanese, Tibetan or Uyghur separation and independence movements; and
- c. Canada should voice its concerns to Beijing about human rights and democratization issues in China in a limited fashion, and through bilateral dialogue channels.

¹²⁶ Dewitt and Kirton, "Three Theoretical Perspectives," 36.

¹²⁷ David Cox, *Canada and the Five Eyes Intelligence Community*. Strategic Studies Working Group Papers (Toronto: Canadian International Council, 2012), 7-10.

3. In regards to it being unclear as to how Canada should coordinate its China policy with the United States:

Canada must take into account U.S. grand strategy and overarching strategic goals. In the final analysis, the most critical variable for Canada's China policy is U.S.-China relations. While Canada should promote a more "independent" foreign policy, Canada cannot, and should not, be ignorant of U.S. strategic interests. The United States is a crucial ally for Canada, both economically and militarily. In the long run, the United States is moving from a greater strategy of global "primacy" to one of "selective engagement."¹²⁸ Instead of pursuing a steadfast policy of global preponderance of power or primacy, recent economic and political woes seem to show the United States stressing more participation from its allies and encouraging regional balancers to accept more of the defense burden in their respective regions. This situation opens up opportunities for Canada to pursue a more independent foreign policy in Asia.

The rest of this section will elaborate on the policy measures that Canada should employ within the framework of soft-balancing strategy. To summarise how this framework differs from previously discussed debates, as well as the option of hard balancing, the following table should be helpful. Keeping these differences in mind, the following sub-sections will elaborate on Canada's soft-balance strategy vis-à-vis China.

¹²⁸ These "strategies" are only two possible options. Other options are: Cooperative Security, Imperial Liberalism, and Neo-isolationism. Douglas A. Ross & Christopher N. B. Ross, "From 'Neo-Isolationism' to 'Imperial Liberalism': 'Grand Strategy Options' in the American International Security Debate and the Implications for Canada," in *The Dilemmas of American Strategic Primacy*, edited by David S. McDonough and Douglas A. Ross (Toronto, ON: Royal Canadian Military Institute, 2005), 178-184. Ross and Ross base these categories on work by Barry R. Posen, and Andrew L. Ross, "Competing Visions for U.S. Grand Strategy," *International Security* 21, no. 3 (1996/7): 5-53. Also see John Mearsheimer for the option of "Offshore Balancing." John J. Mearsheimer, "Imperial By Design," *National Interest*, no. 111, (2011): 16-34.

	Liberal Internationalist Debate on China		Hard Balancing Approach	Soft Balancing Approach
	“Economy First” camp	“Human Rights First” camp		
China as a National Security Threat to Canada	Broadly, No	Perhaps, yes, but can be bypassed	Yes	Yes, mitigation measures must be taken
Balancing against China	No	No	Yes, whenever possible, even with military buildup	Yes, mainly diplomatically, with key partners
Considering Canada as a Significant Economic Power	No	No	No	Yes, especially with its natural resources
Opening of Canadian Market to Chinese Investment	Yes, essential to create relationship	Yes, but with caveats in regards to human rights and democratic dialogue	To be avoided whenever possible	Yes, but only non-strategic sectors
Use of International Organizations	Yes	Yes	No	Yes, but only large-scale organizations
Human Rights and Democracy Promotion in China	Yes, but limited	Yes, essential	No	Yes, but through bilateral dialogue

Engagement on domestic sovereignty issues in China (Taiwan, Tibet, Xinjaing)	Yes, but limited	Yes, but not overtly. Should promote local programming and develop relationships with minority communities.	Yes, if CCP power in China can be undermined. No military or physical intervention.	No
Take into Account U.S. Grand Strategy	Not discussed	Not discussed	Essential	Essential

Table 1: Comparisons Among Policy Approaches to China

A. In the Asia-Pacific Theater

In the past decade, the Canadian security literature has touched on issues in the Pacific while offering suggestions on what a Canadian role might look like.¹²⁹ However, these strategies require updating in order to take into account a China that is considerably more developed and assertive than during the time of the writing of these works. In 2013, Canada’s strategic security policy framework must begin with direct engagement with other Pacific powers at a bilateral level. China’s rise is as much of a concern to these states as it should be to Canada and the United States.

More specifically, Australia and New Zealand, which are already members of the Five Eyes intelligence community, are the two states that CSIS, CSEC, DFAIT, DND, RCMP, and the PCO should work harder to coordinate intelligence and military operations. Australia in particular is important. It has already had a vocal debate regarding China, and much can be learned from the experiences of Australia’s

¹²⁹ In addition to the works already cited: David Dewitt, *Securing Canada in an Uncertain World* (Toronto: University of Toronto Press, 2008); David Dewitt and John Kirton, *Canada as a Principal Power: A Study in Foreign Policy and International Relations* (Mississauga: Wiley and Sons, 1983); David Dewitt and David Leyton-Brown, *Canada’s International Security Policy* (Scarborough: Prentice Hall, 1995); Hugh Segal, ed., *Geopolitical Integrity* (Montreal: Institute for Research on Public Policy, 2005).

government in the areas of investment, defense, and intelligence in regards to China.¹³⁰ Canada should also coordinate with the United Kingdom, in addition to the United States, as resource sharing and cooperation will invariably enhance the capacity to collect useful and useable intelligence in the Asia-Pacific. Within the Five Eyes community framework, moreover, Canada should continue cooperation in the area of cyber security.

Beyond the Five Eyes community, Canada should develop strategic partnerships with Japan, South Korea, the Philippines, and Vietnam as a top priority. When possible, Canada should try to forge ties with these countries' navies, and partake in joint exercises if feasible.¹³¹ The purpose of these exercises is not to antagonize China; however, it represents an important step in relationship- and capacity-building, especially in the area of operational knowledge in the Pacific and sensitive coastal waters. Such a strategy is not new, as Daniel Poon notes in the case of U.S. engagement with Vietnam in 2011. Canada can and should, according to Poon, "perform multiple pragmatic hedging strategies" in order to "maximize national room for maneuver."¹³² India provides a unique opportunity for Canada to build relations with another commonwealth country that shares similar security concerns about China. The development of closer ties with India would allow for better cooperation in the Indian Ocean, an area that the Chinese are slowly expanding into.¹³³ In Asia, most of Canada's "balancing activities"—in the form of alignment, not alliance formation—take the form of strengthened diplomatic and economic links with these Asian countries that see an emerging China as a potential threat.

