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Forging Free Trade with China: The Maple Leaf and the Silver Fern

Charles Burton and Stephen Noakes

ABSTRACT

Why does Canada lack the closeness of economic ties with China enjoyed by other developed Commonwealth countries, such as New Zealand? While these countries take similar positions toward China with regard to human rights and security-related matters, they differ markedly in terms of trade relations—New Zealand inked a free trade deal with Beijing in 2008, while such an agreement between Canada and China has remained out of reach. This article probes the source of this divergence. The answer, it is argued, lies in the sociotropic effects of political opposition groups on both the left and the right in Canada, and the absence of parallel conditions in New Zealand.

KEYWORDS: China, Canada, New Zealand, free trade, economic relations, sociotropic effects

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Introduction

By all accounts, the free trade agreement (FTA) that was signed on April 7, 2008 between New Zealand and China came into being relatively unencumbered by the prejudices and pitfalls that often divide China and its would-be trading partners in the Western world.¹ The first FTA between China and any developed country, the deal initially saw 37 percent of Chinese exports to New Zealand—mostly electronics, clothing, furniture, and toys—and 35 percent of New Zealand exports to China—overwhelmingly dairy, meat, and wood products—arrive tariff free, with all

CHARLES BURTON is an associate professor in the Department of Political Science at Brock University, Canada. Email: cburton@brocku.ca

STEPHEN NOAKES is lecturer in Chinese politics and foreign policy at the University of Auckland, New Zealand. Email: s.noakes@auckland.ac.nz

¹ In this article, we understand FTAs as “a set of institutions that are designed to foster economic integration among member-states by improving and stabilising each member’s access to other participants’ markets.” See Edward D. Mansfield and Helen V. Milner, *Votes, Vetoes, and the Political Economy of International Trade Agreements* (Princeton: Princeton University Press, 2012), 1.

tariff barriers to be eliminated by 2016.² Since its passage, the deal has gained notice not only for its economic benefits, but its demonstration effects—that is, its role in pointing out that free trade with China can work, and work well. “Take a bow, New Zealand Inc.,” said Minister of Trade Tim Grosser. “We are now seeing the benefits in terms of increased export income, more jobs, and higher economic growth. If we stick to what we know works in terms of foreign policy, trade policy, and the domestic economic policies that underwrite this huge success, the future looks even brighter.”³ As a testament to the mutually advantageous and trouble-free nature of the pact, New Zealand and China both announced that they would seek to upgrade the original agreement to enable New Zealand goods and service exports to remain competitive in China. As reported by Xinhua, the upgrade demonstrated “the seriousness that both sides place on their commitment to the FTA remaining a modern, comprehensive, 21st century agreement.”⁴

We seek to explain the existence of a free trade agreement with China in the case of New Zealand, and the corresponding absence of a similar deal in the Canadian case. The stark difference in approaches to free trade with China is especially perplexing in light of the many points of convergence between the two countries. Both are ex-British colonies with legal structures descended from UK common law. Together, they form two of the “five eyes” intelligence community, and share similar sensibilities regarding the defense of human rights internationally, even if these sometimes take a backseat to perceived economic gains in the forging of new commercial relationships. Moreover, the two countries have approximately similar trade profiles, with a heavy basis in primary industries. Both are pro-free trade: FTAs have their discontents in both countries, but neither has adopted an anti-free trade stance as official policy. New Zealand has enjoyed free trade with its largest trading partners (Australia and China) for several years, and Canada has been a party to the North American Free Trade Agreement since it came into force on January 1, 1994.⁵ Finally, they also share a proximity to and affinity for a much larger neighbour which shapes their own outlooks, culturally and commercially. On the other hand, the two differ markedly in the size of their economies, and the make-up of their domestic political

² For a complete overview, consult New Zealand Foreign Affairs and Trade, “NZ-China Free Trade Agreement,” October 2008, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/china-fta/>.

³ Hon. Tim Grosser, “China—Trading Up or Creating Dependency?” in *China at the Crossroads: What the Third Plenum Means for China, New Zealand and the World*, ed. Peter Harris (Wellington: Victoria University of Wellington Press, 2015), 18.

⁴ Xinhua, “Upgrading China FTA Included in New Zealand Government Export Strategy,” 15 September 2015, http://news.xinhuanet.com/english/2015-09/15/c_134625874.htm.

⁵ For a concise overview of Australia-New Zealand Closer Economic Relations (CER), consult <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/nz-australia-closer-economic-relations-cer/>, accessed 6 September 2016.

landscapes. This latter point, we argue, is the most important reason for the existence of an FTA with China in the case of New Zealand but not Canada.

The wider literature on free trade agreements—including at the regional multilateral level—elaborates a range of conditions conducive to their emergence.⁶ Many such works emphasize the importance of global or international-level processes.⁷ Domestic politics has long played an important role too, but assessments of the role of various non-state actors are a relatively recent innovation to the scholarship. Writing in 1998, John Whalley pointed to a variety of state motivations as the prime drivers of FTAs, including traditional economic gain, the strengthening of domestic policy agendas or reforms (where joining a regional FTA was intended to make the costs of undoing domestic liberalization higher, as in the case of Mexico in the North American Free Trade Agreement), increased multilateral bargaining power, and the promotion of strategic alliances (in which case FTAs can form an implicit part of security arrangements).⁸ Geopolitical context clearly matters, as do state preferences, but there is now a general consensus that domestic social actors and popular opinion exercise considerable influence over the success of free trade policies. Some of this research is premised on an interest-group-based model of politics, where such groups either lobby for or mobilize against FTAs.⁹ An important sub-variant of this model is the “firm heterogeneity” approach, which considers in greater detail the roles, resources, and motivations of specific industries or sectors in the formation of free trade policies, and by extension, agreements.¹⁰ Finally, a few studies

⁶ The political science classics include Robert O. Keohane, *Power and Governance in a Partially Globalized World* (London and New York: Routledge, 2002); I.M. Destler, *American Trade Politics*, 4th ed. (Washington, DC: Institute for International Economics, 2005); Michael J. Gilligan, *Empowering Exporters: Reciprocity, Delegation and Collective Action in American Trade Policy* (Ann Arbor, MI: University of Michigan Press, 1997); Helen Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton, NJ: Princeton University Press, 1988).

⁷ Richard Baldwin, “Multilateralising Regionalism: Spaghetti Bowls as Building Blocks on the Path to Global Free Trade,” *The World Economy* 29, no. 11 (2006): 1451–1518; Kamal Saggi and Halis Murat Yildiz, “Bilateralism, multilateralism, and the quest for global free trade,” *Journal of International Economics* 81, no. 1 (2010): 26–37; Jagdish Bhagwati, *Termites in the Trading System: How Preferential Agreements Undermine Free Trade* (Oxford: Oxford University Press, 2008).

