

Canada - China
Legislative Association



Association législative
Canada - Chine

**Report of the Canadian Parliamentary
Delegation
respecting its participation at the Twelfth Bilateral
Consultation**

Canada-China Legislative Association

**Beijing, X'ian, Guilin, and Shenzhen, China
September 18 - 27, 2009**

Report

At the invitation of the China-Canada Legislative Association (China), a Canadian parliamentary delegation, led by the Co-Chairs of the Canada-China Legislative Association (Canada), the Hon. Joseph A. Day, Senator and Mr. Daryl Kramp, Member of Parliament, visited the People's Republic of China from September 18 to 27, 2009. The delegation participated in the Twelfth Bilateral Consultation between the two respective associations. The Eleventh Bilateral Consultation held in Canada in June 2009, resulted in the agreement that both sides work to strengthen the exchange mechanism, deepen friendship and further develop cooperation between the two countries, and this particularly in light of the upcoming celebration marking the 40th anniversary of the establishment of diplomatic relations between Canada and China.

In essence, the objectives of the visit were as follows:

- to continue the renewal and reinvigoration of the CCLA relationship following the 11th Bilateral meeting of June 2009;
- to apprise the Chinese of the political situation in Canada;
- to learn more about Chinese-Canadian business, cultural and political links, and to promote enhanced cooperation at all these levels;
- to discuss the parameters of the upcoming celebrations marking the 40th anniversary of the establishment of diplomatic relations between Canada and China; and
- to promote friendship and establish regular opportunities for dialogue with Chinese counterparts.

The delegation consisted of the following Parliamentarians: Hon. Joseph A. Day, Senator and Co-Chair of the CCLA, Mr. Daryl Kramp, M.P., Co-Chair of the CCLA, Hon. Terrance Stratton, Senator, Hon. Grant Mitchell, Senator, Mr. Bob Dechert, M.P., Mr. Larry Miller, M.P., Ms. Joyce Murray, M.P., and Mr. Mario Silva, M.P. The delegation, accompanied by Ms. Elizabeth Kingston, Executive Secretary of the Canada-China Legislative Association visited Beijing, X'ian, Guilin and Shenzhen.

Beijing:

At the outset of the visit, the Canadian delegation attended a briefing offered by the Ambassador, David Mulroney and other officials at the Canadian Embassy. The delegation congratulated Ambassador Mulroney on his recent appointment as Canadian Ambassador to China.

The briefing included the following points: the importance of the long-standing and comprehensive relationship, highlighted by the 40th anniversary of the establishment of diplomatic relations in 2010; the mutual and beneficial trade and economic relationship between both countries, the multilateral engagement of both countries, as reflected in the G8 and G20 memberships, and the openness of both countries for respectful and productive exchanges in the areas of human rights and governance. The highlights of

the Canada's messaging to China were the following: Canada is rich in natural resources, is an innovative society open for business, offers tremendous educational opportunities, and is multicultural, friendly and welcoming.

Meeting with Liu Jieyi – Vice-Minister, International Department of the Communist Party of China (CPC) Central Committee

It was stated that both Canada and China have made great strides in developing a mature relationship, as recently evidenced by the exchange of four ministers in the last six months. Moreover, both sides agreed that the growing relationship has allowed for franker discussions and increased cooperation. While critical statements made in a public setting have created some measure of misunderstanding with the Chinese people, and have led to the potential of undermining public support, the point was made that it is important to discuss such misunderstandings in a frank and constructive way, without making public declarations that may have the effect of being misrepresented by the media. It was expressed by both sides that both countries offer a wide range of mutual investment and collaboration, especially in the areas of energy, climate change and clean technology, agriculture, education as well as the environment and reforestation opportunities. The Vice-Minister also highlighted the celebration of the upcoming year marking the 40th anniversary of the establishment of diplomatic relations between Canada and China.

Meeting with Zhang Zhijun – Vice-Minister, Ministry of Foreign Affairs

Vice-Minister Zhang noted the steady growth in the development of the relationship that has led to the celebration of the 40th anniversary between the two countries. China remains thankful to Canada for being amongst the first countries to establish diplomatic relations with China. He stressed the importance of parliamentary diplomacy by stating that bilateral relationships cannot be further enhanced without the involvement of parliamentarians. While Canada and China have an already robust economic relationship, he acknowledged that much still remains to be accomplished especially in the areas of trade and investment, including the development of the Pacific Gateway to mutually enhance economic opportunities between the two countries. Moreover, given the current world economic crisis and witnessed strength of the economies of both China and Canada in weathering the crisis, it boasts an enhanced level of collaborative opportunity for both countries. Both sides acknowledged the strength of the banking sector in Canada, and noted that China could learn much from Canada while it works to strengthen its own financial systems.

Other areas of collaboration were also discussed, including the vast opportunity for educational and cultural exchanges, and technology transfers especially in the area of green technology and carbon capture initiatives. Mr. Zhang then went on to express that China, with a population of over 1.3 billion people, needs for its very survival the creation of economic means to feed its population, while pursuing environmental opportunities that diminish China's reliance on coal.