As for utilizing international organizations, we should be aware that the Asia-Pacific organizations that Canada is a member of—such as the ASEAN Regional Forum—have only forum functions without any mandate to make binding decisions. As such, these organizations are best used only as a mechanism of information gathering

¹³⁰ Nicholas Taylor, "China as a Status Quo or Revisionist Power? Implications for Australia," *Security Challenges* 3, no. 1 (2007): 29-45.

¹³¹ Bruce Gilley notes that Canada has an opportunity to develop these partnerships and relationships. Bruce Gilley, "Middle Powers During Great Power Transitions," *International Journal* 66, no. 2 (2011): 245-264.

¹³² Daniel Poon, "China's Move up the Value Chain: Implications for Canada," *Canadian Foreign Policy Journal* 18, no. 3 (2013): 334.

¹³³ Tharoor, "After Fighting Over Mountains, India and China Lock Horns in the Indian Ocean."

and communication, supplementing Ottawa's diplomatic information channels across Asian countries.

In regards to issues of Chinese sovereignty, Canada should avoid commenting on certain sensitive issues in China over which it has little control. Specifically, short of targeted programming and fiscal support for specific groups (which risks significant diplomatic damage), there is little Canada can do regarding sovereignty movements in Taiwan, Xinjiang, and Tibet without broader multilateral support. Taiwan is steadily becoming a strong Chinese trading partner, and pro-independence parties have largely failed to gain traction in recent years, a trend that perhaps signals a declining desire on the part of the Taiwanese to spark a debate regarding sovereignty, especially when Taiwan currently enjoys *de facto* statehood. In Taiwan, the pro-independence Democratic Progressive Party (DPP) has suffered a series of electoral setbacks since 2008, allowing the Kuomintang Party (KMT) to make a string of successful bids for power.¹³⁴ Taiwanese investment in China continues steadily, and business partnerships between Chinese and Taiwanese companies are also growing.¹³⁵ The United States has not shown any indication of retracting its commitment to protecting Taiwan, a fact that seems to have kept a precarious balance in the region. However, as Chinese naval power and projection capability continues to increase, the balance in the equation of peace between Taiwan and China may be drastically altered. While the United States may choose to vocally support Taiwanese independence in the future, Canada, with very little pacific projection capability, should stay out of the debate.

A similar approach should be employed to the cases of Tibet and Xinjiang. While human rights abuses and blatant disregard of human security in these regions by

¹³⁴ Robert Ross argues that the Taiwanese independence movement was never domestically popular, rather that it was popular only abroad. Furthermore, the KMT has made it known that independence is not a top issue, whereas investment and economic development growth is. This focus seems to have paid off for the KMT. Robert S Ross, "Taiwan's Fading Independence Movement," *Foreign Affairs* 85, no. 2 (2006): 141-148.

¹³⁵ Official statistics from the Mainland Affairs Council in Taiwan noted that in 2010, approved investment amounts totalled to approximately US \$121.82 billion, and that forty thousand Taiwanese companies had investments in China in 2003 with a total investment of approximately U.S. \$40-50 billion. Mainland Affairs Council, "Taiwan Approved Investment in Mainland China by Area," *Cross-Strait Economics Statistics Monthly* 216 (2011): Table 11. Some have argued, however, that care must be taken in dealing with Taiwan and China, and that there still is potential for conflict. See: Jennifer Sterling-Folker, "Neoclassical Realism and Identity: Peril Despite Profit across the Taiwan Strait," in *Neoclassical Realism, The State and Foreign Policy*, edited by Steven E. Lobell et al. (Cambridge: Cambridge University Press, 2009), 109-111.

Chinese forces are almost certain and protests from the local populace are increasing, Canada stands little to gain and much to lose by interfering in them. To be clear, this project is not advocating that Canada abandon its liberal values; however, it is arguing that in the case of China, following the suggestions of Burton and Gilley will only antagonize the Chinese government, and potentially the Chinese public, who may see these attempts as a form of condescension or Western arrogance. If any action is to be taken in Tibet and Xinjiang, it can only be done so multilaterally, or through diplomacy, and with a mandate to protect human life, not to promote political goals.¹³⁶

Meanwhile, Canada should not drop its concern of human rights and democracy in China. Ottawa should bring up this topic with Beijing, but in bilateral dialogue settings. It should be added that Canada should not restrict debate regarding these issues *within* its borders; in fact, Ottawa should protect those who wish to express themselves in a peaceful and lawful manner regarding these issues *in Canada*, even under protest from foreign governments.

B. On the Home Front

One of the most overt ways that China has projected its power is in the form of its “going out” strategy—i.e., massive foreign investment. The recent \$15.2-billion takeover by China National Offshore Oil Company’s (CNOOC, a Chinese state-owned enterprise) of Nexen, a Canadian oil sands company with vast assets in the oil sands, understandably raised some eyebrows. The value of the investment itself was shocking, especially when considering that Nexen received a 60% premium on the actual cost of the assets it owned.¹³⁷ The transaction effectively saw the transfer of a critical asset to the Canadian economy directly into the hands of the Chinese government. Chinese investment in Canada rose at a steady pace throughout the 2000s, and the Nexen deal

¹³⁶ Allen Carlson, “What West Doesn't Get about China,” *The Diplomat*, April 21, 2012, <http://thediplomat.com/2012/04/21/what-west-doesn%E2%80%99t-get-about-china/2/> (accessed May 25, 2013).