⁸ John Whalley, “Why Do Countries Seek Regional Trade Agreements?” in *The Regionalization of the World Economy*, ed. Jeffrey A. Frankel (Chicago: University of Chicago Press, 1998), 70–74.

⁹ For example, see Klas Rönnbäck, “Interest-group lobbying for free trade: An empirical case study of international trade policy formation,” *Journal of International Trade & Economic Development* 24, no. 2 (2015): 281–293; Megumi Naoi and Shujiro Urata, “Free Trade Agreements and Domestic Politics: The Case of the Trans-Pacific Partnership Agreement,” *Asian Economic Policy Review* 8, no. 3 (2013): 326–349; Matilde Bombardini, “Firm heterogeneity and lobby participation,” *Journal of International Economics* 75, no. 2 (2008): 329–348.

¹⁰ Recent notable examples of this approach include Kazunobu Hayakawa, “Does firm size matter in exporting and using FTA schemes?” *Journal of International Trade & Economic Development* 24, no. 7 (2015): 883–905; Dan Ciuriak et al., “Firms in International Trade: Trade Policy Implications of the New Trade Theory,” *Global Policy* 6, no. 2 (2015): 130–140; Sebastian Krautheim, “Heterogeneous firms, exporter networks and the effect of distance on international trade,” *Journal of International Economics* 87, no. 1 (2012): 27–35.

have explored individual attitudes toward trade policy, either as a function of personal material wellbeing, or “sociotropic perceptions,” about how an FTA is likely to affect a country as a whole.¹¹

We seek to extend this debate by testing for the influence of domestic political conditions, with controls, in the cases of New Zealand and Canada. In essence, we argue that sociotropic effects centred primarily on concerns about loss of sovereignty and national identity are a key source of persistent and politically meaningful opposition to free trade with China in the Canadian case. Though the FTA with China has its detractors in New Zealand, the nature and content of opposition is qualitatively different—objections rooted in a perceived challenge to New Zealand’s sense of national self are not present, and are replaced with arguments predominantly based on a belief that New Zealand’s firms and industries get short shrift in terms of material trade gains.

In the remainder of this paper, we compare the Canadian and New Zealand experiences. The comparison is structured around four distinct categories of factors which mediate the respective trade relationships with China: 1) The diplomatic climate and context between one or the other country and China, and especially the significance of prior experience in engaging China in bilateral negotiations; 2) the predisposition of each country to seeking and signing FTA agreements, and the proliferation of FTAs in general around the world at the time an FTA with China was sought or concluded; 3) “neighbourhood effects,” or those factors which are a function of geographic location and proximity to other countries having a particular quality of relationship to China; and 4) domestic political conditions making negotiation of free trade with China more or less easy, or more or less desirable. In our conclusion, we address the probabilities and practicalities involved if Canada is to conclude an FTA with China in the future, suggesting that if such a deal ever materializes, Canada is best advised to negotiate in full cognizance of the potential costs of engaging a global economic superpower.

The China-New Zealand FTA: How the Deal Was Done

The Diplomatic Context

New Zealand’s interactions with the People’s Republic of China have been relatively rosy, and conducted at a distance from the Cold War mentalities prevalent elsewhere in the world. Following formal diplomatic recognition of the PRC in early 1972, New Zealand adhered strictly to the One China

¹¹ Edward Mansfield and Diana Mutz, “Support for Free Trade: Self-Interest, Sociotropic Politics, and Out-Group Anxiety,” *International Organization* 63, no. 3 (2009): 425–457; Benjamin Fordham and Katja Kleinberg, “How Can Economic Interests Influence Support for Free Trade?” *International Organization* 66, no. 2 (2012): 311–328.

policy.¹² It was also first among developed countries to recognize China as having a “market economy”—recognition that was ultimately crucial for the broader diplomatic recognition of the market economic implications of the PRC’s reform and opening up program, and the increased foreign trade and participation in multilateral organizations resulting from it. For example, New Zealand’s initial branding of China as a market economy was the first in a series of steps that saw China beef up its enforcement of anti-dumping regulations, paving the way for compliance with sections 15 and 16 of the WTO protocol, making China’s eventual accession possible.¹³ In 1997, New Zealand became the first developed country to sign a WTO agreement with China, agreeing bilaterally to China’s accession in advance of its becoming a full member.¹⁴

New Zealand’s economic relations with China have continued to blossom since the FTA was signed in 2008. China has become an important export market for New Zealand meat, dairy, and forestry products. In 2009, exports to China surpassed those to the US, making China the second-largest market for New Zealand products after Australia.¹⁵ Similarly, Chinese products increased their share of New Zealand’s import market from 1 to 6 percent between 1990 and 2000, and rose to 16 percent by 2012.¹⁶

Predisposition to (and Proliferation of) FTAs

Once one of the world’s most insular developed economies, deregulation in the 1980s and 1990s brought big changes to New Zealand’s trade policies.¹⁷ Previously, the United Kingdom was the main pillar of its economic prosperity, and took in approximately 80 percent of New Zealand’s exports.¹⁸ Passage of the 1947 Statute of Westminster Adoption Act by New Zealand’s Parliament, along with the UK’s joining the European Community in 1973, caused New Zealand to lose some of the preferential trading rights that it had previously enjoyed as a British colony. This severing of economic ties meant that New Zealand was forced to chart its own course and seek new trade partners in

¹² Agata Antkiewicz and John Whalley, “China’s New Regional Trade Agreements,” *The World Economy* 28, no. 10 (2005): 1550.

¹³ Antkiewicz and Whalley, “China’s New Regional,” 1550.

¹⁴ “New Zealand’s China Policy: Building a Comprehensive Strategic Partnership,” Australia-China Relations Institute/New Zealand Contemporary China Research Centre (July 2015): 21–22.

¹⁵ Scott Bowman and Patrick Conway, “China’s Recent Growth and its Impact on the New Zealand Economy” (New Zealand Treasury Work Paper 13/15, Wellington, July 2013), 1.

¹⁶ Bowman and Conway, “China’s Recent Growth,” 1.

¹⁷ For a concise explanation of the period, see Colin James, “The Policy Revolution: 1984–1993,” in *New Zealand Politics in Transition*, eds. Raymond Miller and Peter Aimer (Oxford: Oxford University Press, 1997), 13–24.

