

RESPONDING TO CHINA'S GLOBAL RE-EMERGENCE



The Group of 78
Le Groupe des 78

**Group of 78 Annual
Policy Conference**
September 27 - 29, 2013
Ottawa, Ontario



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the Embassy of the United States, Ottawa, National Capital Confucius Institute, and
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Roy Culpeper, Board Member, Group of 78

Madelaine Drohan, columnist, the Economist

Peggy Mason, Chair, Peacebuild, former Chair, Group of 78

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The Group of 78



The Group of 78 is an association of Canadians committed to Canadian leadership in global stewardship and a progressive Canadian foreign policy based on the pursuit of peace, justice and global survival.

The Group grew from an initiative in 1980 when several concerned and distinguished Canadians crafted a statement on how Canada could contribute to the building of a peaceful, secure world. In November 1981 that statement, *Canadian Foreign Policy in the 80s*, was sent to Prime Minister Trudeau. It was signed by 78 Canadians – a group of 78. The statement set out three inter-related objectives:

- removal of the threat of nuclear war
- mobilization of resources to achieve a more equitable international order
- strengthening and reform of the United Nations and other global institutions

That began a dialogue between the Group of 78 and the Canadian government. Members of the Group made their views known about new issues in international relations and their implications for these central and universal objectives. While these objectives remain valid, the world to which they apply has changed. As a result, after celebrating its twenty-fifth anniversary in 2005, the Group decided to re-examine its core statement of principles, its objectives and its operations. Two major conferences in 2007 led to the adoption of a new statement of principles of Canadian foreign policy: *Global Stewardship: Awakening Canada's Commitment to the World*. A call was issued to Canadians and their government:

We call on Canadians to commit to the world with moral integrity, energy, enthusiasm and investment unparalleled in our history. We call on Canadians to demand that these principles guide our policies, at home and abroad: Justice, Peace, Survival.

Further, it identified concrete core objectives for Canadian foreign policy:

- Renew multilateralism
- Eliminate weapons of mass destruction
- Make a reality of human security
- Prevent armed conflict
- Protect the environment
- Promote and protect human rights
- Create a fair, democratically accountable international trading system
- Ensure effective development assistance
- Support and strengthen responsive and accountable governments.

Activities

The Group holds an annual foreign policy conference each September to deliberate on key issues and to formulate recommendations to government. In recent years, the themes addressed included the Middle East in the framework of international law, security and human rights in Canadian foreign policy, the struggle between democracy and globalization and lessons from the armed intervention in Afghanistan.

The Group also holds monthly luncheon presentations, open to the public, on a wide range of topics. Recent speakers have addressed the millennium development goals beyond 2015, India and the world, international humanitarian law, the cluster munitions treaty, warrior nation: rebranding Canada, tax as the forgotten element in development, and problems with Canadian military procurement. These sessions provide background and insight for participants and reinforce the Group's public engagement and advocacy work. Periodically the Group convenes other special events, often in cooperation with other civil society organizations.

Thematic panels, or working groups, within the organization track key themes of Canada's role in the world community towards greater understanding of the issues, recommending positions and actions for the government and civil society, and suggesting other program initiatives for the Group.

Through its Board of Directors, the Group produces positions on topical issues and recommends policy and actions for the Government of Canada to consider in its conduct of foreign policy.

The Group invites all like-minded Canadians to join it in pursuing these objectives.

Membership

The Group of 78 is open to individuals who identify with and are committed to the principles of the Group.

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Introduction

In planning this year's policy conference, the Group of 78 provided this basis for the event:

How should Canada and the rest of the international community respond to China's dramatic re-emergence as a major global power? Our 2013 Annual Conference will address this question at a time when global economic, financial, environmental and political challenges severely tax the capacity of existing diplomatic and institutional mechanisms to manage global competition, co-operation and conflict.

National responses to "the China challenge" generally involve some combination of engagement and containment. While engagement has been the dominant approach in recent decades, an increasingly uncertain global policy environment suggests that this may change with potentially grave implications for China and the world. The conference will explore the complex set of forces shaping such a potential re-alignment and, within that context, assess the risks associated with various policy options.

China has always been a source of fascination for the rest of the world. Its traumatic history and dramatic changes in the twentieth century have been the study of countless books and debates. Its latest incarnation, that of a global economic giant and the inevitable political power that comes with it, is having profound influences on international politics and causing many countries to recalibrate their foreign policies. The intended focus for the conference was, therefore, not on China per se but more particularly on how the western countries, including Canada, should craft and implement their policies in light of China's dramatic rise in recent years.

The program of the conference was designed to provide insightful and intelligent presentations on different aspects of the theme, stimulate lively discussion among the participants, and produce a number of conclusions and recommendations for policy makers and public consumption. It was organized around a keynote address, a luncheon presentation, and three panels. Substantively, participants heard about the rise of China from a southern perspective; implications of the nature and scope of its growth; responses to date by the United States, Canada and Africa; issues of human rights; and impact in other policy fields.

This report tries to capture the main messages of the eleven presenters, summaries of the discussions among participants, and the major conclusions and recommendations adopted by the final plenary of the conference. The Group of 78 is sharing this report – and particularly the recommendations – with Canadian policy makers and making it available to a wide audience as a contribution to ongoing public discourse on Canadian foreign policy.



2013 Group of 78 Annual Policy Conference

Ottawa, September 27 – 29, 2013

Conclusions & Recommendations

The following statements were adopted by final plenary of the Group of 78's annual policy conference to provide advice to Canadian and other policy makers and to share with the wider citizenry as a contribution to ongoing public discourse. The conference over three days included a range of rich presentations and enlightened discussion among nearly 100 participants with strong interest in international affairs and Canadian foreign policy.

1. Canada should work towards a new Bretton Woods agreement designed to stabilize international finance, enhance long-term investment flows (as per a BRICS Development Bank) and restore the goal of full employment as the first policy priority.

This recommendation is based on two 'on balance' conference conclusions: The first is that China's relationship to the rest of the global economy likely will become more problematic if the international financial system remains endemically unstable and continues to generate or tolerate unsustainable economic and financial imbalances. The second is that China's efforts to deal with rising domestic income inequality are unlikely to succeed without systemic changes, given that those same international financial markets have been associated with dramatic increases in income inequality in fully democratic developed countries with strong civil societies. Participants also supported this recommendation as a significant measure to enhance efforts against global poverty, for which greater equality and respect for the value and integrity of labour were essential.

2. Canada should seek to make global governance institutions more representative & democratic.

This recommendation reflects participants' strong agreement with the keynote speaker's reminder that the effective future management of the global economy will be impossible unless the institutions of economic global governance come to be guided and shaped by a more representative arrangement of nations within them.

3. Canada should support China's ongoing efforts to move towards inclusive democratic institutions, an independent judiciary, an active civil society and meaningful adherence to its human rights obligations.

This recommendation arises from acceptance of three propositions: that China is currently moving towards a more inclusive and open society; that the precise pace and form of that transition must be a matter for China's people and government to determine; and that the international community's best way of encouraging these developments would be to lead by example and to ensure its own continued adherence to those objectives. In discussion, participants also mentioned the importance of free and independent media (including in our own country) and the value of space for dialogue, both within China and between Chinese and other peoples.

4. Canada should continue to engage actively with China in trade, investment, and intellectual and cultural exchanges with due regard to each nation's economic, social and environmental priorities.

This recommendation reflects the view that constructive engagement and better mutual understanding of each others' priorities and constraints are the best foundation for defusing, and ultimately resolving, future differences.

5. Canada should engage actively with China in promoting effective mutual efforts to address the global environmental crisis.

This recommendation reflects the urgency of the current environmental crisis and overexploitation of natural resources and calls upon the Canadian government to join with China in developing and promoting effective action to slow and ultimately to reverse currently unsustainable trends.

6. Canada, working with others, should encourage China and the United States to pursue a new grand strategy encompassing diplomacy, trade and human rights with the goal of strengthening international peace and security.

This recommendation reflects the strongly voiced belief in the imperative of peace, a growing concern about the emergence of an American-Chinese strategic military rivalry, and the rejection of the increasing tendency to define China as an imminent military threat. Participants agreed that the grand strategy must respect international law and institutions, such that conflict, if not settled bilaterally, should be resolved peacefully and through international bodies. Conflict resolution should take into account the need to achieve a more balanced and stable international economic system that allows nations to manage their economies in accordance with their own priorities and circumstances.

7. Canadian engagement with Africa should strengthen the abilities of African governments to negotiate mutually beneficial arrangements with China and other economic partners.

This recommendation makes the point that it is important for African (and other) governments to develop and protect their capacity to ensure that external economic links with China, as with others, generate significant net benefits to their citizens and their future development objectives. Discussion noted that, while China is making significant contributions to African development in areas such as infrastructure, many in Africa have a growing concern about some of the measures and methods, such as land use, labour practices, and cultural misunderstandings.

8. In engaging with China and other countries, Canada should seek to “lead by example” and consistently uphold and apply, at home and abroad, universal principles and obligations, including human rights.

Speakers and participants alike mentioned many problems facing China in its economic, social and political spheres but emphasized that Canada and other western countries still have many unresolved issues as well. Dialogue with China on many issues can be more productive when Canada is making real and substantive progress on its own problems. Vigorously applying and implementing United Nations treaties is one important means to achieve and demonstrated this progress.