¹³⁷ Also important to note is that the U.S. Securities Commission moved to freeze the assets of several Chinese-based investors alleged to have illegally profited from the takeover. Nexen Takeover Prompts Insider Trading Allegations, *CBC News*, July 30, 2012, <http://www.cbc.ca/news/business/story/2012/07/30/business-sec-cnooc-nexen.html> (accessed June 2, 2013).

marked a milestone in the business relationship between China and Canada. Prime Minister Harper announced in December 2012 that while he was approving two massive investments in the oil sands that day (Nexen's takeover by CNOOC and Progress Energy's takeover by Petronas, a Malaysian state-owned enterprise), no further takeovers in the oil sands by a foreign state would be allowed, except in exceptional circumstances.¹³⁸ It is conceivable that this transaction was approved under a renewed push by the Harper government to repair damage with China caused during his first few years in power as the prime minister. Canada and China have grown closer in the last few years, and with this warmer relationship has come more investment.¹³⁹ The Canadian government seems to be following an "engagement" (economy first) model, similar to that of the examples illustrated previously.

This project proposes that for strategic security purposes, in addition to the oil sands, foreign state-owned enterprises cannot, and must not, be allowed to significantly invest in critical sectors of the Canadian economy. These sectors should include telecommunications, defense, oil/energy, network infrastructure, nuclear materials, structures or refining, critical manufacturing sectors (e.g. automobile and aircraft manufacturing), critical energy or transportation infrastructure (e.g. pipelines or ports), and geo-positioning or geo-mapping technologies, to name a few. This list is non-exhaustive. The Canadian government may wish to add sectors it considers crucial to its national security interests as necessary. Each of these sectors, in the opinion of this project, may house crucial assets, resources, or capabilities which if misused or leveraged by a foreign state, may be detrimental to the national security priorities of Canada. Under this system, the Nexen and Petronas deals would not have been approved as the deals provide foreign states an increased position of leverage over Canada in regards to a critical asset like oil.

Aside from overt takeovers, China has received considerable criticism over its covert methods in the economic sphere, especially in explicit accusations of economic espionage and information exfiltration from computer networks. Former CSIS employee Michel Juneau-Katsuya notes that Chinese strategists have "long understood that

¹³⁸ Laura Payton, "Government OK's Foreign Bids for Nexen, Progress Energy," *CBC News*, December 7, 2012, <http://www.cbc.ca/news/business/story/2012/12/07/cnooc-nexen-takeover.html> (accessed June 2, 2013).

¹³⁹ Paltiel, "Canada's China re-set," 267-270.

influence is more important than control,” and that Chinese Intelligence Services (CIS) follow a “mass collection process” to acquire as much information as possible on any specific target to achieve further influence.¹⁴⁰ On Canada, Juneau-Katsuya notes that two Chinese defectors reported to Canadian authorities in 2005 that, at the time, there were over a thousand Chinese agents working in Canada in various capacities. Former CSIS Director Richard Fadden remarked that high-level Canadian politicians at the Provincial and Municipal levels were actively under the “general influence” of foreign states, of which China was “the most aggressive.”¹⁴¹ Furthermore, Canadian business delegations are frequent targets for the CIS, with electronic devices being used specifically for the purposes of economic espionage while these delegations are visiting mainland China.¹⁴² This risk of hemorrhaging information is an important fact that requires a higher level of attention in the business community, with a much more concerted effort to prevent proprietary knowledge being lost on business trips by unsuspecting executives and employees.

It should be clarified at this point that the present project is not advocating an isolationist economy. Private investment should be encouraged and welcomed in Canada. However, state-owned enterprises like CNOOC do not operate like private multinational corporations. Contrary to the stance taken by Wenran Jiang in his recent piece supporting state-owned enterprise investment in Canada, it should be assumed that the first and foremost interest of any state-owned enterprise is national interest of the state they serve, regardless of their stated intentions. Jiang argues that over the last thirty years, state-owned enterprises have become increasingly competitive with one another and that they think and behave as private corporations.¹⁴³ However, one should consider that if business and state interests were to clash, it can only be assumed that state interests will emerge as victorious in a country like China. State-owned enterprises in China are ultimately controlled by the State-Owned Assets Supervision and Administration Commission (SASAC), which is administered directly by the State

¹⁴⁰ Fabrice De Pierrebourg and Michel Juneau-Katsuya, *Nest of Spies: The Startling Truth about Foreign Agents at Work within Canada's Borders* (Toronto: HarperCollins Publishers, 2009), 155.

¹⁴¹ “Some Politicians under Foreign Sway,” *CBC News*, July 23, 2010, <http://www.cbc.ca/news/politics/story/2010/06/22/spying-csis.html> (accessed December 5, 2011).

¹⁴² De Pierrebourg, and Juneau-Katsuya, *Nest of Spies*, 144.

¹⁴³ See Jiang, “China's Global Quest for Energy Security,” 105-131; Jiang, *The Dragon Returns: Canada in China's Quest for Energy Security*, 13-25.

Council, the chief administrative authority and central executive body of the Chinese state (and by extension, the CCP).¹⁴⁴ Even though every day running of the business is not directed at the state level, state-owned enterprises have representatives of the CCP at various levels interspersed throughout the organization.¹⁴⁵ There may be hundreds, or even thousands of party members in the corporation, and authors have noted that the CCP plays a pivotal role in decisions of the company, for example, in “the nomination of top executives, executive evaluation and compensation, asset acquisitions and disposals, and annual budgets.”¹⁴⁶ Furthermore, as mentioned previously, China’s civilian and non-civilian (CCP and PLA) sectors are integrated on many levels, and benefit from this integration in a number of ways, especially in the area of technology procurement and engineering.¹⁴⁷ In fact, in one example of CNOOC’s senior management, the Chairman of the Board of Directors, Wang Yilin, holds a secondary role and title, “Party Leadership Group Secretary.” Upon further inspection, it can be seen that almost every major member of the senior management is noted by CNOOC’s English website as being a “Party Leadership Group Member,” including the Chief Compliance Officer.¹⁴⁸ It is no secret that corruption and cronyism have been significant hurdles for the Chinese business and corporate communities—individuals must try to please the CCP in order to move up in a state-owned enterprise.

It should always be assumed that state-owned enterprises have the full backing of state resources in any way, shape or form, as required, if a goal furthers a state’s strategic position. A simple example would be the recent revelation that Sinopec, another Chinese state-owned enterprise, sells fuel at a loss in China, due to strict pricing controls put in place by the state. Being state-owned, Sinopec has the ability to operate at a loss as long as state priorities are met (due to state funding) — something that a private enterprise cannot afford to do.¹⁴⁹ Margaret Cornish, a Canada-China investment

¹⁴⁴ Jeremy Paltiel, *Structure and Processes in Chinese Foreign Policy: Implications for Canada. Issues in Canada-China Relations*, (Toronto: Canadian International Council, 2011), 92-94.