¹⁸ Huang Xiaoming and Jason Young, “China and the World Economy: Challenges and Opportunities for New Zealand,” Discussion Paper 13/01 (Victoria University of Wellington, New Zealand Contemporary China Research Centre, 2013), 65.

an increasingly globalized marketplace. This led to policies of diversification and movement into previously untapped markets in Europe, the Americas, Australia, and Asia.¹⁹ In Japan, New Zealand's government recognized an opportunity to engage a rising economic power and non-Western marketplace, in effect providing a blueprint for the relationship that was to follow with China. Working hard to keep diplomatic relations on an even keel, New Zealand announced its determination to become the first developed country to sign an FTA with China.²⁰ Prime Minister Helen Clark is said to have told Hu Jintao this explicitly on his visit in 2003.²¹

By the 2000s, exports accounted for roughly 25 percent of New Zealand's GDP, with agricultural products making up the lion's share.²² Since most countries have protective barriers in place against farm commodities, pursuit of FTAs came to be seen as the promising way to access restricted markets. The Clark government (1999–2008) was particularly proactive.²³ Singapore and Chile were cited as potential free trade partners initially, on the rationale that all three countries had economies similar in overall size and degree of specialization, and a common interest in furthering liberalization. Singapore and New Zealand began discussion of an FTA in 1999, capping it off with a signing the following year. Chile was reluctant to join a trilateral FTA based on its fears over the possible effects such an agreement would have on its dairy industry, which would be in more direct competition with New Zealand's more developed dairy sector. However, neither Singapore nor New Zealand believed that sharing an FTA would significantly benefit their economies. Instead, the motivation was to try to encourage other countries to take action and instigate regional liberalization.

In 2001 New Zealand lobbied for an FTA with the US. Negotiations proceeded well until the political relationship soured over the US invasion of Iraq in 2003. New Zealand then entered into negotiations with China in 2004, a signed agreement following in 2008. New Zealand has since concluded free trade agreements with Malaysia in October 2009 and Korea in March 2015.²⁴ It has also concluded Closer Economic Partnerships (CEP) with Thailand in April 2005 and Hong Kong in 2010.²⁵ Alongside these new agreements it has continued upgrading its CEP with Australia since signing

¹⁹ For a summary of the shift toward Asia after the scaling back of economic ties to Britain, see Huang and Young, "China and the World Economy," 64–65.

²⁰ "New Zealand's China Policy: Building a Comprehensive Strategic Partnership," 23.

²¹ David McCraw, "New Zealand Foreign Policy Under the Clark Government: High Tide of Liberal Internationalism," *Pacific Affairs* 78, no. 2 (2005): 233.

²² McCraw, "New Zealand Foreign Policy," 231.

²³ For an overview of New Zealand's strategy during the Clark years, see McCraw, "New Zealand Foreign Policy," 232–233.

²⁴ New Zealand Foreign Affairs and Trade, *Free Trade Agreements in Force*, accessed 5 January 2016, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/>.

²⁵ New Zealand Foreign Affairs and Trade, *Free Trade Agreements in Force*.

in 1983. This agreement achieved complete removal of tariffs in 1990 and now consists of over eighty treaties.²⁶

New Zealand's pursuit of FTAs during the late 1990s and early 2000s coincided with a larger regional trend toward free trade during this period. Indeed, the Asia-Pacific witnessed a growing web of FTAs at this time, rising from just eight in 1998 to sixty by 2008.²⁷ Australia was a key broker of many of these new FTAs, a decisive factor in the broader trend toward regionalization. In July 2003, its agreement with Singapore came into force, followed by another with the United States in May 2004, Thailand in 2005, and Chile in 2008.²⁸ New Zealand and Australia, like China, pursued free trade agreements with ASEAN, which was in force in all countries by 2012.²⁹ Australia concluded FTAs with South Korea, Japan, and China in 2012, 2014, and 2015 respectively, putting FTAs in place with each of its biggest trading partners and extending the web of free trade into northeast Asia. China too was a crucial part of the growing regional—indeed, global—web of FTAs during the 2000s. The PRC had signed an agreement with ASEAN in November 2004 and with Chile in November 2005, its first purely bilateral FTA.³⁰ It then concluded another with Pakistan in November 2006. The year 2008 saw the signing of two new agreements, one with New Zealand in April, and another with Singapore in October. Peru and Costa Rica were next in April 2009 and August 2011, respectively. China and Korea reached an agreement in June 2015.³¹

Neighbourhood Effects

Engagement with New Zealand through FTA negotiations presented a great learning opportunity for China, both in terms of forging free trade with a developed Western country, and as a means to advance its interests in the South Pacific. New Zealand as a developed and relatively open economy provides experience in how to go about FTA negotiations with other developed countries. As Antkiewicz and Whalley point out, it was expected that the FTA with New Zealand would set an approach and standard for China's FTAs with other developed nations.³² The fact it is a small economy allows for the task to be more manageable for regional newcomers like China. Long Yongtu, who was the chief negotiator for China's accession to the WTO,

²⁶ New Zealand Foreign Affairs and Trade, *Free Trade Agreements in Force*.

²⁷ Christopher M. Dent, "Free Trade Agreements in the Asia-Pacific a Decade On: Evaluating the Past, Looking to the Future," *International Relations of the Asia-Pacific* 10, no. 2 (2010): 201–245.

²⁸ Australian Government, Department of Foreign Affairs and Trade, *Free Trade Agreements*, accessed 5 January 2016, <http://dfat.gov.au/trade/agreements/Pages/status-of-fta-negotiations.aspx>.

²⁹ Australian Government, *Free Trade Agreements*.

³⁰ Ministry of Commerce People's Republic of China, *China FTA Network*, accessed 5 January 2016, http://fta.mofcom.gov.cn/english/fta_qianshu.shtml.

³¹ Ministry of Commerce, *China FTA Network*.

³² Antkiewicz and Whalley, "China's New Regional," 1551.

has acknowledged China's unfamiliarity with such negotiations and the need to advance slowly in order to find its footing.³³ This stands in contrast to the perceived speed with which China has subsequently been able to conclude other FTAs, owing to its "highly political agenda combined with authoritarian decision making," as Yang has noted.³⁴

From Wellington's point of view, the upshot of an FTA with China extended well beyond the economic benefits. Indeed, the FTA would serve as a platform for engaging China on a range of other issues throughout the South Pacific. For Beijing, the FTA could serve as a means to win the good graces of a country that, although small, is nevertheless the pre-eminent power broker in Polynesia, and is therefore important for the execution of key aspects of Chinese foreign policy in the region.³⁵ For example, Philippa Brant has linked China's growing interest in the South Pacific to its drive for natural resources.³⁶ Others, such as Yang and Lanteigne, point out the geostrategic consequence of the Pacific Islands and the pivotal role played by Pacific Island countries in Beijing's "One Belt, One Road" initiative.³⁷ Still others have noted the Pacific Island countries as recipients of an increasingly important share of Chinese investment and development aid.³⁸ The Te Mato Vai project in the Cook Islands stands out as a singular example of triangular development programming between China, a Pacific country, and New Zealand, the traditional supplier of aid to the region, and is intended to serve as a test case for deepening Beijing's aid presence in the region.³⁹

The Domestic Political Landscape

Despite New Zealand's apparent enthusiasm for free trade with China under the Labour government of Helen Clark and the subsequent National

³³ Long Yongtu, "China: The Implications and Key Lessons Learned through WTO Accession," *East Asian Visions: Perspectives on Economic Development* (The International Bank for Reconstruction and Development/The World Bank and The Institute of Policy Studies, 2006), 127.