Conférence annuelle du Groupe des 78

Ottawa, du 27 au 29 septembre 2013

Conclusions & Recommandations

1. Le Canada devrait travailler à l'instauration d'un nouvel accord de Bretton Woods qui permettrait de stabiliser la finance internationale, favoriser les investissements à long-terme (tel que la Banque de développement de BRICS), et remettre l'objectif du plein emploi comme la première priorité politique.

Cette recommandation est basée sur deux remarques qui se sont dégagées des conférences. La première est que la relation de la Chine avec les autres acteurs de l'économie mondialisée risque de devenir problématique si le système financier international demeure instable et continue de générer ou tolérer des déséquilibres économiques et financiers insoutenables. La seconde est que les efforts déployés par la Chine pour faire face aux inégalités économiques de sa population ont peu de chance d'aboutir sans un changement de système, puisque ces mêmes marchés financiers internationaux ont récemment provoqué une augmentation dramatique d'inégalité économique dans les pays dits démocratiques et développés, et ce malgré l'existence d'une société civile forte et engagée. Les participants considèrent cette recommandation comme étant une mesure significative permettant d'accentuer les efforts dans la lutte contre la pauvreté à l'échelle mondiale, lutte pour laquelle une plus grande égalité et le respect de la valeur du travail et de l'intégrité sont essentiels.

2. Le Canada devrait travailler à rendre les institutions de gouvernance internationale plus représentatives et démocratiques.

Cette recommandation reflète le plein accord des participants avec les idées exprimées lors de la session inaugurale par le conférencier qui rappelait que l'économie mondiale ne peut plus être gérée de façon efficace sans que les institutions de gouvernance économique mondiale ne soient réformées pour devenir plus représentatives des intérêts des différentes nations.

3. Le Canada devrait appuyer les efforts actuels entrepris par la Chine pour mettre en place des institutions inclusives et démocratiques, un pouvoir

judiciaire indépendant, une société civile engagée, ainsi qu'un respect plus significatif de ses obligations en ce qui concerne les droits de la personne.

Cette recommandation fait suite à l'acceptation des trois propositions suivantes : que la Chine évolue actuellement vers une société plus ouverte et inclusive ; que le rythme et la forme prise par cette transition doivent être déterminés par le peuple et le gouvernement chinois eux-mêmes ; et enfin, que le meilleur moyen pour les membres de la communauté internationale d'encourager ces développements consiste à donner l'exemple et assure son engagement à réaliser ces objectifs. Lors de la discussion, les participants ont aussi mentionné l'importance des médias libres et indépendants (y compris ici au Canada) ainsi que la valeur des espaces de dialogue pour favoriser les échanges d'idées entre les Chinois eux-mêmes, mais aussi entre les Chinois et les autres peuples.

4. Le Canada doit continuer sa coopération active avec la Chine en matière de commerce, d'investissement, d'échanges intellectuels et culturels, en tenant compte des priorités économiques, sociales et environnementales respectives de chaque nation.

Cette recommandation reflète l'idée selon laquelle un engagement constructif et une meilleure compréhension mutuelle des priorités et des contraintes de chacun constituent les meilleurs fondements pour désamorcer, et ultimement résoudre, les points de désaccords futurs.

5. Le Canada devrait coopérer activement avec la Chine et promouvoir la mise en œuvre d'efforts communs et efficaces pour faire face à la crise environnementale mondiale.

Cette recommandation témoigne de l'urgence de la crise environnementale actuelle causée notamment par une surexploitation des ressources naturelles, et appelle au Canada et à la Chine de joindre leurs efforts pour trouver des moyens efficaces de ralentir, et ultimement d'inverser, la tendance actuelle.

6. Le Canada, en collaboration avec les autres nations de la communauté internationale, devrait encourager la Chine et les États-Unis à adopter une nouvelle stratégie globale dans leur relation, y compris la diplomatie, le commerce et les droits de la personne de façon à renforcer la paix et la sécurité internationale.

Cette recommandation reflète la primauté de l'impérative de la paix, une préoccupation montante dans l'émergence des rivalités militaires et stratégiques sino-américaines et le rejet de la tendance actuelle et grandissante des analystes de présenter la Chine comme une menace militaire immédiate. Les participants partagent le point de vue selon lequel la Chine et les États-Unis doivent donner à leurs relations une nouvelle orientation stratégique, basée sur le respect du droit et des institutions internationales, de façon à ce que le conflit, s'il ne peut être réglé par un dialogue bilatéral, soit résolu pacifiquement en passant par la médiation d'instances internationales. La résolution du conflit doit tenir compte de la nécessité de mettre en place un système économique international plus stable et équilibré permettant aux nations de gérer leur économie selon leurs circonstances et leurs priorités propres.

7. L'engagement du Canada en Afrique doit viser à renforcer les capacités des gouvernements africains à négocier des accords mutuellement avantageux avec la Chine et tous leurs partenaires économiques.

Cette recommandation souligne l'importance que les gouvernements des pays africains, entre autres, développent et maintiennent leurs capacités afin d'assurer que les relations économiques externes avec la Chine, comme avec les autres pays, apportent de réels bénéfices à leurs citoyens et répondent à leurs objectifs de développement. Alors que la Chine contribue de façon significative au développement des pays africains en construisant par exemple des infrastructures, il est ressorti de la discussion que beaucoup s'inquiètent de certains aspects de cette contribution, notamment en ce qui concerne l'utilisation des terres, les normes du travail, et les mésententes culturelles.

8. Dans ses relations avec la Chine et les autres pays, le Canada devrait donner l'exemple en s'efforçant de systématiquement appliquer et faire respecter, tant au Canada qu'à l'étranger, les principes universels et les obligations, notamment en matière de droits de la personne.

Les conférenciers comme les participants ont mentionné la diversité des problèmes et des défis auxquels doit faire face la Chine, tant sur le plan économique, que politique et social. Néanmoins, le Canada, tout comme d'autres pays occidentaux, a lui aussi beaucoup de problèmes internes à résoudre. Le dialogue avec la Chine sur toutes ces questions pourra être plus constructif si le Canada fait des efforts significatifs et concrets pour faire face à ses propres problèmes. À ce titre, vigoureusement appliquer et mettre en œuvre les conventions et traités des Nations-Unies est un moyen important d'effectuer et de démontrer du progrès allant dans ce sens.

Keynote Address: Amar Bhattacharya
‘Challenges and Opportunities
in the Emergence of China and the BRICS’

Summary of Presentation:



Structural transformation in the global economy

Over the past two decades, a profound structural transformation has taken place in the global economy. For almost 60 years, growth in emerging markets and developing countries (EMDCs) tracked that of advanced economies (AEs). Since the mid-1990s, in contrast, growth in most of the developing world began to outpace AEs. China has been at the forefront of this transformation and now contributes three times as much to global growth as the US. India is at parity with the US in terms of contribution to growth.

In contrast, Europe's contribution to global growth has been meagre, and indeed negative in recent years. Overall, EMDCs now account for more than 50% of the global economy and more than 70% of global growth. The story of global transformation is not just about China or the BRICS; more than 100 developing countries are growing faster than the average of the developed world, and they are on the path to convergence. Perhaps most surprising, Sub-Saharan Africa is among the fastest growing regions. The convergence of EMDCs is occurring in two phases: first, a catching up phase driven by higher growth rates; and then, a phase of currency appreciation. This occurred in Japan, Korea, and Singapore and this will happen to China as well.

Increasing and more effective domestic resource mobilization has played a role in this transformation. The much-maligned Washington Consensus-- while it has been challenged--has been a factor, as have been unconventional policies to promote structural change. Higher domestic savings in all developing regions has led to a virtuous cycle of higher investment and higher growth.

Impact and legacy of the crisis

The emerging markets withstood the financial crisis much better than advanced countries, and China played a huge role in stimulating the global economy during the

early part of the crisis. However, emerging markets have not escaped the advanced countries' crisis-related slowdown, particularly since 2011. EMDC growth had begun to slow somewhat even before the crisis, due to jobs losses related to international trade and financial volatility. The recent slowdown is of concern, given that what happens to the emerging markets and China has an impact on the world economy. At the same time, China's space for countercyclical fiscal policy has decreased, as is also the case in India and Brazil.

Nevertheless, China continues to be an engine of growth and demand, with a growing share of global trade, large outflows of financing and investment. Unlike the EU and the US, EMDCs have contributed hugely to global rebalancing. Excluding China and Korea, EMDCs as a whole have moved from a small trade surplus before the crisis to an aggregate deficit of about \$400 billion after the crisis, the same absolute magnitude as the United States. In contrast, the surplus of the EU has increased sharply, amounting to more than \$500 billion. It is extremely important therefore, that advanced countries, and in particular Europe, do more to boost aggregate demand given the growing constraints on EMDCs related to current account deficits. Meanwhile, with interest rates at historic lows, the world is at a dangerous impasse. Some \$7 trillion worth of US Treasury securities are being held outside central banks; a large and abrupt adjustment in interest rates could be very destabilizing to the global economy. China will have a crucial role to play as a bulwark against such instability; yet, there is only so much one country can do.

In *China 2030*, it was projected that China's economic growth will progressively slow to around 5 per cent, but still remain higher than the rest of the world. By the year 2030, China will be a high-income country, with the biggest shift in the global economy coming from the decline of the EU relative to the emerging economies. Given that China's slowdown is inevitable, the biggest challenge for the country will be developmental, in terms of infrastructure, employment, demographic change and environmental sustainability. While China's coal consumption is markedly greater than the rest of the world, the government is taking impressive steps to reduce emissions and increase the use of renewable.