¹⁴⁵ Richard He Huang and Gordon Orr, "China's State-Owned Enterprises: Board Governance and the Communist Party," *McKinsey Quarterly*, no. 1 (2007): 108-111.

¹⁴⁶ *Ibid.*,

¹⁴⁷ U.S. Office of the Secretary of Defense. *Annual Report to Congress: Military and Security Developments, 2013*, 36.

¹⁴⁸ “Senior Management,” *China National Offshore Oil Corporation*, last modified 2013, http://en.cnooc.com.cn/data/html/english/channel_190.html (accessed May 30, 2013).

¹⁴⁹ Charlie Zhu, “China’s Sinopec to Pay \$1.5 billion for Parent’s Oil, Gas Assets,” *The Globe and Mail*, March 25, 2013, <http://www.theglobeandmail.com/report-on-business/chinas-sinopec-to-pay-15-billion-for-parents-oil-gas-assets/article10276696/> (accessed March 25, 2013).

promoter based in Beijing, argues that Chinese state-owned enterprises are not tasked with state objectives, because the promotion of state goals would tarnish the reputations of these enterprises.¹⁵⁰ Cornish fails to note that state and business goals are becoming increasingly aligned in China, and that these state-owned enterprises do not have to promote state interests in an overt manner, thereby risking their reputations. The recent blockage of Chinese companies Huawei and ZTE from being involved in U.S.-based networks illustrates some of the risks associated with doing business with Chinese companies in critical sectors. A U.S. panel warned that Huawei and ZTE may facilitate covert espionage for the Chinese government and military, thereby representing a national security threat to U.S.¹⁵¹

The question of a “net benefit test” must be considered very carefully in the case of state owned enterprises in these sectors. The *Investment Canada Act* may be a powerful tool in this fight to protect national security assets of Canada.¹⁵² The *Act* provides Canadian policymakers with the legislation necessary to block or impose conditions over investment by foreign states as necessary, after a comprehensive national security review, if the investment is deemed to be in conflict with national security interests of Canada.¹⁵³ Enacted in 1985, to date, the *Act* has only been used thrice: once to block the takeover of aerospace company MacDonald Detwiller by U.S.-based Alliant Techsystems in 2008; secondly, to sue the United States Steel Corporation in July 2009 to enforce guarantees the company had made when it acquired a Canadian business; and thirdly, to impose restrictions on the hostile takeover of Potash Corporation by Australia-based mining company BHP Billiton in 2010. BHP Billion

¹⁵⁰ Margaret Cornish, *Behaviour of Chinese SOEs: Implications for Investment and Cooperation in Canada*. (Toronto: Canadian International Council, 2012), 17.

¹⁵¹ “Huawei and ZTE Pose Security Threat, warns U.S. Panel,” *BBC News*, October 8, 2012. <http://www.bbc.co.uk/news/business-19867399> (accessed May 29, 2013). Also see Sean Michael Kerner, “U.S. Blocks Huawei from Government Networks,” *Enterprise Networking Planet*, October 8, 2012. <http://www.enterprisenetworkingplanet.com/netsysm/u.s.-blocks-huawei-from-government-networks.html> (accessed May 29 2013).

¹⁵² Note that if the Foreign Investment Promotion and Protection Agreement (FIPA) is ratified, the *Investment Canada Act* may not be able to block certain transactions. This raises the question whether FIPA is conducive to Canada’s security interests. The secretive nature of FIPA has meant that intense study of the agreement is difficult.

¹⁵³ It is important to note that for the purposes of these guidelines, “a state-owned enterprise is defined as an enterprise that is owned, controlled or influenced, directly or indirectly by a foreign government.” “Investment by State-Owned Enterprises – Net benefit Assessment,” *Industry Canada*, December 7, 2012, <http://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/lk00064.html#p2> (accessed May 29, 2013).

voluntarily withdrew its application for the takeover when impositions were placed on the investment.¹⁵⁴

The *Act* can and should be used in similar circumstances when considering specific Chinese state-sponsored or state-owned investments. Considering that Canada has so far only used the *Act* on companies from the United States and Australia, arguably two allies of Canada, Canada should consider with more care a growing appetite for future Chinese investment in Canada and prepare itself to use the *Act* in regards to this appetite. The Canadian government must send a clear message to the CCP that while it is willing to work with China on increasing trade and investment between the two countries, there must be certain caveats. China may balk at such a policy, but the Canadian government simply has to remind China that it *still does not allow* investment in critical sectors of its economy and that foreign investors have access to less than one percent of shares in China.¹⁵⁵ Any further opening up of the Canadian economy should be on a reciprocity basis: China needs to reciprocate in kind with its local markets for Canadian investment. Considering Canada's place as a stable democracy with relatively open markets, it should be expected that China will continue to seek investment in Canada, even with restrictions on investments by Chinese state-owned enterprises. Again, the purpose of this policy is not to "shut out" China; in fact, Canada should regard non-Chinese state-owned enterprises with equal suspicion. Meanwhile, Canada should try to continue the current trend of warming relations with China (since 2009) to the best of its abilities, and seek to engage China on a political level to initiate dialogues regarding issues of concern to Canada, if not simply just for the fact that China should know where Canada stands on these issues.¹⁵⁶

If, for political or diplomatic reasons, foreign investments in certain Canadian strategic sectors show detrimental effects, the Canadian government should restrict them. For example, a caveat of the sale may require the explicit use of Canadian contracting companies and services in any future projects or business ventures.

¹⁵⁴ Simone Collins, "Recent Decisions under the Investment Canada Act: Is Canada Changing Its Stance on Foreign Direct Investment?" *Northwestern Journal of International Law & Business* 32, no.1 (2011): 152-156.

¹⁵⁵ Josh O'Kane, "How to Get a Direct Taste of Investing in China," *The Globe and Mail*, March 7, 2013, <http://www.theglobeandmail.com/globe-investor/personal-finance/financial-road-map/how-to-get-a-direct-taste-of-investing-in-china/article9460547/> (accessed June 01, 2013).