³⁴ Yang Jiang, "China's pursuit of free trade agreements: Is China exceptional?" *Review of International Political Economy* 17, no. 2 (2010): 240.

³⁵ For an examination of the larger geopolitical issues at play, see Robert Ayson, "Choosing Ahead of Time? Australia, New Zealand and the US-China Contest in Asia," *Contemporary Southeast Asia* 34, no. 3 (2012): 338–364.

³⁶ Philippa Brant, "Chinese Aid in the South Pacific: Linked to Resources?" *Asian Studies Review* 37, no. 2 (2013): 158–177. Jeffrey Wilson has also written extensively on China's resources security agenda as a key factor underpinning its pursuit of free trade agreements. See for example, "Resource Security: A New Motivation for Free Trade Agreements in the Asia-Pacific Region," *Pacific Review* 25, no. 4 (2012): 429–453.

³⁷ Marc Lanteigne, "'Water Dragon?' China, Power Shifts, and Soft Balancing in the South Pacific," *Political Science* 64, no. 1 (June 2012): 21–38; Jian Yang, *The Pacific Islands in China's Grand Strategy* (Basingstoke, UK and New York, NY: Palgrave Macmillan, 2011).

³⁸ Kate Hannan and Stewart Firth, "Trading with the Dragon: Chinese Trade, Investment and Development Assistance in the Pacific Islands," *Journal of Contemporary China* 24, no. 95 (2015): 865–882.

³⁹ For an overview of this project, see <http://tematovai.com/index.php/te-mato-vai-project/what-is-te-mato-vai>, accessed 20 September 2016.

government of John Key, the 2008 FTA has had its detractors. Chief among them was NZ First MP and Foreign Minister Winston Peters, who felt that an FTA with China ought not to be New Zealand's top foreign policy goal. Peters argued that the deal did not contain enough concessions from the Chinese side to be worthwhile for New Zealanders. "If I'm asked I will tell the truth that I would have hoped we could have done much better," he told reporters.⁴⁰ "When the euphoria settles, people will start realizing the seriousness of this situation," he said, referencing estimates that at the time stated removal of quotas could take five years and tariff removal a further twelve, meaning the benefits of the agreement may not take effect for seventeen years.⁴¹ Some in New Zealand's business community responded with outrage, even raising questions about the functionality of New Zealand's political system. Wading into the fray, former Prime Minister Mike Moore said, "I can't think of another country in the world which would have a Foreign Minister who opposes what his Prime Minister says is a big deal, the NZ/China Free Trade Agreement."⁴²

The circumstances of Peters' objections appear unusual, since at the time the statements were made, Peters was both the sitting foreign minister and the leader of an opposition party. However, this state of affairs is to be expected from time to time in New Zealand's mixed member plurality system, in which coalition governments are the norm and small opposition parties often hold the balance of power. Responding to press inquiries on Peters' remarks, then-Prime Minister Helen Clark stated, "I have never expected Winston Peters to support the FTA with China. What Winston Peters relayed to my office and later to me personally last week was that when he goes overseas ... he will say that the negotiations have been successfully concluded and that is the responsibility of the Minister of Trade [Labour MP Phil Goff]."⁴³

No longer foreign minister, Peters' criticisms of the FTA with China have become more strident in the years since its passage. "New Zealand has been taken to the cleaners with the China Free Trade Agreement, which has seen our wood industry lose millions of dollars in income every year," read the opening line of an April 2016 NZ First press release. It continues:

We've been saying it [sic] for a long time that exporting raw logs out of the country contributes little to New Zealand economy Sawmillers and wood processors have been feeling the pain for a long time but the

⁴⁰ "Foreign Minister and Party Oppose FTA" *Stuff*, 8 April 2008, <http://www.stuff.co.nz/national/politics/354506/Foreign-Minister-and-party-oppose-FTA>.

⁴¹ Audrey Young and Fran O'Sullivan, "Winston's Message: No to the FTA," *The New Zealand Herald*, 2 April 2008, http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10502911.

⁴² Audrey Young, Fran O'Sullivan, and Edward Gay, "Criticism of China Free Trade Deal is 'Bullshit' – Goff" *The New Zealand Herald*, 10 April 2008, http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10503174.

⁴³ "Clark: I have Winston's assurance on FTA," *Stuff*, 13 April 2008, <http://www.stuff.co.nz/national/politics/363842/Clark-I-have-Winstons-assurance-on-FTA>.

government has stood by and done nothing. When the FTA is renegotiated later this year, the balance must move more in favour of New Zealand than China; at the moment it is all win-win for China; lose for New Zealand The wood industry should be worried—the regions and our forests will continue to be plundered for the wealth of another country.⁴⁴

Opposition has not been limited to Peters' NZ First Party. In 2008, Green Party MP Keith Locke expressed disappointment that China's human rights record had not been factored into the FTA negotiation.⁴⁵ There was also notable opposition within the general public, and in the private sector. A poll published a week before the signing indicated that 44.7 percent of those questioned supported the FTA with China, while 32.4 percent did not, and another 22.9 percent did not know.⁴⁶ New Zealand corporations were similarly split, with some like Fonterra and the New Zealand Seafood Industry Council welcoming the deal, while others, like Fisher and Paykel, argued that it would be difficult for New Zealand manufacturers to compete with less expensive Chinese labour.⁴⁷ One study found that many small to medium-sized firms in New Zealand do not take advantage of the benefits FTAs bring.⁴⁸ Finally, the New Zealand Council of Trade Unions expressed concerns over the temporary migration provisions of the FTA, which it argued would have negative implications for Chinese and New Zealand workers.⁴⁹

Canada-China Relations: A Counter-Case

The Diplomatic Context

Canada's Liberal governments have long been well regarded by China's government. This is attributable to a series of factors, including Canada's early recognition of the PRC in 1970, and expressions of admiration from then-Liberal Prime Minister Pierre Trudeau for Chairman Mao and Premier

⁴⁴ "We've Been Taken for Mugs by China as Wood Industry Proves," NZFirst.org, 16 March 2016, <http://nzfirst.org.nz/news/weve-been-taken-mugs-china-wood-industry-proves>.

⁴⁵ "Opposition to FTA Welcomed," Green Party of Aotearoa New Zealand, 9 April 2008, <https://home.greens.org.nz/press-releases/opposition-fta-welcomed>.

⁴⁶ "Public Divided over FTA, Poll Shows," *Stuff*, 31 March 2008, <http://www.stuff.co.nz/national/339565>.

⁴⁷ "Fonterra Welcomes Free Trade Agreement with China," *Scoop Business*, 7 April 2008, <http://www.scoop.co.nz/stories/BU0804/S00127.htm>; "FTA with China Opens Opportunities for Seafood," *Scoop Business*, 7 April 2008, <http://www.scoop.co.nz/stories/BU0804/S00124.htm>; "NZ Manufacturers Oppose China FTA," CNBC, 14 October 2007, <http://www.cnn.com/id/21299012>.