Meeting with Canadian Business and Financial Sector Senior Representatives

The delegation met with a number of senior Canadian business representatives, all working in China in various areas of responsibility from banking to education to product distribution and promotion. The principal elements of the discussion were the following:

- With the fluctuation in the rate of the Canadian dollar, it makes it difficult to set retail prices, particularly in such a fiercely competitive marketplace;
- There is a general lack of awareness of import regulations for China, and Canadian businesses would appreciate greater support from the Canadian Government on educating them of these regulations, thereby encouraging a greater foray into the marketplace; the support should be both politically and financially driven;
- The Team Canada approach to expanding business opportunities in China is dated and the Canadian Government should do more to encourage sector based missions to China, possibly led by premiers or Ministers following bilateral engagements;
- There should be more company to company bridge building to mutually expand opportunities in both Canada and China;
- Those anticipating an entry into the Chinese marketplace should ensure they have a value-added competitive edge;
- Education exchange and purchasing represents a highly lucrative market with as much as \$200 million generated each year for Canada;
- China's financial hold on the United States has reached over 8 trillion dollars.

12th Bilateral Working Meeting – Canada –China Legislative Association (CCLA):

Chairman Zheng, Chair of the China-Canada Legislative Association, chaired the bilateral discussion, which included the following subject areas: bilateral relations, climate change, including carbon capture initiatives, the financial crisis, tourism and power generation, including a follow-up to the AECL initiative.

Chairman Zheng provided the delegation with a comprehensive outline of the economic situation stating that China's GDP has increased from 7.1% in the first quarter to 7.9% in the second quarter. This increase has been achieved within the context of plummeting foreign trade. The expected growth of 8% is therefore a realistic target for the year, and particularly impressive considering the world wide economic crisis. China has surpassed North America in the sale and production of automobiles, and along with this success, environmental problems have increased, due to the larger number of vehicles on China's roads. He noted the subsidies provided to farmers which in turn has led to an increase in the volume of sales for automobiles and electrical appliances in particular. This increased spending power on the part of Chinese citizens has led to an increase in its GDP. China's shift has occurred by lessening its dependence on foreign markets, where exports have diminished by 22%, and promoting a greater spending capacity within. He also stated that the low cost of manufacturing in China is due to the low cost of labour and electricity, not through the provision of subsidies by the

government. He stressed the importance of the growing number of small and medium enterprises in China and remarked upon the opportunities that present themselves to both Canada and China in collaborating and forming strategic alliances with SME's between the two countries.

On the political front, Mr. Zheng remarked that both Canada and China should be open in discussing irritants between the two countries, most specifically as it concerns Tibet and Taiwan while acknowledging similar values of the two countries as expressed in their emphasis on good governance, human rights and accountability.

The Canadian delegation remarked that Canada had been hit less seriously than other countries in the current economic turmoil, largely due to its strong banking sector. Noting the suffering of the automobile industry in particular, unemployment has been tagged at 10% in the Toronto area, and 8.6% countrywide. There is some concern that the fragile recovery may well experience a second dip, and that government intervention to bolster the flagging economy should be withdrawn slowly so as to not exacerbate the positive economic recovery signs.

Delegation members also acknowledged the high level commitment Canada has expressed towards China, as reflected most recently in the visits of five senior ministers to China, followed by the visit of Prime Minister Stephen Harper. Also as the International Monetary Fund (IMF) has rated Canada's banking system as among the soundest in the world, it bodes well for the increased collaboration of Canada and China in the financial sector, as witnessed by the incorporation of the Bank of Montreal in China and the subsequent opening of its offices in Beijing.

On the issue of AECL, Canadian delegation members noted the great success of the sale of Candu reactors to China where construction was completed on time and well under budget. Both sides acknowledged the research being undertaken in the use of thorium as a replacement for uranium, and expressed the exciting prospect that thorium may well play an important role in the nuclear development of China as it moves to diminish its dependence on coal-fired plants. Both sides agreed to investigate further the progress made not only in the research to date, but also in the ensuing commercialization phase.

The reliance of coal for China has led in turn to the issue of carbon capture and storage initiatives, which in turn can be used for enhanced oil recovery. It was suggested that Canada could be very helpful in applying its technology in this respect in a wide-spread industrialized manner.

The issue of bolstering the economic opportunities for small and medium enterprises in Canada and China, especially those concentrating on green technology initiatives was emphasized. In China, SME's account for 99.6% of the total number of enterprises, employ 75% of the population, and play a huge role in China's economic profile. This profile in turn holds a huge opportunity for Canada and the idea was expressed to work towards the signing of a **Memorandum of Understanding** between Canada and China to pursue and solidify this most important initiative.