¹⁵⁶ Paltiel, "Canada's China re-set," 267-270.

Furthermore, Canada should consider the security of our ally, the United States, when considering foreign state-owned investments in Canada. Investments in critical trans-border sectors may invariably have an effect on U.S. businesses, defence interests, or government priorities (e.g., electricity production). These trade issues may raise tensions in Canada-U.S. relations, a factor that may benefit Chinese interests in the long run.¹⁵⁷ In short, Canada should not become the “back door” of the United States through which a foreign threat can enter; nor should Canada allow China to strike a wedge in its relationship with the United States.

C. Taking into Account U.S. Grand Strategy toward Asia

One of the most important tasks for Canadian foreign policymakers to consider is the role of the United States in East Asian power balancing. Understanding U.S. foreign policy is fundamental in developing any type of independent Canadian strategy policy. Reality dictates that militarily, Canada cannot, and should not, compete with U.S. projection capability across the Pacific. Canada has been closely linked to and interested in the foreign policy priorities of the United States throughout the twentieth century due to the benefits Canada has enjoyed as being a status-quo power and U.S. ally. Foreign policy decisions in Washington, D.C. invariably have large effects on Canada in some way, either economically, politically, or militarily. More recently, the United States has identified a vested interest in the Pacific in the form of the Obama administration’s “Asia pivot” statement.

The U.S. security debate has been lively in regards to China.¹⁵⁸ But if we are to employ a broader perspective, the United States, for economic and political reasons,

¹⁵⁷ Gilley, "Middle Powers during Great Power Transitions," 249.

¹⁵⁸ Too many works exist to list here. They include, for example, various works by Thomas J. Christensen, Aaron L. Friedberg, and John J. Mearsheimer. Friedberg specifically argues that pessimists of all three major schools of thought see conflict with China as a distinct possibility in the near future. Thomas J. Christensen, "Posing Problems without Catching up: China's Rise and Challenges for U.S. Security Policy," *International Security*, 25, no. 4 (2001): 5-40; Thomas J. Christensen, "The Advantage of an Assertive China," *Foreign Affairs* 90, no. 2 (2011): 54-67; Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W.W. Norton & Company, 2011); Aaron L. Friedberg, "The Future of U.S.-China

should be considered to be in a period of transition from a strategy of primacy to one of selective engagement, while China is ascending. After the fall of the Soviet Union, the United States enjoyed a period of global primacy, with clear advantages in almost any military and economic capability categories in the world. However, with the growth of challenger powers and recent military engagements in Afghanistan and Iraq, the appetite of the American public for future international conflict has evaporated. Furthermore, recent economic woes in the United States have meant reprioritization for Washington, resulting in the scaling back of defense spending. A defense spending paper for the 2014 fiscal year prepared by the U.S. DOD notes that the United States “faces an increasing array of potential challenges to its national security” and that there will be an estimated 20% drop in the overall defense budget as a result of sequestration and fiscal demands.¹⁵⁹ The same document tells us that cuts were needed to “capabilities, force structure, and modernization programs” of the global capabilities of the vast U.S. Armed Forces.¹⁶⁰

The reductions and reprioritizations in U.S. defence spending are only a part of the larger U.S. grand strategy shift in recent years. In November, 2011, Hilary Clinton, U.S. Secretary of State at the time, published an article with *Foreign Policy* entitled “America’s Pacific Century.” She noted that as engagements in Iraq and Afghanistan wound up, the United States stood at “a pivot point.”¹⁶¹ Clinton argued that after several years of sustained involvement in the Middle East, the time was ripe to consider a shift towards Asia. Clinton noted that it was time to be “smart and systematic about where we invest time and energy, so that we put ourselves in the best position to sustain our leadership, secure our interests, and advance our values.”¹⁶² Clinton’s comments at the time were a part of a change in tone regarding the foreign policy priorities of the United States, with a clear message that China, and the Asia-Pacific region writ-large, deserved the increased attention of policymakers in Washington, D.C. The desire for this attention is not simply to balance the rising power of China. The United States realises that China

Relations: Is Conflict Inevitable?" *International Security* 30, no. 2 (2005): 7-45; Mearsheimer, "The Gathering Storm."

¹⁵⁹ U.S. Department of Defense. *Defense Budget Priorities and Choices: Fiscal Year 2014*. (Washington D.C.: U.S. Department of Defense, 2013), 1-2.

¹⁶⁰ U.S. Department of Defense, *Defense Budget Priorities and Choices*, 5.

¹⁶¹ Hillary Clinton, “America's Pacific Century,” *Foreign Policy*, November 2011, http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=full&wp_login_redirect=0 (accessed June 16, 2013).

¹⁶² *Ibid.*

represents a great economic opportunity, and that harnessing the growth of markets in Asia is a key issue in promoting a stagnating economy at home as well as in increasing the chances of a sustained fiscal recovery. Clinton herself noted in her article that '[h]arnessing Asia's growth and dynamism is central to American economic and strategic interests and a key priority for President Obama. . . . Our economic recovery at home will depend on exports and the ability of American firms to tap into the vast and growing consumer base of Asia."¹⁶³

Clinton also argues that a crucial part of having access to these markets and a stable economic climate depends on the ability of the United States to maintain peace and security in the Asia-Pacific region, through what she calls a regional strategy of forward-deployed diplomacy, which emphasises the use of diplomatic tools and assets across the Asia-Pacific region to maintain stability and security.¹⁶⁴ In essence, Clinton is noting a shift in U.S. policy, a pivot, one that places great emphasis on developing ties with states in the Asia-Pacific region and working carefully to counter the growth of China. The existing treaties the United States has with Japan, South Korea, Australia, the Philippines, and Thailand, are to be the "fulcrum" of this pivot, as the United States seeks to leverage these alliances and relationships to reduce direct involvement as much as possible, and only in the case of extreme need. As a part of this effort, the United States has also been steadily building relationships with other states in the region, such as Indonesia, Singapore, India, and New Zealand.