⁴⁸ Martina Battisti, Tanya Jurado, and Martin Perry, "Understanding Small-Firm Reactions to Free Trade Agreements: Qualitative Evidence from New Zealand," *Journal of Small Business and Enterprise Development* 21, no. 2 (2014): 327–344.

⁴⁹ "CTU Submission to the International Treaty Examination of the New Zealand- China Free Trade Agreement," New Zealand Council of Trade Unions, May 2008.

Zhou Enlai.⁵⁰ Canada has no historic legacy of imperialism toward China—indeed, one of Chairman Mao Zedong’s “five constantly read articles” was a paean in praise of the Canadian internationalist Dr. Norman Bethune. Canada also exported a large quantity of wheat to China at the time of the Great Leap Forward famine in the early 1960s, bucking the US embargo on trade with “Red China” and saving untold numbers from starvation.⁵¹

Through the 1990s, Liberal Prime Minister Jean Chretien put great stress on improving economic relations with China. He established the “Team Canada” style of diplomacy, bringing hundreds of Canadians to China, including federal cabinet ministers, provincial premiers, and business leaders, for a simultaneous complex of engagement punctuated by public signing ceremonies of trade agreements. Chretien also started a policy of “quiet diplomacy” over human rights concerns to defuse the negative association between politics and trade. Canada and China had smooth negotiations over China’s entry into the WTO in 2001. Nevertheless, over the Chretien years the Canada-China trade imbalance continued to widen and Canada lost market share in China to the US, European nations, and Australia and New Zealand.⁵²

The relationship cooled appreciably under Conservative Prime Minister Stephen Harper. An annual government-to-government bilateral human rights dialogue, which had been the centrepiece of Chretien’s “quiet diplomacy,” was suspended. With regard to expansion of Canada-China trade relations, Prime Minister Harper, in an impromptu press briefing on board his jet en route to the APEC summit in Vietnam in 2006, said, “I think Canadians want us to promote our trade relations worldwide, and we do that. But I don’t think Canadians want us to sell out important Canadian values. They don’t want us to sell that out to the almighty dollar.”⁵³ Late in 2012, the Harper government approved a C\$15 billion sale of the Canadian oil firm Nexen to the China National Offshore Oil Corporation, but with the proviso that there would be no further approval of sales of Canadian oil sands companies to state-owned firms, except in “exceptional circumstances.” The logic behind this was that Canada’s national sovereignty would be threatened if China accumulated a critical mass of economic power in the

⁵⁰ For more detail, see Charles Burton, “The Canadian Policy Context of Canada’s China Policy,” in *The China Challenge: Sino-Canadian Relations in the 21st Century*, eds. Huhua Cao and Vivienne Poy (University of Ottawa Press, 2011), 32–46.

⁵¹ B. Michael Frolic, “Canada and China at 40,” *Asia Colloquia Papers* 1 (York Centre for Asian Research, 2011).

⁵² Charles Burton, *A Reassessment of Canada’s Interests in China and Options for Renewal of Canada’s China Policy* (Waterloo: Canadian International Council, 2009).

⁵³ Fred Edwards, “PM’s Beijing Trip—More Hype than Hope,” *Toronto Star*, 29 November 2009, https://www.thestar.com/news/world/2009/11/29/edwards_pms_beijing_trip_more_hype_than_hope.html.

Canadian energy and mineral sectors, telecommunications network, and other infrastructure development.⁵⁴

The return to power of the Liberals under Justin Trudeau was welcomed by the Chinese authorities.⁵⁵ In opposition, Trudeau had expressed support for enhanced Chinese state investment in Canada's energy and resources sectors.⁵⁶ With Liberals back in power, as discussed below, China hoped that an approach to initiate an early FTA would be favourably received.

Predisposition to (and Proliferation of) FTAs

For much of its first one hundred years after Confederation in 1867, Canada, like New Zealand, largely traded raw materials to Britain in exchange for manufactured imports. However, throughout Canada's history there has been significant debate over the moral virtue of expanding trade with the United States.⁵⁷ This debate continued to be a significant factor in Canadian politics until the defeat of the Progressive Conservative Diefenbaker government in 1963 and its replacement by the Liberals under Lester Pearson. A critical component of this debate was nationalistic passion over the nature of Canada's collective identity. Proponents of maintaining strong links to Britain believed that enhanced economic relations with the United States would bring convergence with US values of individualism that would displace Canadian communitarian values of respect for tradition.⁵⁸ However, Canada's national mood shifted in the post-World War Two era from political, military, and economic identity with the British Empire toward a continentalist perspective of Canadians as North Americans. This change was symbolized by Pearson's replacement of the British naval ensign with the iconic red maple leaf graphic as Canada's national flag in 1965. Henceforth Canada would forge its own nationhood stressing cultural and economic sovereignty.

Promulgation of a Canada-United States Free Trade Agreement in the 1980s was very controversial and divisive in Canada. The 1988 Canadian election was fought almost exclusively on the issue of Canada ratifying the Canada-United States Free Trade Agreement. The opponents of this agreement saw it as an economic union that would inevitably lead to Canada being absorbed politically, eventually becoming the "51st state" of

⁵⁴ Charles Burton, "Stephen Harper's Decision on CNOOC Finally Gets the China Connection Right," *Toronto Star*, 10 December 2012, https://www.thestar.com/opinion/editorialopinion/2012/12/10/stephen_harpers_decision_on_cnooc_finally_gets_the_china_connection_right.html.

⁵⁵ Luo Zhaohui, "Opening a New Chapter," *China Daily*, 9 January 2016, http://usa.chinadaily.com.cn/world/2016-01/09/content_23008728.htm.

⁵⁶ Justin Trudeau, "Why the CNOOC-Nexen Deal Is Good for Canada," Canada.com, 20 November 2012, <http://o.canada.com/news/national/justin-trudeau-why-the-cnooc-nexen-deal-is-good-for-canada>.

⁵⁷ This is a major focus of the classic interpretation of Canadian history in Donald Creighton and Donald Wright, *Canada's First Century* (reissue) (Toronto: Oxford University Press, 2012).