Role and impact of China and the BRICS

Understanding the structural transformation in the global economy requires closer examination of the role and impact of China and the BRICS. The BRICS, driven by China, account for a growing share of global trade, and are increasingly trading with other EMDCs. China is the world's largest exporter and the second most important source of imports to the US. Africa, Germany and the rest of Asia have performed relatively well, largely because of Chinese demand. This demand is particularly evident in commodities, with China consuming about 20% of the world's food and 70% of the world's coal, China has abided by the rules of the game and it has signed onto the WTO, although its exchange rate policy remains subject to controversy.

China's size and cost competitiveness are huge barriers to entry for other countries contemplating market prospects for their own exports and domestic production. However, in light of prospective changes in growth and productivity, as well as government policies around social safety nets, pensions, and wages, China will likely move up the global value chain. In this scenario, Africa, Vietnam, Cambodia, Indonesia, and many others will steadily replace China as the main point of global production. In the past decade, the BRICS have contributed significantly to financial inflows and outflows. Outflows have been primarily directed towards Asia and Latin America, as well as, increasingly, to Africa. Looking ahead, the BRICS will be a major source of investments in the developing world. For example, in Africa, the BRICS have overtaken the West as the major source of investment. China is financing its investment through two institutions: the China Development Bank and the China Exim Bank. The Exim Bank finances three times as much as the World Bank in Africa. As for infrastructure finance, this is absent in the programs of the traditional donors. Thus, China, India and the Middle East have financed an estimated 80% of hydropower generation in Africa.

Looking ahead: implications for global governance

Given the structural transformation in the global economy and the growing role and impact of the BRICS, it is critical that global governance arrangements reflect new realities. Changes in the governance of the World Bank and the International Monetary Fund are critically needed. The Presidency of the World Bank is still determined by the US, and the leadership of the IMF is still dominated by Europeans. The increasing global significance of the emerging BRICS economies should be recognized in the power structure of the global economic organizations, as long as it does not come at the expense of other developing countries, especially that of sub-Saharan Africa. At the same time, democratic credibility should be safeguarded.

The BRICS Bank is being seen as a potential new source of savings and financing in the world, with the primary purpose of providing and catalyzing long-term investment finance to developing countries. This new development bank can also be a catalyst for change in the existing multilateral system. The BRICS Bank will challenge the traditional Bretton Woods system, creating much needed competition and innovation and hopefully helping to bring about evolution in existing structures of governance.

Open Discussion

The speaker was asked about the implications that can be drawn from the creation of a BRICS Development Bank. He responded that the BRICS Bank is being established to finance projects across the wider community of developing countries, not just within the BRICS themselves. Its creation reflects the importance of multilateralism in helping developing nations, particularly with public goods challenges. This is also evident in the global infrastructure facility proposed by the World Bank.

The speaker was questioned about the uneven employment that has resulted from the growth and rise of BRICS, and ways to improve these processes without conflicting with each other. For the speaker, this brought into question the role of the state. Developing countries are looking for a smart state, which is neither minimalist nor maximalist, and which invests in productivity-maximizing growth for the best social returns. The countries of Scandinavia can be viewed as a model in this regard.

A question was also posed regarding the global impact of the financial crisis, and whether the attendant instability has undermined state capacities. The speaker believes that most advanced countries have done well, but must learn the lessons of the financial crisis. The Chinese government is very concerned about the volatility of the financial sector.

When discussing labour in China, a participant asked whether an increase in labour benefits will mean a choice between low benefit jobs that are plentiful or few jobs that are in good condition. The speaker believes that the challenge for China is to create jobs. A labour-intensive industry will not last long in China due to future labour scarcity, and Chinese production will therefore change and shift throughout time. Manufacturing globally has been labour shedding not labour creating, so China will have to react accordingly. One area of potential is China's ability to invest money and then create jobs.

The speaker was asked if the BRICS may pose a serious threat if they continue to grow, and replied that the emergence of the BRICS can be a threat but also an important opportunity for the global economy. The BRICS can have a major impact because of their leadership in finance, economy and governance; how they use these strengths will affect have global effects. China's push on the new development bank is a positive sign, as it will be important for China to play by the rules.

A final question focused on the second phase of structural transformation mentioned by the speaker, relating to currency appreciation and possible implications for the global exchange rate system. The speaker believed that the problem revolves around what happens to real wages and not exchange rates. The biggest beneficiary of the Greek crisis that is holding the European Union hostage has been Germany. The exchange rate of Germany (the Euro) is more of a concern than the Chinese currency.



Panel 1: China's Growth and Development: Nature, Scale and Global Implications

Peggy Mason – moderator
Shi Xuejua - panellist
André Laliberté - panellist
Manfred Bienefeld – panellist



Shi Xuehua

Director, Political Development and Government Innovation Centre, Beijing
Summary of Presentation:

Professor Shi set out to provide the conference with a (or maybe even “the”) Chinese perspective on the challenges facing China and the world after 35 years of dramatic growth and transformation. While China faces major problems he believes that there are good reasons to believe that the CPC will ultimately manage to deal with these by means of pragmatic policy responses based on its growing experience in managing a market based economy in an increasingly pluralistic society. Of course the precise “solutions” that will ultimately be achieved will inevitably - and appropriately - remain contested, and therefore uncertain, to a degree.

After almost two centuries of decline and relative weakness (1800-1978) China's re-emergence began with twenty years (1978-1998) of largely domestic recovery, followed by the 15 years since 1998, during which China has been a key driver of the global economy, stimulating the economies of its regional and global trading partners while helping to stabilize the regional and global economies after the 1997/8 Asian financial crisis and again after the 2007/8 global financial meltdown. And its impact on the world economy will undoubtedly continue to grow since it is now not only the world's largest exporter, but also the second largest importer and its demand for investment funds looks set to grow dramatically over the next five years.

Not surprisingly international responses to these developments have been mixed ranging from admiration for the successful resurgence of this ancient culture and a keen desire to share in the opportunities created by its rapid economic growth, all the way to

jealousy and fear driven by concerns about China as a competitive threat, as a rival for natural resources and as a potential political threat.

Meanwhile, within China, Professor Shi identified ten critically important changes associated with China's economic transformation to a successful market economy.

1. Chinese people have come to think more pluralistically;
2. Chinese traditional values are increasingly under pressure as people's values become more diversified, regionalized, globalized and westernized ;
3. And this has enhanced people's consciousness of human rights and of the importance of individual and social autonomy;
4. The growth of civil society strengthens independent - and potentially social organizations whose growing influence on the policy process will remain contested;
5. Since China's entry into the WTO, China has become more "legalized" and more "rationalized" although the balance between the "rule of law" and the "rule of man" will continue to evolve;
6. Despite the dramatic increase in Chinese income and wealth, rising inequality and weak social protection pose growing challenges for the future;
7. While economic and trade liberalization have contributed to China's rising prosperity, increasing interdependence is also increasing the risk of future economic instability;
8. While political transparency and democratic accountability have both increased their future evolution remains a key political challenge for the future;
9. As traditional social structures change only slowly the emergence of a truly modern state and society is - and will continue to - generate social contradictions;
10. These dramatic changes in Chinese views and values have been accompanied by a growing confidence vis-à-vis the outside world and it is important to ensure that this does not give rise to dangerous forms of nationalism.

In conclusion Professor Shi also reflected on Chinese perceptions with regard to re-emergent China's impact on regional and global affairs:

- China now counter balances global US power to a degree;
- But China clearly cannot yet qualify as a superpower;
- China has become more active in regional and global institutions of governance;
- China's re-emergence has encouraged some other countries to be more confident of their ability to achieve rapid socio-economic transformation;
- China's rise is clearly also considered a threat by some countries concerned about its increasing power and influence;
- The idea that some day the US and China might "rule the world" as a G2 is not taken seriously - or supported - in China.

André Laliberté, University of Ottawa

Summary of presentation:

Professor Laliberté discussed a pressing issue facing China: demographic transformation and the challenges it presents. Over the past decades, the emergence and rise of the middle class has meant that China can rely more and more on domestic demand for its economic growth, which is a positive source for robust growth, but such an achievement also raises concerns about environmental sustainability and social stability. He singled out three demographic challenges facing China that complicates this evolution:

- **Aging Population.** The decline of fertility rate and thus population growth rate will present the Chinese authorities with greater financial challenge, because as the population ages, demands to address the specific health care needs of the elderly and pressures for a more generous social safety are bound to increase, but China currently lacks the capacity to provide such services to everyone.
- **Skewed sex ratio.** The traditional preference for boys is considered by the government to be a cause of social instability. This preference has been a major cause for selective abortion practices leading to a gender imbalance in the society. This trend worries the Chinese authorities, who fear their severe social consequences, such as an increase in crime rate, prostitution, and the spread of HIV/AIDS. The Chinese government is trying to address this imbalance but still, it must cope with the consequences of the gender ratio.
- **Internal migrations.** The large scale of internal migration has triggered imbalance between regions and groups; with serious impact on the environment, climate change, and energy consumption. The scale of urbanization is still growing, and the

government is planning to continue along that road, hoping to find technological solutions to the environmental damages.

In one word, although China's high growth show promises in poverty alleviation, these demographic challenges present China with a host of problems and negative consequences on an unprecedented scale.