High-level contact between the Chinese and U.S. governments also sends a message of this refocus, while the two great powers continue to engage each other. The June 2013 summit between Presidents Obama and Xi Jinping has been heavily analysed, as many in China and the United States hoped the meeting would usher in a new period of U.S.-China relations. On the other hand, many have argued that the summit essentially represented an extension of the status-quo and that the visit would have little in the means of tangible results.¹⁶⁵ Former President Hu Jintao's visit in 2011 received similar levels of media coverage and attention.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

¹⁶⁵ "China Media: Xi-Obama Summit," *BBC News*, June 13, 2013, <http://www.bbc.co.uk/news/world-asia-china-22837460> (accessed June 13, 2013).

Meanwhile, tension continues between Washington and Beijing. Shortly after Hu's visit, for example, Michael Swaine noted the potential for a great-power rivalry between the United States and China in the absence of any substantial and useful communication. Swaine argued that there is a trend of "deepening strategic distrust," especially between the militaries of the two countries, which was exacerbated by Chinese naval and economic growth and an American desire to maintain force superiority in the Pacific.¹⁶⁶ Furthermore, an increasing number Chinese cyber-attacks against U.S. targets, as well as the recent revelation by National Security Agency (NSA) contractor Edward Snowden that the United States is actively targeting thousands of Chinese computer and network systems, are all developments that seem to point at a growing great-power rivalry between China and the United States in the cyber world.¹⁶⁷ In the realm of physical security, moreover, naval expansionism by China and the U.S. belief of "freedom of navigation" in the South China Sea, which argues that the United States has the right to operate in the region, are also causing issues of naval, aerial and deployment capability rivalry.¹⁶⁸

It is important to note that these developments point to a rivalry in the true sense of the term, due to the semi-collaborative and semi-competitive nature of the relationship between Beijing and Washington. For example, despite the aforementioned sources of bilateral tensions, the two great powers do cooperate on North Korean issues. After a rise in tension in the Korean peninsula due to increasingly aggressive North Korean rhetoric and posturing in early 2013, Washington and Beijing came together diplomatically, with both sides making statements pledging that the two powers would work together in order to deal with a potential Korean conflict. Within weeks of these announcements, there was a visible change in North Korean behaviour.¹⁶⁹

¹⁶⁶ Michael Swaine, "Avoiding U.S.-China Military Rivalry," *The Diplomat*, 2011, <http://thediplomat.com/whats-next-china/avoiding-us-china-military-rivalry/> (accessed June 16, 2013).

¹⁶⁷ Jonathan DeHart, "Ex-CIA Whistleblower Edward Snowden's Fate in China's Hands," *The Diplomat*, June 10, 2013, <http://thediplomat.com/the-editor/2013/06/10/ex-cia-whistleblower-edward-snowdens-fate-in-chinas-hands/> (accessed June 16, 2013).

¹⁶⁸ Bonnie S. Glaser, "Armed Clash in the South China Sea," *Council on Foreign Relations*, April 2012, <http://www.cfr.org/east-asia/armed-clash-south-china-sea/p27883> (accessed June 16, 2013).

¹⁶⁹ Jill Dougherty, Jethro Mullen, and Laura Smith-Spark, "China, United States to Work Together to Calm down North Korea," *CNN News*, April 14, 2013, <http://www.cnn.com/2013/04/13/world/asia/china-kerry-koreas-tensions> (accessed June 15,

The above discussions beg the question: what do these various foreign policy overtones, developments, and statements really mean in relation to U.S. grand strategy? In reality, a growing fiscal and economic crisis for the United States means a scaling back of responsibilities and commitments abroad. It is true that as of 2013, the United States has already largely exited Iraq, and it is in the process of completely withdrawing from Afghanistan. As U.S. power declines due to economic challenges and the rising regional power of states around the globe, U.S. policymakers must now pick and choose its battles carefully if their country is to maintain its edge over regional competitors. Greater economic growth in Asia and the growing power of China demands that the United States now focus its attention on the Asia-Pacific region, and China in particular, in the most economic manner possible. Refocusing of priorities has meant greater engagement with allies like Japan and South Korea in attempts to foster burden-shifting and responsibility-sharing. Diplomatic engagements with China are required for reining in a belligerent and bellicose North Korea and avert a destabilizing conflict on the Korean peninsula. Hesitation to engage in any type of humanitarian intervention in Syria in recent months can be seen as a further example of this fear to get entangled in regional affairs directly.¹⁷⁰ The United States does seem to be attempting to take an “armchair” approach to global politics, limiting its engagements to the best of its ability, while trying to maintain a leading role in global politics and protecting economic interests. This analysis seems to fit in U.S. Asia policy as well.

There seems to be a distinct dilemma that the United States is facing in regards to China—U.S. policymakers realise that there must be a delicate balance between engagement and deterrence in the Asia-Pacific region. On one hand, the United States must diplomatically engage China due to the ability of Beijing to maintain some level of stability in the Korean peninsula, as well as due to its economic interests vis-à-vis China (as Hillary Clinton has argued, Asia is a cornerstone for U.S. economic recovery). On the other hand, however, the United States cannot abide a growing Chinese maritime or military force that threatens Japan, the Philippines, and Taiwan for geo-political reasons. Furthermore, advocating a controversial policy of freedom of navigation in the Pacific is

2013); “China and U.S. Make North Korea Nuclear Pledge,” *BBC News*, April 13, 2013, <http://www.bbc.co.uk/news/world-asia-22131316> (accessed June 15, 2013).

¹⁷⁰ Fred Hiatt, “U.S. Disengagement: Fewer Answers,” *Gulf News*, May 21, 2013, <http://m.gulfnews.com/opinion/us-disengagement-fewer-answers-1.1186664> (accessed May 28, 2013).

a necessary tactic for U.S. forces to maintain military superiority and to protect alliances.¹⁷¹ Cyber-attacks against U.S. military and civilian targets, as well as the ability of a constantly modernizing PLAN, are two issues that will continue to challenge U.S. policymakers. Cyberspace and ocean navigation serve as two nebulous and heavily debated regions of legality. So far, a U.S. response to these issues has seen the classification of both cyberspace and the sea as a part of the “global commons,” an area that must be protected by U.S. “military dominance and political leadership in order to maintain stability and prosperity.”¹⁷² So far, U.S. policy of global retrenchment and regional refocus towards the Asia-Pacific seems to be in a period of transition and relative disarray, with an ultimate goal of maintaining some type of stability in the “global commons.” Despite the “pivot” or realignment move announced by the Obama administration earlier, the United States has not followed up with substantial and concrete politico-military actions beyond the announced plan to station U.S. Marine Corps units on a rotation basis in Darwin, Australia.