⁵⁸ This argument is presented at length in George Grant, *Lament for a Nation: The Defeat of Canadian Nationalism*, 40th Anniversary Edition (Montréal: McGill-Queens University Press, 2005).

the USA.⁵⁹ In that election, more Canadians voted for anti-free trade pro-sovereignty parties (the Liberals and the New Democrats) but more seats in Parliament were won by the pro-free trade Progressive Conservatives. Prime Minister Brian Mulroney's parliamentary majority allowed for easy passage of the Canada-US FTA and the subsequent 1992 North America FTA, which brought in Mexico. As a direct result, exports accounted for 27.1 percent of Canada's GDP in 2015.⁶⁰ More than 76 percent of Canada's merchandise trade goes to the United States.⁶¹

However, strongly held popular concerns about the integrity of distinctive "Canadian values" being threatened with debasement through highly enhanced economic engagement with a non-liberal democratic Chinese regime through free trade are underlaid with the same emotive articulation as the anti-NAFTA discourse, nearly thirty years later.⁶²

Nevertheless, like New Zealand, Canada has not shied from free trade negotiations, either bilaterally or multilaterally. Canada has been a member of the WTO since the organization's inception, and a central plank of the 2006–2015 Conservative government under Stephen Harper was to promote Canadian prosperity, with the government taking a lead in negotiating free-trade agreements to facilitate more trade and reduce Canada's dependence on the uncertain US economy. The Harper government brought free trade agreements into force with Korea, Honduras, Panama, Jordan, Colombia, Peru, and the European Free Trade Association. It also signed FTAs with the European Union and Ukraine, and inked the Transpacific Partnership Agreement (subsequently signed by the Trudeau Liberals). Negotiations with ten other nations started under the Conservatives, including with India and Japan. Four other bilateral free trade negotiations are currently in the exploratory stage.⁶³

Neighbourhood Effects

Since assumption of his post as ambassador of China to Canada in 2014, Luo Zhaohui has made a series of statements urging "negotiation and conclusion

⁵⁹ See the dramatic debate between John Turner and Brian Mulroney on CBC Television, "The National," *CBC Archives: Betting On Free Trade 1988*, accessed 22 July 2016, <https://www.youtube.com/watch?v=gyYjRmM7RDY&feature=youtu.be>.

⁶⁰ Government of Canada, Statistics Canada, *The Daily—Canadian International Merchandise Trade: Annual Review, 2015*, accessed 6 April 2016, <http://www.statcan.gc.ca/daily-quotidien/160406/dq160406a-eng.htm>.

⁶¹ Government of Canada, Foreign Affairs Trade and Development Canada, *Annual Merchandise Trade*, accessed 6 April 2016, http://www.international.gc.ca/economist-economiste/statistics-statistiques/annual_merchandise_trade-commerce_des_marchandises_annuel.aspx?lang=eng.

⁶² Jeremy Paltiel, "Resolute ambivalence: Canada's strategy toward China and the Asia-Pacific," *Canadian Foreign Policy Journal* 22, no. 1 (2016): 40–53.

⁶³ Government of Canada, Foreign Affairs Trade and Development Canada, *Canada's Free Trade Agreements*, accessed 26 June 2016, <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/fta-ale.aspx?lang=eng>.

of a bilateral Free Trade Agreement (FTA) at an early date.”⁶⁴ The carrot held out to Canada for this is opening of the Chinese market to Canadian raw materials. As Luo puts it, “if there is an FTA arrangement between China and Canada, you can see a flooding of potash, agricultural products, and energy products from Canada to the market of China.”⁶⁵ However, in meetings with senior Canadian officials in Ottawa in January 2016, Han Jun, vice-minister of Financial and Economic Affairs, made the free trade negotiations subject to two conditions: first, Canada removing the restrictions put in place by the Harper government on Chinese state-owned investments in Canada’s oil and gas sector; and second, ensuring that a pipeline is built from the Alberta oil sands to the coast of British Columbia for transshipment of Canadian oil to China.⁶⁶ Elsewhere Ambassador Luo has articulated a third, more profound wish. In his words, “we [China] really wish to have a free trade agreement with Canada. It’s more than that: China wants Canada to lift its eyes from the U.S. and look instead to the Asia Pacific area. Economic policy should also be more positive toward this area.”⁶⁷

From a longer term geo-strategic perspective, China hopes to reduce Canada’s dependence on the US and hopes for Canada to lean more toward China, which takes a zero-sum view of global influence by the major powers. According to studies by Yang Jiang and others, China has in the past seen preferential tariff arrangements as part and parcel of larger bilateral relations, to further larger foreign policy goals in addition to enhancing economic relations. China’s agreements with Asian nations have struck favourable terms (at least in the short term) for partner nations with a view to drawing them away from dependence on Japan and Taiwan.⁶⁸ China has a comparable strategy for Canada with regard to the US factor in relations with China. China also perceives Canada as an important and stable source of oil, natural gas, minerals, and wood products. Canada’s perceived “friendliness” under the Liberals and therefore potential support for China in multilateral fora also underlies China’s strong encouragement of Canada to start early negotiations to a free trade deal.

⁶⁴ Luo Zhaohui, “China’s Economy Is Transforming Itself: Ambassador Zhaohui,” *IPolitics*, accessed 26 June 2016, <http://ipolitics.ca/2015/11/19/chinas-economy-is-transforming-itself-ambassador-zhaohui/>.

⁶⁵ Robert Fife, “China Open to Historic Free-Trade Deal with Canada under Certain Provisos,” *The Globe and Mail*, 14 January 2016, <http://www.theglobeandmail.com/news/politics/china-open-to-historic-free-trade-deal-with-canada-under-certain-provisos/article28208595/>.

⁶⁶ Fife, “China Open.”

⁶⁷ Nathan Vanderklippe, “What China Wants from Canada,” *The Globe and Mail*, 8 May 2014, <http://www.theglobeandmail.com/report-on-business/international-business/what-china-wants-from-canada/article18557994/>.

⁶⁸ For more background on the Chinese government’s approach to preferential tariff arrangements as a tool of China’s international strategy, see John Ravenhill and Yang Jiang, “China’s Move to Preferential Trading: a New Direction in China’s Diplomacy,” *Journal of Contemporary China* 18, no. 58 (2009): 27–46.

When Canadian Prime Minister Harper visited China in February 2012, the two nations committed to undertake a joint study that would look at where Canada's and China's economies are "complementary."⁶⁹ The Complementarities Study was released in August 2012.⁷⁰ It found potential for mutual benefit through trade in seven economic sectors: agriculture and agri-food (including fish and seafood), clean technology and environmental goods and services, machinery and equipment, natural resources and derived products, services, transportation infrastructure and aerospace, and textiles and related goods. Nevertheless, by May 2015, free trade negotiations had not been further pursued by the Harper government. International Trade Minister Ed Fast, in response to a question on why Canada had not taken up the Chinese government's offer to engage in free trade talks, cited some of the two governments' other trade-related bilateral achievements: getting preferred destination status for Chinese tourists, establishing a renminbi trading hub, securing ten-year multiple entry visas, and bringing into force a foreign investment protection agreement.⁷¹ But with regard to a China FTA, Fast indicated that this was not under consideration as "for the time being, there are a number of other avenues we have to deepen our engagement—our economic engagement—with China."

We contend that there are meaningful parallels between the historic resistance to economic engagement with the United States and enhanced economic engagement with China. In particular, the opponents of negotiation of free trade with China expound a narrative that implies that Canadian culture and political values are too weak to sustain asymmetrical economic and concomitant asymmetrical political engagement with major powers, either the US or China. To put it another way, sociotropic effects—fine-grained beliefs about how a Canada-China FTA could produce negative effects for Canada as a whole—play a significant role in explaining the absence of an FTA in the Canadian case. To understand precisely how these sociotropic effects are exercised, one needs to consider the range of opinion camps present in the contemporary Canadian context.