Manfred Bienefeld, Carleton University

Summary of presentation:

Professor Bienefeld suggested a need for fundamental change in the main pillars of Western, and International, policies towards China which currently tend to focus on demands for continuing (and essentially unlimited) economic and financial liberalization, strong support for the rights of minorities and strategic military and political initiatives that define China as a military threat and seek to contain its growing regional and global influence. Ironically the different elements of this three pronged strategy are brought to bear through mechanisms that are often seen as contradictory but that are really three complementary strands of an integrated strategy in that: the general enthusiasm for increased trade and investment with China will strengthen political forces supportive of demands for economic and financial liberalization; the push for stronger individual and minority rights, while clearly desirable up to a point, will also ultimately allow "money," and corporations to exercise more influence over public policy; while the creation of more "credible threats" of economic, political and/or military retaliation against non-compliance will further tend to ensure a positive response to the above demands.

Unfortunately both China and the world would suffer grievously if China were to accede to these misguided and open-ended demands both because China would lose much of its capacity to deal with its most pressing domestic challenges - such as inequality or environmental degradation - and because it would simultaneously lose its critical capacity to stimulate and stabilize the global economy. In fact current Chinese policies fail to recognize the challenges facing both China and the global economy. While China faces major challenges in its efforts to achieve a harmonious society we must not forget that, for all of its flaws, its economy has been one of the most successful in the world over the past 35 years, whereas most major western economies are trapped in a version of Keynes's liquidity trap as debt laden economies experience rising inequality, growing social and democratic deficits, a deepening environmental crisis and endemic financial instability after several decades of misguided and excessive economic and financial liberalization. Ultimately in both China and the West these challenges can only be met by "smart sovereign states" capable of managing their economies in accordance with a politically legitimated definition of its national public interest.

And for guidance as to how that might be done we need look no further than the "capitalist golden age" -1948-1973 - when embedded markets were required to function within national socially and politically constructed frameworks in large part because the

existence of capital controls and fixed (though negotiable) exchange rates allowed economies to remain on stable full employment growth paths with the result that this quarter century witnessed historically unprecedented rates of growth in output and productivity, financial stability and sustained improvements in wages, working conditions and social protection that, in turn, provided the necessary foundation for relatively stable and successful democratic practices. Rather than pushing China to adopt the very policies that have so dramatically undermined those historic gains in the western world, we should encourage it to adopt policies promoting the development of strong and manageable embedded markets since that is the only way in which it will be able meet the rising challenges that it now confronts. And, of course, much the same can be said of our own economies.

Panel 1 Discussion

Discussion of the demographic challenges facing China emphasized both the importance and the difficulty of changing existing parental preferences for male offspring since these clearly have deep, historically conditioned cultural roots and have therefore proven to be highly resistant to change. At the same time it was noted that there is reason to believe that this resistance will eventually be overcome both because the rising social, human and economic costs associated with the resulting gender imbalance will ensure that efforts to bring about change will continue to enjoy significant political support at the same time as the underlying economic rationale for those preferences continues to be eroded by rising incomes, improving social protection and gradually more gender balanced labour markets.

Meanwhile discussion of the problems associated with China's rapidly aging population explored the possibility that this problem may ultimately prove even more intractable both because population age structures can change only slowly over time and because the obvious solution, namely the abandonment of the one child policy, would accelerate population growth rates and this would, in turn, pose new and potentially even more serious problems for China and the world.

The rest of the discussion essentially focused on the political economy of the reform processes whose importance had been highlighted by the speakers. And here there was general agreement that most of the critical challenges facing China's government and society - including those of rising income inequality, growing regional and urban-rural disparities, environmental degradation and laying the economic foundations for an eventual high wage society - will undoubtedly require the continued empowerment of civil society voices including those of trade unions, of rural communities and co-operatives and of various minorities. At the same time, care must be taken that corporate interests and China's rapidly growing super wealthy individuals do not use these mechanisms to gain total dominance of future policy processes.

On balance the discussion reminded people that when judging China's progress it is important to remember that despite its recent economic successes, China remains a developing country. And although it is possible to be cautiously optimistic about the possibility that China will in time find ways of meeting the many challenges that it now faces, the process of getting from here to there will inevitably be fraught with uncertainty and risk - in China, as it is elsewhere in the world. While China and its people will ultimately be responsible for meeting those challenges, it is important that the international community refrain from making that task more difficult by promoting dangerously divisive and potentially destabilizing policy reforms that might undermine China's capacity to remain both the engine, and the anchor, of the global economy. Moreover constructive global engagement with China must ultimately be understood as a process of mutual determination in which both sides are encouraged to seek to arrive at mutually compatible economic and trade policies.

Panel 2: International Responses: Assessments, Critiques and Comparisons

Nadia Abu-Zahra - moderator
J. Stapleton Roy - panellist
Léonce Ndikumana - panellist
Mark Kruger - panellist

J. Stapleton Roy, Former U.S. Ambassador to China
Summary of Presentation:



The world is changing radically. Economic development is the driver. While the EU and the United States are still the world's largest economies, the next three are Asian economies. This is very different from thirty years ago.

Political and military power on the world stage are underpinned by economic power. Thus the financial and economic crisis that badly damaged the U.S. and European economies fostered the impression that the

West is in decline relative to China, whose rise continued through the crisis. The U.S. position has been further exacerbated by fiscal cutbacks. The U.S. nonetheless continues to have the resources and political will to remain actively engaged in East Asia, which is the purpose of the U.S. rebalancing strategy.

At the same time, the U.S. cannot revert to isolationism. What this means is that the U.S. will remain a major global power, but lose its current hegemonic position. Some areas of weakness may be correctable, and the temporary decline in U.S. power can be reversed. But the size and nature of budget deficits mean that the U.S. can no longer sustain its global role as it did in the Cold War.

For its part, China is very conscious of its role as a stronger and more prosperous country. Ever since Deng Xiaoping, it has chosen to concentrate on economic development while keeping a low profile globally. That remains the official view, but it is increasingly under attack in China.

At the same time, the U.S. is averse to acknowledging its reduced role on the world stage. The emergence of the G20, the BRICS (Brazil, Russia, India, China, and South Africa), the ASEAN Plus Three, and a number of other groups within which the United States is either not represented or no longer plays the dominant role, reflects the diffusion of power in the world. Nevertheless, Americans are still not having a serious debate over what the U.S. global role should be. Many interpret U.S. reluctance to intervene militarily in Syria as a sign of war-weariness in the aftermath of Iraq and Afghanistan rather than of reduced circumstances.

How will this play out in the future? In China, a great deal depends on the quality of its leaders and on external factors. There is also the scenario, described by Martin Wolf in the Financial Times, that China will topple into the “middle income trap” or mismanage, as Japan did, the “natural landing” that occurs when a developing economy begins to catch up with advanced economies. China’s nationalism is also pushing it toward a more assertive international style that is enmeshing it in difficulties with its neighbors.

Several points need to be kept in mind. First, China’s military modernization program makes sense. Second, China differs from the former Soviet Union in that its economic rise has benefited its neighbors, who want to continue economic cooperation with China. Countries in the region do not want to have to choose between China and the U.S. Rather, they would prefer to follow a pragmatic course, by rewarding responsible behaviour and penalizing irresponsible behaviour.

The U.S. Government understands the difference between hostile and non-hostile competition. U.S. trade with China is over a hundred times greater than its trade with the former Soviet Union, and the differential in terms of U.S. investment flows to China may be even greater. The U.S. would lack regional support for a containment strategy against China, and its behavior in dealing with China is inconsistent with such a strategy. Nevertheless, this leaves open the question of whether the United States can get along with China.

The problem is that, in the military arena, there is a growing strategic rivalry. The fact is that both military establishments are preparing for the possibility of war with the other.

Top leaders in the U.S. and China are disturbed by this dangerous trend and have endorsed the concept of trying to create a new model of major power relations between the two countries that can prevent a repetition of the historical pattern where the clash of interests between rising powers and established powers leads to conflict.

The challenge is how to bring the behavior of the military establishments on both sides into conformity with this strategic goal. Each wants a military balance that favors its own interests. The question is whether a stable military balance can be established that accommodates the interests of both.

Experience suggests that there is no way to strike such a balance based on military capabilities alone. In short, this is not a defence problem but a problem of grand strategy, in which military capabilities are only one element in a comprehensive approach that brings into play diplomacy, trade, people-to-people exchanges, and other components of the relationship.

This is the principal strategic challenge facing the United States and China. Success in this endeavor would make a major contribution to keeping the Asia Pacific a region of peace and prosperity.

Léonce Ndikumana, Director of African Development Policy, University of Massachusetts, Amherst
Summary of Presentation:



China's emergence as a significant investor in Africa has created an important alternative to Western aid. Moreover because Chinese aid emphasizes infrastructure investments designed to support coherent national development strategies it is widely regarded as preferable to Western aid which has tended to undermine state capacities by its relentless promotion of market fundamentalist reforms throughout the continent. As a result Chinese aid has tended to foster more collaborative,

two way relationships that focus more explicitly on longer term development objectives and that require African leaders and governments to be more actively involved in the policy process.

But, although this is clearly a positive development, the challenges facing Africa remain daunting even though growth rates have been relatively high in recent years. Indeed, rather than using those encouraging growth rates to tout Africa's new found success, the challenge lies precisely in ensuring that most the benefits of that growth are used to build solid economic foundations for the future and for mitigating some of the continent's most serious human, social and environmental problems. But for this to happen Africa's leaders and governments must accept the challenge of turning the

potential opportunities offered by their growing relationships with China to their maximum advantage by using the greater developmental role ascribed to the state to strengthen national development strategies, to increase their share of the resource rents associated with their current exports, to ensure that the capital provided by China is used to build foundations for future national prosperity and to take advantage of China's growing influence in the institutions of global governance to ensure that Africa's interests, together with those of the developing world more generally, are more fairly and more effectively represented there.