What does this U.S. shift and dilemma mean for Canada? The U.S. strategy of retrenchment or selective engagement with a focus on the Asia-Pacific region allows Canada to take much more active role in regional stability. As the United States seeks strike a balance with China, and to deal with issues at home while effectively focusing its efforts to better cope with what it perceives as threats in Asia and the “global commons,” Canada will be presented an opportunity to better liaise with both U.S. naval forces in the Pacific and the U.S. allies in a similar capacity. Canada should push towards devoting some of its existing defence assets towards naval training and readiness in the Pacific, in order to become a true partner in countering potential power imbalances in the Western Pacific. In the latest “Reports on Plans and Priorities,” it is noted that Canada will be spending approximately \$3.3 billion on its defence, but hardly any information pertains to new strategies in the Pacific, with only a brief mention of Canadian Forces Base Esquimalt on Vancouver Island, and in the capacity of existing “Acoustic Data and Analysis Centres” being moved to the East Coast.¹⁷³

¹⁷¹ Glaser, *Armed Clash in the South China Sea*, Council on Foreign Relations.

¹⁷² Abraham M. Denmark, “Managing the Global Commons,” *Center for a New American Security*, June 30, 2010, <http://www.cnas.org/node/4695> (accessed June 15, 2013).

¹⁷³ “Department of National Defence: Reports on Plans and Priorities 2013-14,” *Vice Chief of Defence Staff, Canada*, March 21, 2013, <http://www.vcds.forces.gc.ca/sites/internet-eng.aspx?page=15250> (accessed May 28, 2013).

The below map seeks to highlight the lack of commitment Canada has in the Pacific. The map summarises the current deployment of Canadian Forces worldwide, and it can be immediately seen that there is a gap in the Asia-Pacific region:

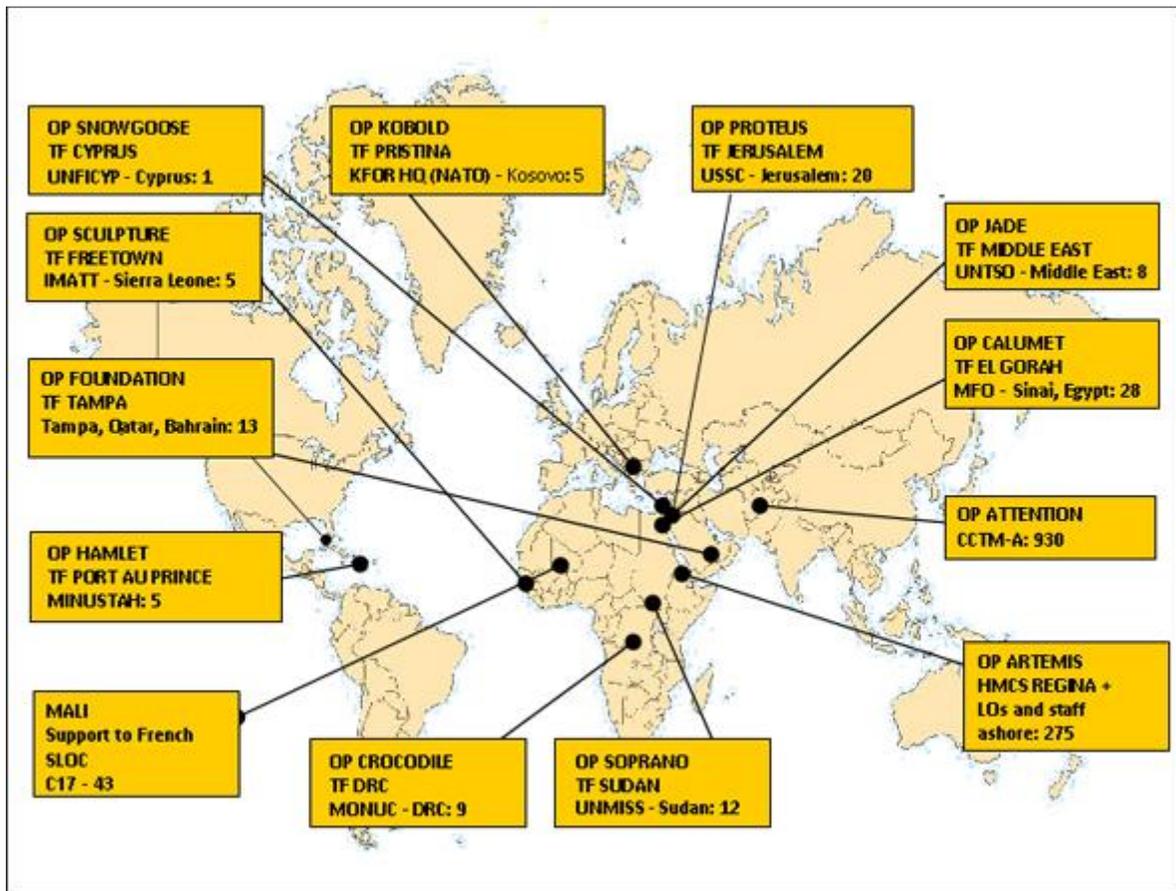


Figure 5: Canadian Forces International Operations, Military Personnel Deployed as of 31 January, 2013¹⁷⁴

While there is considerable deployment in the Middle East and Africa, no Canadian operations (at least those that are of public knowledge) are noted anywhere either in the Asia-Pacific or South Pacific regions. This deficit in Pacific deployment and training must be rectified, and soon, if Canada is to participate in strategic Asian-Pacific security in any meaningful way.