The Domestic Political Landscape

Canada's response to the Chinese government's initiative encouraging the start of free trade negotiations falls neatly into the analytical framework of

⁶⁹ Tonda MacCharles, "Harper in China: Free Trade Agreement with China in Canada's Sights?" *Toronto Star*, 11 February 2012, https://www.thestar.com/news/canada/2012/02/11/harper_in_china_free_trade_agreement_with_china_in_canadas_sights.html.

⁷⁰ Government of Canada, Department of Foreign Affairs and International Trade, *Canada-China Economic Complementarities Study*, accessed 26 June 2016, <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/china-chine/index.aspx?lang=eng>.

⁷¹ B.J. Siekierski, "Fast Denies Government Rejected Chinese Free Trade Talks Offer," *iPolitics*, 11 May 2015, <http://ipolitics.ca/2015/05/11/fast-denies-government-rejected-chinese-free-trade-talks-offer/>.

political science theories of interest group articulation in liberal democracies.⁷² In the case of Canada's China policy, four main interest clusters are clear. The first group is corporate business interests and elements of the Canadian federal civil service such as the China Division of the Department of Global Affairs, with bureaucratic mandates to enhance relations with China, who urge that Canada "accelerate negotiations on a Canada-China free trade agreement" as a matter of national priority, including setting up a government committee on Asia relations at the most senior level in Cabinet or Parliament to ensure this is realized.⁷³

The second group of note are environmentalists and left-wing sovereigntists, such as the Council for Canadians, who are concerned that the Foreign Investment Promotion and Protection Agreement will lead to Chinese state interests imposing environmental and labour standards inconsistent with Canadian values and using economic leverage of high levels of trade and investment to manipulate Canadian government decision making.⁷⁴

Third, we identify security interests, represented by the Canadian Security Intelligence Service and the Communications Security Establishment, who are concerned that greater engagement with the Chinese state will lead to enhanced levels of cyber-espionage, conventional espionage, and improper Chinese influence over Canadian decision makers.⁷⁵

The fourth concerned interest group can be classified as public opinion supportive of "Canadian values" and Canadian-Chinese diaspora groups (Tibetans, Uyghurs, and expatriate Chinese democracy groups) and a majority fraction of Canadian public opinion who oppose closer engagement with the PRC due to its poor record on human rights and a lack of confidence that the Chinese state will implement any trade deal in good faith consistent with principled reciprocity.⁷⁶

Moreover, China's proposal that Canada and China start negotiations towards a free trade agreement has been strongly endorsed by a preponderance of "China watcher" pundits and academics in Canada. The Asia Pacific Foundation has pushed for the government of Canada to respond positively

⁷² The classic contemporary political science study of this is Robert Alan Dahl, *Who Governs?: Democracy and Power in an American City* (New Haven: Yale University Press, 1961).

⁷³ Asia Pacific Foundation of Canada, *Building Blocks for a Canada-Asia Strategy*, 28 January 2016, <https://www.asiapacific.ca/research-report/building-blocks-canada-asia-strategy>.

⁷⁴ Council of Canadians, *Canada-China FIPA*, accessed 22 July 2016, <http://canadians.org/fipa>.

⁷⁵ CBC News, "Some Politicians under Foreign Sway: CSIS," accessed 22 July 2016, <http://www.cbc.ca/news/politics/some-politicians-under-foreign-sway-csis-1.909345>.

⁷⁶ Nathan W. Allen, "Keeping Rising Asia at a Distance: Canadian Attitudes toward Trade Agreements with Asian Countries," *International Journal: Canada's Journal of Global Policy Analysis* 70, no. 2 (2015): 286–308; Pascale Massot, "The Political Economy of Canadian Public Opinion on China," in *Moving Forward: Issues in Canada-China Relations*, eds. Asif B. Farooq and Scott McKnight (Toronto: Munk School of Global Affairs, 2016), 24–35.

to the government of China's urging that Canada speed up negotiations on a Canada-China free trade agreement as a matter of urgent national priority.⁷⁷ In collaboration with the Institute for Research in Public Policy, the Munk School of Global Affairs at the University of Toronto has also issued a study that strongly endorses this perspective.⁷⁸ Other reports on the same theme have been issued by the China Institute at the University of Alberta,⁷⁹ and the Canada-China Business Council and Canadian Council of Chief Executives.⁸⁰ The argument made is that "a free trade agreement between Canada and China would increase Canadian exports by some CDN\$7.7 billion and Canadian GDP by about \$7.8 billion (or 0.14 percent) by 2030, helping to create an additional 25,000 Canadian jobs across all skill levels, raising wage rates as the demand for Canadian labour increases."⁸¹ A larger theme running through all of these documents is that China's rise is of such geopolitical importance that by shunning Chinese initiatives such as the Asian Infrastructure Investment Bank (AIIB) or proposal of an FTA, Canadians risk becoming "bystanders to some of the greatest changes in global history."⁸²

Nevertheless, Canadian public opinion over relations with China is at odds with the perspective of Canada's political and corporate elite that Chinese trade and investment is very important or even essential to Canada's continued medium- and long-term prosperity. Polls show that 76 percent of Canadians have a negative impression of China, most do not favour negotiation of free trade with China, and rates of disapproval of Chinese state investment are even higher.⁸³ However, there is indication of some softening of public opposition to enhanced engagement with China. A 2016 survey commissioned by the Asia Pacific Foundation of Canada noted that 49 percent of respondents "see the growing importance of China as more of an opportunity than a threat." That compares with 41 percent in the same

⁷⁷ Asia Pacific Foundation, *Building Blocks*, accessed 8 April 2016, <https://www.asiapacific.ca/research-report/building-blocks-canada-asia-strategy>.

⁷⁸ Wendy Dobson and Paul Evans, "The Future of Canada's Relationship with China," *IRPP*, 17 November 2015, <http://irpp.org/research-studies/policy-horizons-2015-11-17/>.

⁷⁹ Kerry Sun, *China-Australia Free Trade Agreement: Implications for Canada* (China Institute, University of Alberta, 2015), accessed 14 July 2016, <http://ccbc.com/whitepapers/ChinaAustraliaFreeTradeAgree.pdf>.

⁸⁰ Laura Ritchie Dawson and Dan Ciuriak, "Chasing China: Why an Economic Agreement with China Is Necessary for Canada's Continued Prosperity," Social Science Research Network, 19 January 2016, <http://papers.ssrn.com/abstract=2720048>.

⁸¹ Ritchie and Ciuriak, "Chasing China." The basis for these statistics is not given.