Finally it may be important to note that this argument does not rest on the naïve assumption that China's actions in Africa are primarily driven by altruistic motives. Indeed, the argument accepts that China's government has the same responsibility as African governments to protect and promote the long term interests of its citizens. What it does argue is that in so far as China is seeking to secure its future national interest by building long-term relationships with politically and economically stable and viable African states African leaders should take full advantage of the resulting opportunities.

Mark Kruger, Bank of Canada, former Minister Counsellor, Economics and Finance,
Canadian Embassy in Beijing
Summary of Presentation:

The Chinese economy performed well in recent years, even though growth in other countries has been quite modest. While rising government debt, rapid credit expansion and high investment rates pose risks, we expect that Chinese productivity will continue to catch up with that of advanced economies and that the economy will continue to grow comparatively rapidly over the medium term. China's economic rise has had benefits for Canada. Its voracious demand for commodities has contributed to a rise in Canada's terms of trade, making Canadians richer. It has offered Canada a growing market for its goods and services exports and the share of Canadian export sales that go to China has risen steadily over time. China is increasingly looking to Canada as an investment destination. The challenge lies in demonstrating that Chinese investments bring net benefits to Canadians.



Panel 2 Discussion

The ensuing lively discussion raised a series of interrelated questions that were subsequently addressed (selectively, of course) by each of the speakers.

Questions primarily concerned with economic issues focused broadly on the following issues: the potential risks of further economic - and especially financial - liberalization in such an unbalanced and unstable global economic environment; the risks inherent in the current tendency to abandon multilateralism in favour of an often aggressive bilateralism; the possible implications of the recent shift towards international tax policies that appear to focus more seriously on global tax evasion and manipulation; whether China is seriously seeking to build the national technological foundations that would be needed to support a future high wage society, and whether such an effort would be perceived as a threat, or a challenge, by today's leading economic powers; whether, and if so how, one could prevent China's voracious demand for resources from destabilizing the world's commodity markets; and finally whether the effort to promote two way investment flows between Canada and China pays enough attention to potential risks associated with such flows, especially when the investor is a state owned enterprise.

Questions primarily concerned with political and social issues focused on the following: whether Canada's China policies, and those of the world's leading developed countries, pay enough attention to China's human rights record; whether China's current domestic policies, as well as the policies that it promotes in the developing world, are likely to protect, strengthen or even rebuild the sovereign capacity of their governments to pursue relatively independent and sustainable national development strategies; and finally whether the alignment of political forces within China is one that would allow the technology rents generated by a successful innovation and industrialization strategy to be shared significantly by China's working people, as opposed to being largely appropriated by corporate and financial interests.

The speakers' responses to these questions served as thoughtful reminders of the complexity of the underlying issues. One might say that their answers, taken together, validated the legitimacy of the questions but also demonstrated that the answer one gives to them is necessarily rooted in the speaker's understanding of the delicate balance between economics, politics, social conditions and the environment in the real world. On the other hand, their answers also showed that even when one starts from a similar analytical starting point it is still possible to arrive at different 'on balance' judgments with respect to such complex and dynamic problems.

In general the speakers' responses to the economic questions that were raised could be located on a well-known spectrum ranging from the belief that China currently needs to

ensure that it does not allow excessive market liberalization (especially in finance) to destabilize its economy (and that of the world) because this would not only prove economically costly but would also tend to undermine its capacity to deal with the pressing social, political and environmental challenges that were so clearly identified in the conference discussions, all the way to the belief that if China is to address its current challenges it needs to focus urgently on the further liberalization of its markets, and especially of its financial markets.

Responses to the politically oriented questions also effectively highlighted the complexity of the underlying issues. While everyone accepted that governments - in China as in Africa - should promote politically and economically sustainable, as well as ethically defensible, development strategies (or “public policies”), views on how this could best be achieved, or on whether it was currently being achieved, differed significantly. In effect the tension underlying the various responses was rooted in the fact that, as with market liberalization, the ideal rate and form of political liberalization cannot be universally defined but must be evaluated through a lens that takes adequate account of a society’s material circumstances, cultural inheritance and current challenges. And while speakers’ ‘on balance’ judgments of the current political situations in China (and in regions like Africa where China’s influence is currently growing rapidly) could be broadly described as cautiously optimistic, this optimism was tempered by their explicit awareness of the fact that the future evolution of this process is necessarily subject to considerable uncertainty and risk and that a part of this uncertainty and risk is linked to the foreign policy pressures that governments and international institutions exert on China.

Finally the discussion of the strategic geopolitical implications of China’s resurgence deserves its own brief summary. In essence this turned around a claim made by one of the speakers that China’s re-emergence as a world power was likely to be less dangerous and problematic than that of the US had been roughly a century earlier because China was now “emerging” into a world in which a powerful hegemon can contain any territorial ambitions that China might have, or might develop. This, according to the speaker, makes the hegemon “a powerful force for peace.” But others took the view that the hegemon’s ever more aggressive military containment of China, together with its simultaneous efforts to ensure that China does not seriously seek to develop its own independent national technological capabilities, as the newly industrializing countries of East Asia have done, was more likely to be a recipe for conflict than for peace especially if China’s ability to develop such national technological foundations does turn out to be a necessary condition for its hope to become a high wage economy.

Ultimately, although the discussion remained inevitably inconclusive, the session highlighted the intractability and the complexity of the issues raised by China’s dramatic resurgence while, at the same time, reminding everyone of the value and the importance of systematic analyses that seek to pinpoint more clearly the reasons why

the same reality can lead relatively independent observers to quite different conclusions. Of course this does not make every conclusion equally valid, which is why it remains vitally important to continue to test each competing interpretation against the best available evidence.



Luncheon Address: Charles Burton

Human Rights and the West's Engagement with China

Summary of Presentation:



Professor Burton put forth that China, as an economic power, presents a challenge to Canada as it is in Canada's interest to further economic engagement with China while avoiding any tacit political endorsement of the repressive policies of China's single-Party Communist regime.

On one hand, Canadian corporations pressure the government to foster positive economic trade relationships with China. On the other, several actors including citizens and NGOs urge the Canadian government to adopt a strong principled stand on China's human rights record. Historically the NDP and Greens on the left are allied with the right wing of the Conservative Party in demanding that the Government of Canada place human rights, espionage and opposition to large-scale Chinese state investment in critical Canadian sectors at the centre of the Canada-China relationship.

Canada faces a difficult dilemma because China through its powerful state-owned companies can impose economic penalties on nations that criticize China's violations of its human rights obligations. In 2010 China imposed economic sanctions on Norway after Liu Xiaobo was awarded the Nobel Peace Prize. This makes Canada's position somehow difficult as a strong supporter of human rights and because the Dalai Lama became an honorary Canadian citizen through a unanimous resolution supported by all parties in the House of Commons.

While Canada's diplomacy focuses on promotion of prosperity, national security and Canadian values, Canada needs to interact with China and find a way to balance its economic needs, its security concerns and its values. Nonetheless, human rights issues continue to make Canadians uncomfortable about expanding relations with China. China continues to violate human rights at large. Human rights dialogue with China has been unproductive as the situation continues to worsen. Dr. Burton argued that part of the issue in the dialogue is the somehow unimportant role that Canada plays in the international scene. China sees Canada purely as an economic partner, not a political one. In addition, recent Chinese endorsement of international sovereignty of states where the West has felt the need to intervene, make the international community feel

uneasy. Recent examples include China's opposition in the UN Security Council (where China has veto power) to intervention in Syria.

The Conservative Government welcomes Chinese state investment in Canada's energy and mining sectors as minority shareholders, but opposes the Chinese Government acquiring majority control (with the exception of the one-time deal involving the purchase of Nexen in the Alberta oil sector). Canada needs China more than China needs Canada, especially to diversify Canadian exports to mitigate over-reliance on the uncertain U.S. market in years ahead.

The question remains, should Canada compromise? What is the best way to engage with the Chinese government without endorsing its political practices?

Dr. Burton explained that, although difficult, Canada should continue to engage with China, despite the problems of incompatibilities between our political and economic systems. There is no sign of imminent collapse of the Chinese political status quo and China continues to grow economically at high rates. Thus, the key is in the balancing act. Dr. Burton concluded that Canada should continue to engage commercially with China in matters of trade, banking, investment, etc. Nonetheless, Canada should continue to engage agents of political change in China. Young people in China more and more identify themselves as citizens with entitlements to rights. Their values are much at odds with the values that inform the Communist regime in China.

Dr. Burton closed with the need to recognize that China is the envy of most Third World countries due to its economic achievements. China has been considered a model of development by some Asian countries. Canada needs to acknowledge that China is critical to Canada's sustained prosperity as it continues to grow and develop.

Open Discussion

Dr. Burton was asked "who has the moral authority to criticize China and ask her to comply with human rights agreements"? The participant pointed out that Canada continues to experience human rights challenges with its own population particularly when it comes to Aboriginal rights. Dr. Burton stated that Canada cannot be compared to China in matters of human rights because Canadian institutions and the law are different and have room to resolve the concerns of minority groups. For him, the issue is a question of proportionality. The participant continued by saying that China provides a mirror of Canada's own challenges. He reminded us that the Canadian model is not perfect and that both countries should work at their own national levels while seeking to protect human rights elsewhere.