While Canada does participate in the biennial RIMPAC exercise (which China has now accepted an invitation to), more direct military engagement and cooperation

¹⁷⁴ Ibid.

with Asian states would also be highly advisable.¹⁷⁵ A U.S. “pivot” to the Pacific also allows Canada to better involve itself in existing operations in the spirit of regional stability and a show of commitment.

Essentially, the Asia-Pacific region is seeing a period of structural shift as a result of revisionist behaviour on the part of China, and a change in global grand strategy and foreign policy on the part of the U.S. This shift allows Canada with a unique opportunity to pursue change on both the Asian and domestic fronts. Canada now has a window of opportunity to build relationships with Five Eyes and U.S. intelligence and defence agencies, as well as those of U.S. allies and strategic states in the Asia-Pacific region, especially in the light of a U.S. policy of strategic realignment and retrenchment. At home, Canada must coordinate with both civilian and military U.S. government agencies in order to maximise efficiency of intelligence collection and dissemination. Better sharing of intelligence within Canadian intelligence agencies and inter-departmental cooperation on intelligence priorities will greatly aid Canada in moving towards developing a better security policy with an Asian focus. In the Pacific, Canada must pursue a more independent foreign policy which is focused on the building of bilateral partnerships and the strengthening of regional ties with key countries that are also concerned with a potential imbalance of power in the region. These actions will aid Canada in better assessing national security threats and issues of national defense in regards to the Asia-Pacific region, especially in a period of structural change.

D. Need for Policy Coordination within the Canadian Government

It is in this large context that the present project advocates inter-departmental cooperation, especially in the defence and intelligence communities. CSIS, the Canada Border Services Agency (CBSA), the RCMP and CSEC should coordinate regarding key intelligence and strategic priorities, and DND should consider collaborating with the

¹⁷⁵ Zachary Keck, “China, RIMPAC and Containment,” *The Diplomat*, April 3, 2013, <http://thediplomat.com/flashpoints-blog/2013/04/03/china-rimpac-and-containment/> (accessed June 2, 2013); “RIMPAC 2012: Participating Vessels by Country,” *Naval Technology*, June 18, 2012, <http://www.naval-technology.com/features/featurerimpac-2012-vessels-aircraft-countries/> (accessed June 2, 2013).

intelligence community closely. DFAIT is able to play an important role here as well, as Canadian embassies and diplomats are able to engage Chinese officials and businesspersons on a direct level. DFAIT may wish to act as a clear conduit to gauge Chinese intentions and priorities. The PCO may be able to assist these departments in providing key assessments and strategic direction based on information they receive as a result of cooperation.¹⁷⁶ Non-state actors may be important to engage with at this level as well, as Canada may be able to glean much information from various groups that seek to engage on a private, non-governmental level in China. These engagements would provide Canada with the opportunity to gain access to a less politicised image of the situation “on the ground” in China.¹⁷⁷

VI. Conclusion

Canada can no longer afford to ignore China from a strategic perspective. Canadian foreign policy, as well as the ongoing Canadian discourse on China policy, currently lacks a pragmatic, strategic response to China’s rise in the Asia-Pacific region. It does not deal with the implications this rise accompanied by revisionist behavior has for Canada as a status-quo power. Beyond looking at issues of immediate economic benefit, Canada must engage the Asia-Pacific region with a strategic mindset, one that incorporates key goals such as the protection of Canadian economic and military interests, resources, and assets; the forging of better bilateral relationships with Asian states; and building a better capacity to engage the United States in a period of grand strategy shift, as well as the other Five Eye partners. All of these policy prescriptions were bundled under the banner of “soft balancing” strategy.

Implementing these policies will require a change in thinking for many policymakers in Ottawa. The intelligence, trade, and business communities within government must be closely engaged with one another, through open and frank discussions, in order for these changes to occur. The Canadian intelligence community, through the leadership of CSIS, CSEC, DND, DFAIT, and the PCO must engage other government departments and crown corporations such as Industry Canada (IC), and the

¹⁷⁶ Cox, *Canada and the Five Eyes Intelligence Community*, 7-10.

¹⁷⁷ Palamar and Jardine, "Does Canada Need a New Asia Policy?" 260.

Bank of Canada, respectively (and as many other as deemed necessary), as well as a variety of private businesses in crucial economic sectors. All these parties should have a vested interest in Asia. Better coordination between these groups will facilitate for easier determination of national security interests, and the protection of Canadian business interests and intellectual properties. Coordination should occur both at a working level (i.e., in the public service, through high-level leadership), and at the Cabinet level, through the already existing committees on Foreign Affairs and Defence, and National Security. In order to implement this framework, there is a need for inter-departmental discussions and resource sharing, as well as a need for high-level involvement and backing for initiatives that focus on ascertaining threats in the Asia-Pacific from a strategic perspective.

Whenever possible, efforts should be made to make similar linkages at the working and Cabinet levels with our ally, the United States, especially in the areas of intelligence and defence. Canada could benefit greatly from the high-quality intelligence and knowledge obtained by these departments, and it should actively pursue joint programs for employee training and resource sharing. The United States would also benefit from this added input and exchange due to Canada being a popular destination for many Chinese businesses and state-owned-enterprises, whom may potentially seek to conduct their activities in the United States as well.

DFAIT's position as the first point of contact between the Canadian government and foreign states means that it must take the lead on creating firmer ties with Asian powers, especially those mentioned in this project. DFAIT will also be central in engaging and forging better bilateral discussions with Chinese officials. If and when diplomatic ties are strengthened, Canada's intelligence and investment communities will be better poised to engage the foreign state in a productive manner.

The goals for this project have been to both provide a potential solution for Canada's dearth of a "China strategy" and spark a debate regarding steps Canada must take to approach the Asia-Pacific region in a more strategic manner, a manner that factors in the growing power of China as well as the waning influence of the United States. The emphasis of this strategy has not been pointed at antagonizing China, or at supplanting Chinese investment or diplomacy. This project has taken an approach that is

meant to be pragmatic and strategic, given Canada's limited resources and reach. Most importantly, the arguments made in this project have been focused at sparking a much-needed debate. Canadian policymakers, in particular, have an opportunity to benefit greatly from this debate. As China's power continues to grow, Canada must accept that the world is changing and take a bold step into a new, important era that will determine Canada's future.

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