⁸² Yves Tiberghien, "Canada's China Strategy Is in Desperate Need of Repair," *The Globe and Mail*, 15 June 2016, <http://www.theglobeandmail.com/report-on-business/rob-commentary/canadas-china-strategy-is-in-desperate-need-of-repair/article30454843/>.

⁸³ Chris Hannay, "Canadians Have Dim View of Chinese Trade Deal: Poll," *The Globe and Mail*, 10 February 2016, <http://www.theglobeandmail.com/news/politics/canadians-have-dim-view-of-chinese-trade-deal-poll/article28694218/>.

camp in a 2014 survey. The survey also found that 46 percent support a free trade agreement with China, up from 36 percent in 2014.⁸⁴

Right-wing ideological objections to Canada engaging more closely with China by negotiating a free trade agreement mostly bring up a fear of compromising Canadian values. It was widely reported Britain was able to obtain US\$63 billion in investment deals when the Chinese president visited in 2015 on the condition that the British prime minister commit to a policy of shunning visits by the Tibetan Dalai Lama and “building trust” by not raising human rights with the Chinese regime.⁸⁵ There have been similar reports of Australian leaders betraying the public will of Australians by in effect giving tacit consent to human rights abuses by the Chinese regime.⁸⁶

Left-wing objections to Canada more closely engaging with China by negotiating a free trade agreement can be interpreted in terms of “sticky ideas” inherent in Canada’s political culture based on a socialist and Canadian “Red Tory” political narrative that has prioritized the risk to Canadian national identity of economic dependence on the United States.⁸⁷ This continued from the early years of Confederation, with proposals for liberalized trade with the US seen as a betrayal of Canada’s British identity, through the period following World War One and culminating in heated Liberal and NDP opposition to the North America Free Trade Agreement in the late 1980s. With China, the same narrative pattern prevails. The concern is that, economically beholden to China, Canada could betray its culturally distinctive environmental and First Nations doctrine by forcing through an oil pipeline from the Alberta oil sands to the coast of British Columbia without due attention to sensitive ecological considerations and without properly respecting the sovereignty of aboriginal bands protected by the relationship defined by the Canadian Charter of Rights and Freedoms. Moreover, Canadian labour standards could be debased by economic pressure from the Chinese state enterprises, and Canadian social programming could be negatively impacted by the globalizing trend of neoliberal asymmetrical trade and investment relations with the People’s Republic of China.

In June 2016, Prime Minister Trudeau made a definitive statement on the prospects of free trade with China, declaring, “I don’t think that an FTA is something to rush ... there’s an awful lot of work to do to get towards that,

⁸⁴ Asia Pacific Foundation of Canada, “2016 National Opinion Poll: Canadian Views on Asia,” accessed 7 September 2016, <https://www.asiapacific.ca/surveys/national-opinion-polls/2016-national-opinion-poll-canadian-views-asia>.

⁸⁵ John Bruk, “In Chinese Foreign Minister’s Outburst, a Test for Trudeau,” *Open Canada*, 15 June 2015, <https://www.opencanada.org/features/chinese-foreign-ministers-outburst-test-trudeau/>.

⁸⁶ Fiona So, “Global Voices—Australian Leaders Keep Unspoken Vow of Silence on China’s Human Rights Record,” *Global Voices*, 19 April 2016, <https://globalvoices.org/2016/04/19/australian-leaders-keep-unspoken-vow-of-silence-on-chinas-human-rights-record/>.

⁸⁷ Grant, *Lament for a Nation*.

whether it's on human rights and governance issues, whether it's on respect for the rule of law around Canadian investments."⁸⁸

So it appears that Canada will not be responding positively to China's preconditions for Canada to follow New Zealand's lead with negotiation of an FTA. Human rights and security concerns that constrained the Harper government's economic engagement appear to also be conditioning the successor Liberal government's approach to Canada's relations with China. Nevertheless, studies indicate that the government of China is aware of potential larger implications of the reputational challenges of negative foreign perception of unethical behaviour of Chinese state firms abroad and of increasing foreign dissatisfaction with a lack of reciprocity in foreign investment and other business regulations. Commensurate adjustments by the Chinese state to gain the trust of foreign investors on the basis of win-win reciprocity may follow.⁸⁹

Conclusion

It is clear that New Zealand's free trade with China has been highly mutually beneficial for both nations. As discussed above, both nations wish to continue to expand and refine the terms of their Free Trade Agreement. The agreement has broad—though not unanimous—political support in New Zealand. Where it exists, opposition to the deepening of free trade with China has been premised mostly on a belief that the deal was not as beneficial for New Zealand as it could have been, not on ideological objections to free trade in general or to China as a partner in particular. In Canada, however, opposition to an FTA remains strong among political parties on both the left and right. Sociotropic effects—namely perceptions that an FTA with China would be bad for Canada as a whole, whether in the form of debased Canadian values, heightened corporate and cyber security risks, environmental perils, or challenges to Aboriginal sovereignty—remain a significant impediment to such a deal in the Canadian context. By contrast, the New Zealand case shows a lack of similar effects.

We believe that advanced economies, including New Zealand, having productive and mutually beneficial free trade agreements with China should form a strong demonstration effect on Canada. If Canada loses market share due to the comparative disadvantage of not having free trade protocols in

⁸⁸ Peter O'Neil, "China Must Get Better on Human Rights before Canada Will Sign a Trade Deal: Trudeau," *National Post*, 17 June 2016, <http://news.nationalpost.com/news/canada/canadian-politics/china-must-get-better-on-human-rights-before-canada-will-sign-a-trade-deal-trudeau>.

⁸⁹ See Cristelle Maurin and Pichamon Yeophantong, "Going Global Responsibly? China's Strategies Towards 'Sustainable' Overseas Investments," *Pacific Affairs* 86, no. 2 (2013): 281; and Graeme Smith and Paul D'Arcy, "Introduction: Global Perspectives on Chinese Investment," *Pacific Affairs* 86, no. 2 (2013): 217.

place, the imperative to move forward on FTA negotiations will grow stronger. This imperative will be strengthened if the Trans-Pacific Partnership Agreement signed by Canada in 2015 fails to be implemented.

Under these circumstances, current Canadian concerns over opening up the Canadian market to greater involvement with Chinese state actors through Chinese free trade would be sufficiently abated for free trade talks with China to be initiated. However, the success of these talks will be dependent on seeing evidence that China is prepared to follow through with the spirit and letter of trade agreements—Canada will have more confidence in engaging with a China that develops into a more trustworthy and sophisticated partner in the global economy. At the same time, Canadian negotiators would be well advised to enter into any future negotiations fully cognizant of the reality that closer economic ties with China might well carry uncomfortable implications for Canadian sovereignty, security, and commitment to the universal norms of human rights. A willingness to develop and implement policy to effectively address these areas of potential concern might well be the cost of doing business with a new global economic hegemon.

Brock University, St. Catharines, Canada

University of Auckland, New Zealand, September 2016