In other comments, participants pointed out that the Chinese government appears to be evolving in its attitude to human rights, albeit slowly. They advocated strengthening

and expanding contacts with Chinese civil society, educational institutions and other segments of society. Some participants expressed caution in dealing with Chinese state owned enterprises.



Panel 3: China's Potential Impact on Various Major Global Challenges

Madelaine Drohan - moderator

He Xiaojun - panelist

Huhua Cao - panelist

Paul Bowles - discussant



He Xiaojun, Deputy Director, International Poverty Reduction Centre in China
Summary of Presentation:

He Xiaojun set out to provide a broad summary of China's remarkably successful efforts to reduce rural, and therefore national, poverty. Seen from a global perspective China's rural development successes are particularly striking since the resulting improvements in health, education, infrastructure, agricultural production and income mean that China is one of very few countries to have already surpassed many of its 2015 Development Goals and to realistically expect to meet most of the others by that deadline.

Four main factors underlie these striking achievements:

- **Stable Economic Growth**

China's rapid and sustained economic growth, averaging 10% per annum over the past thirty years, clearly provides a critically important basis for these successes in poverty reduction in part because it has ensured strong revenue increases, in part because it has absorbed growing numbers in urban employment and in part because agricultural production has remained a top policy priority to ensure adequate food supplies for all.

- **System Innovation**

China has empowered farmers to build more constructive - and productive - relationships between land, market, government and other farmers. Thus the household contract responsibility system has promoted productive use of land at the same time as it has encouraged a form of urban migration that allows farmers to return to their land at a later time. Meanwhile broader market access following China's entry into the WTO has allowed farmers to benefit from globalization through increased farm gate prices at the same time as a new "take less and give more" approach led government to abolish all rural taxes and fees in 2006 while improving extension services, increasing investment in physical rural infrastructure and significantly expanding rural public services. Finally, these market reforms have been effectively complemented by a very

effective campaign to encourage the creation of rural cooperatives whose numbers have risen significantly as a result.

- **Establish and Improve Social Protections**

Rural living conditions have been further improved by the introduction of better health care facilities, pension coverage and more effective living allowances.

- **Special Measures for Rural Poverty Reduction**

Currently China uses various indicators to identify counties and villages that should be eligible for special development-based poverty reduction measures including additional spending and more effective community mobilization to address poverty problems.



Having summarized the policy responses that have contributed to the dramatic and sustained reduction of rural poverty in China, He Xiaojun concluded by reminding us of the enormous challenges still facing China's policy makers, including the fact that: despite its successes China still has 99 million poor people, all of whom are vulnerable to economic and environmental instability; income and development gaps continue to grow between rural and urban areas, as well as between China's East and West; urban migration flows growth threaten growing social dislocation both in the urban areas, because job opportunities are not growing fast enough, and in rural areas, increasingly populated by children and the elderly.

However, despite these challenges, China can continue to succeed in the historic task of eliminating poverty so long as it promotes sustained, inclusive growth and continues to extend and consolidate its economic reforms.

Huhua Cao, University of Ottawa

Summary of Presentation:

The presentation from Professor Cao focused on the integration of minority groups for a more socially sustainable China through electronic participation. The concept of sustainability is economic, environmental and social and he believes that China's social issues threaten its potential for sustainability. China is becoming an international agenda setter and concern over its sustainable development and effect on the world is growing. Inter-ethnic tensions, in Xinjiang and Tibet, and inter-class tension due to income inequality are mounting across the nation. Protests linked to labour unrest and

corruption reflects the public's desire to participate in the government but damages China's international reputation.

Within China, 9% of the population are minorities and experience a low standard of living. A minority inclusion policy that uses economically and social well-being focused development policy has been made a national priority by the central government. This is a part of Xi Jinping's Chinese Dream of rebuilding the national identity. Professor Cao notes that there has been no understanding of the inclusion policy and it is not being meaningfully applied locally or with underdeveloped tools to facilitate the participation of ethnic groups.



Professor Cao highlights e-participation as a potential solution, where Chinese citizens can use technological tools as a means of political participation. The increased use of e-technology can build and strengthen political connections and understandings between citizens and their local government. Public Participation Geographic Information System (PPGIS) is a special platform of e-participation that identifies the loci of social phenomena and can be used to

manage social policies to help change public views and implement more effective policy. It allows for the empowerment and inclusion of marginalized populations and to achieve dialogue through e-technology. The challenge is finding the ability to integrate these technologies and create support for them in local communities. Prof. Cao gave the example of a "Harassmap" from Egypt that maps incidents of sexual harassment and assault across Egyptian cities using technology.

E-participation is a great plan for improving social development in China where Western governments can help with implementation. The West can provide knowledge transfer, especially Canada given our leading expertise in e-participation technology. Encouraging the inclusion of all citizens is an effective policy to help with building Chinese national unity, helping it develop as a soft power, and improve their human rights record.

Paul Bowles, University of Northern British Columbia
Summary of Presentation:

In broad terms it remains true that due to a toxic combination of market and state in China, labour remains in a difficult and precarious situation in that the benefits of modestly rising real wages have been largely offset by rising wage inequality, weak worker protection and an absence of independent trade unions or other labour organizations. As a broad overview, despite decades of rapid growth, a large labour surplus continues to limit wage increases in most parts of the Chinese economy. The share of investment in GDP remains extremely high and that of private consumption

correspondingly low, while the growth of highly differentiated private and quasi-private sectors have encouraged ever greater wage inequality. Indeed, unless this situation can be significantly improved China could face the sorts of bloody labour struggles previously experienced in other economically successful authoritarian developmental states in East Asia.



In recent years three forces have begun to change this situation in China. First, market led pressures have led to more rapidly rising wages in the economically most successful coastal areas due to: dwindling labour surpluses (largely due to demographic factors); and a process of technological upgrading that has increased the demand for educated workers, even as firms continuing to employ mostly unskilled labour have tended to move away to inland areas where wages remain low. Second, a rising tide of social instability has led the state to pass a series of laws (concerned with

Employment Protection, Labour Contract, Dispute Resolution, Labour Representation) that have significantly strengthened legal protection of labour in an effort to defuse discontent and to move it as much as possible off the streets and channel it into the legal system. Third, a wave of strikes led by increasingly militant second-generation migrant workers, sometimes acting with the support of the ACTFU (All-China Federation of Trade Unions) and/or with the backing of international campaigns (Foxconn, Honda), have managed to win significant concessions from some major multinational employers.

At a more fundamental level, China has long been talking about addressing this problem by shifting to a development model that focuses more heavily on domestic demand, but to date these efforts have not yielded significant results in that the already low share of consumption in GDP has actually been falling. If China is to move to a more domestic demand-led economy then labour will need to have a bigger voice and wages will need to rise. This means incorporating labour into the decision-making structure; ideally, what is required for this model to work is for China to move towards a Scandinavian (or “social”) market model. Unfortunately in reality powerful pressures from within and without are actually pushing China in the opposite direction, namely towards a more liberal, independent and globally integrated financial system in which finance is dominant and that would not be conducive to rising wages or reduced inequality.

In this context Canada’s foreign policy would be well advised to stop promoting financial liberalization, support the training of China’s next generation of trade union leaders and force Canadian firms to be more transparent about labour practices in all parts of their global supply chains.

Panel 3 Discussion

When the panel was asked about China's impact on global warming, and how the nation is trying to combat this growing problem, the panellists agreed that China is aware of the issue and is developing plans for reduction of emissions. They commented that the local population is becoming more aware of the issues through educational efforts, but the problem is not so much the environmental challenge as a social one of accepting responsibility for their actions. Further investment should be also made on actual solutions instead of continuing education on the causes of global warming.

The elimination of rural tax was questioned, and the real benefit this action has given to citizens; is it a successful program? He Xiaojun stated that with the elimination of rural tax citizens have been given in total 100RMB per annum, and it has reduced 13 billion RMB in costs, plus subsidies. Discussion emphasized the point that continuing widely dispersed rural income increases appear to be the most critical factor that will determine whether China is able to deal effectively with the serious pressures currently being generated by the massive flow of rural-to-urban migrants.

Professor Cao was asked about the viability of e-technology and e-participation. He replied that Chinese citizens, along with others globally, are highly integrated with the Internet. In China, the challenge with civic participation is the large population and different ethnic groups; some government officials also discount the real problems that can be faced by citizens. With e-participation, citizens can work around problems of corruption and can force the government to be more accountable and transparent. There was interest in this idea but some skepticism that "twitter democracy" would be capable of addressing the long term, collective policy choices that China and other societies will have to make in order to prosper.

The Chinese government's control over the Internet and the censorship that is widely reported by international media was brought up as a barrier to true e-participation. He Xiaojun spoke against these points. She stressed that censorship on the Internet is not of great concern to people and that the government is concerned with social stability. The government believes that social stability will help to build democracy and avoid conflict; therefore the censorship is used to ensure social stability.

Finally, the discussion of Paul Bowles' remarks generally reinforced his emphasis that despite China's remarkable progress, it remains that working conditions, workers' rights and even real incomes remain major problems and need urgent attention.



Speakers Biographical Notes

Keynote address: AMAR BHATTACHARYA

Director of the G-24, an inter-governmental agency created in 1971 to coordinate the position of the developing countries on monetary and development issues



Mr. Amar Bhattacharya is Director of the Secretariat of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development. The G24 Secretariat serves the G24 Finance Ministers and their officials in the deliberations and work program of the Group and interface with other bodies including the G20. Prior to taking up his current position, Mr. Bhattacharya had a long-standing career in the World Bank. In his last position, he was advisor to the President and Senior

Management on the Bank's engagement with key international groupings and institutions including the IMF, G7, G20, OECD and Financial Stability Forum. He has had a long standing engagement with issues of global governance and reform of the international financial as well as aid architecture. He completed his undergraduate studies at the University of Delhi and Brandeis University and his graduate education at Princeton University. <http://www.g24.org/>

Luncheon Address: CHARLES BURTON

Professor, Political Science, Brock University

Areas of Interest: specializing in Comparative Politics, Government and Politics of China, Canada-China Relations, and Human Rights.



Charles was a student at Fudan University in Shanghai and from 1991 to 1993 and from 1998 to 2000 was Counsellor for Cultural Affairs and Counsellor for Political Affairs at the Embassy of Canada in Beijing. He is a scholar-diplomat China affairs specialist. He has written many reports on Chinese affairs for the Federal Department of Citizenship and Immigration, the Department of Foreign Affairs and International Trade and the Canadian Security Intelligence Service.

Says Charles: "The fundamental question that I seek to resolve is how to alleviate poverty and to realize human rights in the context of repressive structures of political power and cultural legacies at cross purposes to liberal norms. Most of my work is on Chinese domestic and international politics and on the foreign policies of advanced industrialized nations toward China."

For more detailed curriculum vitae, see <http://www.brocku.ca/social-sciences/undergraduate-programs/political-science/faculty-and-staff/professors-by-area/charles-burton>

Panel 1: China's Growth and Development: Nature, Scale and Global Implications

SHI XUEHUA

Director, Political Development and Government Innovation Centre, Beijing



Professor SHI is Deputy Dean of School of Government at Beijing Normal University, Director of the Centre for Political Development and Government Innovation, Centre for Political Party. Prof. SHI serves as the advisor to 9 Departments and ministries of the CPC and the state council, including the Central Organisational Department of the CPC, and the Central Office of the CPC, Ministry of Education. He was one of the first PhD candidates of Dr. WANG Huning who is the current member of Politbureau of the CPC and the Director of the office of Policy Research of the CPC. In 2012 Professor SHI was invited to make special lecture for top leaders of the CPC on China's political system reform. He is often invited to make lectures for several ministerial and provincial leadership organisations in China. Prof. SHI has published 36 books including 5 monographs in mainland of China, Hongkong and Taiwan, 260 journal papers in Chinese and in English.

ANDRÉ LALIBERTÉ

Professor, School of Political Studies, University of Ottawa



Prof. André Laliberté teaches comparative politics at the University of Ottawa. His research looks at relations between state and religion, from the angle of social policy, the role of civil society in democratization, and the definition of national identity. He received his PhD at UBC and goes to China and Taiwan on a yearly basis for his research. He constitutes with Canadian, Taiwanese, and Chinese colleagues a research team looking at the issue of legal pluralism in the Chinese world, and has joined two other teams looking at care workers migrations and the management of religious diversity. In these teams, he brings his research on the impact of religious organizations and values on the delivery of social services and the reform of welfare regimes, as well as on public debates about the issues of social justice. This summer he was in Paris at the *Groupe Sociétés Religions et Laïcités* and gave a few talks in Lyon, Zurich, Leipzig, Gottingen, Nottingham, Turku, and Hong Kong, on these issues.

MANFRED BIENEFELD

Professor Emeritus, Carleton University



Manfred Bienefeld is a recently retired Professor Emeritus from Carleton University where he taught and did research on international development issues for more than 25 years. Having earlier spent 15 years at the Institute of Development Studies in the UK he has published widely, worked as a consultant for many international organizations and lectured in more than twenty-five countries at the invitation of universities, governments, trade unions and other social organizations. Having been deeply involved in the work that led to the concept of the 'developmental state' based on the experience of East Asia's "miracle economies" his more recent work has centered on the tension between deepening and strengthening international economic and institutional networks and the capacity of nation states to manage their economies in accordance with democratically defined principles and objectives. Over the past twenty years this has led him to focus primarily on the impact of global financial integration and on the critical importance of the way in which China will ultimately integrate itself into a constantly evolving global economic and financial system.

Panel 2: International Responses: Assessments, Critiques and Comparisons

J. STAPLETON ROY

Former U.S. Ambassador to China



Ambassador J. Stapleton (Stape) Roy is Director of the Kissinger Institute on China and the United States at the Woodrow Wilson International Center for Scholars in Washington, DC.

Stape Roy was born in China, where his parents were educational missionaries, spending much of his youth there during the upheavals of World War II and the communist revolution. He joined the US Foreign Service immediately after graduating from Princeton in 1956, retiring 45 years later with the rank of Career Ambassador, the highest in the service. In 1978 he participated in the secret negotiations that led to the establishment of US-PRC diplomatic relations. During a career focused on East Asia and the Soviet Union, Stape's ambassadorial assignments included Singapore, the People's Republic of China, and Indonesia. His final post with the State Department was as Assistant Secretary for Intelligence and Research.

Following his retirement from the State Department in 2001, Ambassador Roy joined Kissinger Associates, Inc., a strategic consulting firm, becoming Vice Chairman in 2006. In September 2008, he moved to the Woodrow Wilson International Center for Scholars to head the newly created Kissinger Institute, while continuing as a Senior Advisor to Kissinger Associates. In 2001 he received Princeton University's Woodrow Wilson Award for Distinguished Public Service.

Ambassador Roy is an advisory director of Freeport-McMoRan Copper & Gold. He retired from the ConocoPhillips board in 2008. He is a Trustee of the Carnegie Endowment for International Peace, a Trustee Emeritus of The Asia Foundation, Chairman of the United States Asia Pacific Council, a Vice Chairman of the National Committee on U.S.-China Relations, and serves on the boards of the Institute for the Study of Diplomacy of Georgetown University, the American Academy of Diplomacy, and the U.S.-China Policy Foundation. He is a Distinguished Senior Adviser to the Center for Strategic and International Studies in Washington, DC and a Distinguished Graduate and Member of the Hall of Fame of the National War College.

His publications include "Political and Economic Prospects for East Asia in the 1990s and Beyond," The Pacific in the 1990s: Economic and Strategic Change, Janos Radvanyi Editor, University Press of America, 1990; "Deng's Reform Movement and the West: An American Perspective," China in the Era of Deng Xiaoping: A Decade of Reform, Michael Yingmao Kau and Susan H. Marsh Editors, M. E. Sharpe, 1993; and "Letter from Jakarta," SAIS Review: A Journal of International Affairs, Summer/Fall 1997 issue (Volume XVII, Number Two); "The Internal Logic of China's Political Development," The Globalist, June 3, 2011; Review of Deng Xiaoping and the Transformation of China, by Ezra Vogel, The Wilson Quarterly (Autumn 2011).

LÉONCE NDIKUMANA

Director of African Development Policy, UMassAmherst (China, Africa and Development)



Léonce Ndikumana is Andrew Glyn Professor of Economics and Director of the African Development Policy Program at the Political Economy Research Institute (PERI) at the University of Massachusetts at Amherst. He is a Member of the United Nations [Committee on Development Policy](#).

Léonce Ndikumana has served as Director of Operational Policies and Director of Research at the African Development Bank, Chief of Macroeconomic Analysis at the United Nations Economic Commission for Africa (UNECA), and visiting Professor at the University of Cape Town. He is also an Honorary Professor of economics at the University of Stellenbosch, South Africa.

Ndikumana's research specialization is in macroeconomics and economic development. His work focuses on issues of external debt and capital flight; financial markets and growth; macroeconomic policies for growth and employment; aid, aid effectiveness and social development; and the economics of conflict and civil wars in Africa. He is co-author of [*Africa's Odious Debt: How Foreign Loans and Capital Flight Bled a Continent*](#), published also in French as [*La Dette Odieuse d'Afrique : Comment l'endettement et la fuite des capitaux ont saigné un continent*](#), in addition to dozens of academic articles and book chapters on African development and Macroeconomics. He is an active member of major research networks around the world including the African Finance and Economics Association (AFEA) of which he is a former President, the African Economic Research Consortium (AERC) where he serves as resource person, and others.

Léonce Ndikumana is a graduate of the University of Burundi and received his doctorate in economics from Washington University in St. Louis, Missouri. www.ndikumana.com

MARK KRUGER

Research Director, Bank of Canada



Mark Kruger helps oversee economic research in the Bank of Canada's International Department. He rejoined the Bank in September, 2013.

Between September 2006 and August 2013, Mark headed the Economic Section at the Canadian Embassy in Beijing. Prior to moving to Beijing, he was Senior Advisor to the

Canadian Executive Director at the International Monetary Fund (January 2003 to August 2006). From 1989 to 2003, Mark held a number of positions in the Bank of Canada, including Assistant Chief in the Banks' International Department, where he was responsible for international financial policy and emerging market issues. Mark began his career working for the Alberta Petroleum Marketing Commission in Calgary, Alberta.

Panel 3: China's Potential Impact on Various Major Global Challenges

HE XIAOJUN

Deputy Director-General of International Poverty Reduction Center in China (IPRCC)

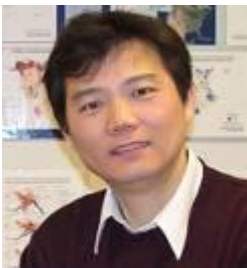


Ms. He Xiaojun is Deputy Director-General of the International Poverty Reduction Center in China (IPRCC). She graduated from the Department of Industrial Economics, Renmin University of China in 1982 with a BA in Economics, and graduated with a master's degree in economics from the Development Study Center of Swansea College University of Wales in 1994.

She once served at NDRC and Ministry of Construction and Housing, engaged in policy research and study on the economic and social assessment methods of investment projects. In 1995, she joined LGOP to work in integrated village-based poverty alleviation program in contiguous area and the planning for post-disaster recovery and reconstruction of poor villages in Wenchuan Earthquake - affected areas. She participated in project design, implementation and monitoring in the five poverty alleviation projects in cooperation with the World Bank. She has also worked with ADB, DFID, AusAID, JICA, Oxfam, World Vision and other international agencies and NGOs in China for poverty reduction programs. She has served as a consultant in AusAID - supported water management projects in Hebei, environment and poverty alleviation projects in Shanxi, and poverty impact assessment of the World Bank's health projects. After joining IPRCC in 2009 she has been mainly responsible for organizing training, international forums and seminars on poverty reduction and development, and experience - sharing with developing countries in the field of poverty reduction and development.

HUHUA CAO

Professor, University of Ottawa, Department of Geography and School of International Development and Global Studies



Dr Huhua Cao has been involved in extensive research activities in North America, Asia, Eastern Europe and Africa. In recent years, his research has focused on urban and regional development in China, particularly minority regions, and around the following three axes: 1) Mobility and Urbanisation; 2) Spatial inequality and Accessibility of social services; 3) Ecosystem Assessment and Management (EAM).

The majority of his research is founded on the usage of geostatistical methods and Geographic Information Systems (GIS). Professor Cao's research has been funded several times by institutions including the Social Sciences and Humanities Research Council of Canada (SSHRC), Canadian Institutes of Health Research (CIHR), Canadian International Development Agency (CIDA), International Development Research Centre (IDRC), Human Resources and Skills Development Canada (HRSDC) and also by Chinese Government ministries such as the Ministry of Science and Technology and Ministry of Education. Along with his research experience, Professor Cao has written numerous articles and books related to urban and regional development while collaborating with academics throughout the world. One of his most important publications is the book "China Challenge" which is available at <http://www.ruor.uottawa.ca/en/handle/10393/23096>

PAUL BOWLES

Professor, University of Northern British Columbia



Paul Bowles is Past-President of the Canadian Society for the Study of International Development and is also a Honorary Professor at Hebei University, China, and an Adjunct Professor of the Autonomous University of Zacatecas, Mexico. He specializes in Globalization, Regionalism, Economic Growth and Development in the Asia-Pacific region, and is also interested in the History of Economic Thought, Currency Issues, and China's Political Economy. Currently he is researching China's exchange

rate and currency policies.

"I am currently working on a number of research projects. The first concerns how China manages its currency, the renminbi. The exchange rate regime has become a little more flexible but the reasons why China persists with this regime have perplexed scholars. In this project, with Baotai Wang and Greg Chin, we adopt a political approach to examine China's policies. We are also looking into the future and considering the implications of our analysis for renminbi internationalization and the future of the present US dollar dominated international monetary system. The second, also funded by SSHRC, examines how northern BC is globalizing. The region has long been integrated into world markets but, in the current period, this is marked by a greater role for Asia and in the context of neoliberal domestic policy. A multidisciplinary group is examining the implications of this for governance, the economy, and First Nations. A third project is looking at the rise of fringe financial institutions, such as payday loan lenders, and analysing why individuals use them. I am also preparing a new version of my book on Capitalism."

PROGRAM

Group of 78 Annual Policy Conference

Responding to China's Global Re-emergence

September 27 - 29, 2013

Brittany Salon, Cartier Place Suite Hotel, 180 Cooper St., Ottawa

Introduction

How should Canada and the rest of the international community respond to China's dramatic re-emergence as a major global power? Our 2013 Annual Conference will address this question at a time when global economic, financial, environmental and political challenges severely tax the capacity of existing diplomatic and institutional mechanisms to manage global competition, co-operation and conflict. National responses to "the China challenge" generally involve some combination of engagement and containment. While engagement has been the dominant approach in recent decades, an increasingly uncertain global policy environment suggests that this may change with potentially grave implications for China and the world. The conference will explore the complex set of forces shaping such a potential re-alignment and, within that context, assess the risks associated with various policy options.

Day 1: Friday September 27

6:00 – 6:30 p. m. Cash bar and Registration

6:30 – 7:30 p.m. Dinner

7:30 – 9:30 Keynote Address

Keynote Address: Amar Bhattacharya

Challenges and Opportunities in the emergence of China and the BRICS

Amar Bhattacharya is director of the G-24 an inter-governmental agency created in 1971 to co-ordinate the position of the developing countries on monetary and development issues.

Led by China, the BRICS have emerged as the new powerhouse in the global economy. But their prospects look more uncertain after initially withstanding the impact of the global financial crisis. What are the likely prospects of the BRICS and other developing countries in the wake of the crisis, and what opportunities and challenges do they hold for the global economy and the transformation of the developing world?

Day 2: Saturday September 28

8:00 – 8:45 a.m. Continental breakfast and Registration

8:45 – 10:15 Session 1

Session I: China's Growth and Development: Nature, Scale and Global Implications

Panelists:

Shi Xuejua, *Director, Political Development and Government Innovation
Centre, Beijing*

Andre Laliberté, *University of Ottawa*

Manfred Bienefeld, *Carleton University*

Peggy Mason, *Moderator*

10:15 – 10:30 a.m. Break

10:30 – noon Session II

Session II: International Responses: Assessments, Critiques and Comparisons

Panelists:

J. Stapleton Roy, former U.S. Ambassador to China

*Léonce Ndikumana, Director of African Development Policy, University of
Massachusetts, Amherst*

*Mark Kruger, Bank of Canada, Former Minister Counselor, Economics and Finance,
Canadian Embassy in Beijing*

Nadia Abu-Zahra, Moderator

12:00 – 1:30 p.m. Lunch

1:30 – 3:00 Luncheon address

Luncheon Address: Charles Burton

Human Rights & the West's Engagement with China

*Charles Burton is a professor at Brock University, St. Catharines, Ontario,
specializing in comparative politics, government and politics of China, Canada-
China relations, and human rights.*

Roy Culpeper, Moderator

3:00 – 3:30 p.m. Break

3:30 – 5:30 Session III

Session III: China's Potential Impact on Various Major Global Challenges

Panelists:

He Xiaojun, Deputy Director, International Poverty Reduction Centre in China

Huhua Cao, University of Ottawa

Paul Bowles, University of Northern British Columbia

Madelaine Drohan (the Economist), Moderator

Day 3: Sunday, September 29

8:00 – 9:00 a.m. Continental breakfast

9:00 – 10:30 a.m. Session IV

Session IV: Wrapping Up: Conference Conclusions & Recommendations

Post-Conference: Group of 78 Annual General Meeting

Conference Participants

Nadia Abu-Zahra
Edward Barss
Amar Bhattacharya
Manfred Bienefeld
Mary Lou Bienefeld
Jonathan Blais
Paul Bowles
Gordon Breedyk
Joan Broughton
Annie Brunton
Charles Burton
Huhua Cao
Eren Cervantes-
Altamirano
James Christie
Eryl Court
Cathy Culpeper
Roy Culpeper
Madelaine Drohan
Delyn Dufay
David Dymont
Mark Edwards
Mary Edwards
John Foster
John W. Foster
Ardath Francis
Ross Francis
Barbara Fulford
Alex Goddard
Gloria Goodine
Isaac Goodine
Xu Han
Christine Han
Gretel Harmston
Richard Harmston
Janet Hatcher-Roberts
Xiaojun He
John Hilliker
Hui Tung (Heather) Ho

Kai-Hsin Hung
Elizabeth Imrie
George Jacoby
Belle Jarnewski
Mark Kruger
André Laliberté
Sylvie Lemieux
Kari Polany Levitt
Gary Levy
Junqing Li
Justin Li
Bingyang Liu
Ziwei Liu
Jingle Liu
Weiquin Lu
Arch MacKenzie
Isobel MacKenzie
Tudy McLaine
Rowan MacPhail
Paul Maillet
Angela Martinez
Peggy Mason
Jane Maxwell
Margaret McCuaig-
Johnston
Robert McDougall
Johaina McPhail
Lolan Waug Merklinger
Léonce Ndikumana
Shailabla Nijhowne
Erica Noordermeer
Gerald Ohlsen
Eileen Olexiuk
David Onalayo
Janet Parry
Laurel Rasmus
Amitav Rath
J. Stapleton Roy
Julia Sanchez

Clyde Sanger
Penny Sanger
Jai Sen
Michael Shenstone
Susan Shenstone
Xuejua Shi
Paul Skahan
Steve Staples
Susan Tanner
Kathleen Walsh
Stewart Webb
Ru Yan
Ann Young
Guanglei Zhu

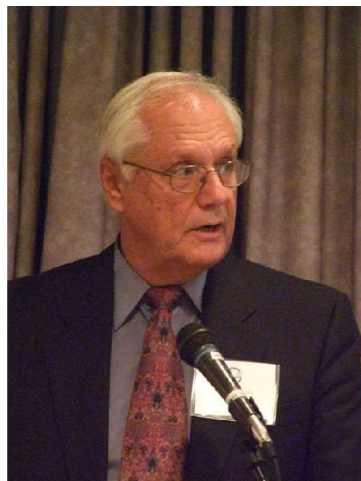


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