The area of agriculture and particularly as it affects the import of beef and pork was discussed. China acknowledged the efforts made by Canada to ensure the safety of its

pork and beef exports and both sides agreed to work towards an adjustment of policies to ensure smooth economic trade mechanisms between the two countries.

Finally, it was stated that China is carefully monitoring the effects of its stimulus package (4 trillion RMB) with inspection troops being sent to regions throughout China to ensure that the money has been spent in targeted areas.

Meeting with Jiang Shusheng, Vice-Chairman of the Standing Committee of the National People's Congress

It was agreed by both sides that the Canada-China Legislative Association has done much to foster relations between the two countries. In fact the CCLA represents for the National People's Congress the first regular parliamentary exchange mechanism as well as being the most stable. Moreover, China is most appreciative of the fact that Canada was one of the first countries to establish bilateral relations with China in 1970, and looks forward to the upcoming 40th anniversary celebrations. Moreover, the relationship between Canada and China can do much within the world context to work towards global peace and security.

Areas of mutual concern and cooperation include the world economic crisis, energy and environmental challenges. While the size of both Canada and China are comparable and they are rich in both natural and human resources, their populations are vastly different, with China's population expected to reach over 1.5 billion people in the near term. Education for both nations is a priority and educational and cultural exchanges are very much of a burgeoning opportunity. It was noted that both countries should continue to work together to improve the quality of education and drive innovation at both the college and university level.

Visit to Bank of Montreal Offices in Beijing:

The following press release was issued by the Bank of Montreal following the visit of the delegation to its Beijing offices on the occasion of its opening, on Tuesday, September 22, 2009.

China's banking regulator has given Bank of Montreal preliminary approval to incorporate in that country, a move that will allow the bank to do everything from accept deposits in local currency to sell investment products. BMO expects to receive final approval by the middle of next year, making it the first Canadian bank – and one of roughly 30 foreign banks – to incorporate in China. Its desire to grow in the world's second-largest economy is strong enough that it chose to begin the application process with Chinese regulators last year, even as the financial crisis was raging, said Albert Yu, who heads the bank's business in Asia. Some major U.S. and European banks have reduced their stakes in Chinese banking since the financial crisis erupted, including Royal Bank of Scotland and Bank of America. "It's a very significant development for Bank of Montreal," Mr. Yu said in an interview from Beijing yesterday. "It does give us a long-term strategic advantage. Incorporated foreign banks in China are considered partners in building out a universal banking system." Incorporation will allow BMO to take yuan deposits, which will be an important source of funding, he said. Incorporated banks can also participate in areas such as the fixed-income underwriting, trading and sales business, and to apply to start up private equity and asset management

businesses. Chief executive officer Bill Downe has called China an “emerging growth area for us.” While the bank has been active in the country for decades, the business has for most of that time been what he characterizes as “an option on the future,” he said last week at an investment conference BMO has several businesses, from trade finance to foreign exchange to investment banking, in the country. It's only in the past five years that they have been profitable, Mr. Downe said. Now the bank plans to meld them under one common umbrella, and Mr. Downe expects them to double or triple in size in coming years. “When we've been talking in the past about China being less than 1 per cent of business for the bank, you can start to put multiples on that 1 per cent, going out over the next three to five years,” he said. It took much relationship building and hard work to receive preliminary approval to incorporate, Mr. Yu said. “Bill Downe himself is a frequent visitor to senior Chinese leadership,” he said. Finance Minister Jim Flaherty accompanied a delegation of representatives from Canada's financial sector to China this summer. “Mr. Flaherty was nice enough to join us in some meetings that we needed him to be present for,” Mr. Yu said, declining to expand on the minister's role. “We consider China to be critically important to complement our strategy in Canada and the United States,” Mr. Yu added. BMO has three branches in mainland China and one in Hong Kong.

Visit to X'ian, Shaanxi Province:

X'ian, with over 3,100 years of history, is the capital of Shaanxi Province and located in the central northwest region of China. While being one of the oldest cities in Chinese history, and one of the four Ancient Capital cities, it is the eastern end of the Silk Road and the site of the Terra Cotta Army, produced during the Qin Dynasty (221 – 206 BCE). Not only considered of profound historic significance, X'ian is also an important industrial, technological and education centre as well as being one of China's most important tourist destinations. It also is rich in natural resources, most notably in coal, oil and natural gas and produces 29% of the world's supply of apple juice.

Not only did the delegation have the opportunity of visiting the excavation site of the terra cotta warriors, it also had the opportunity to witness the profound economic growth characterizing this region by visiting two of the factories under the umbrella of the X'ian Aircraft Industrial Corporation. The first factory produced component parts for aircraft, being a principal supplier to both Airbus and Boeing. The Silver Line Bus Company, having undertaken a joint venture with Volvo, produced buses at a highly competitive cost. The clear message from these visits: if your business case cannot survive being copied within a 90 day period, don't undertake any business venture in China.

Visit to Guilin, Guangxi Province:

Guilin, located in Guangxi province in the southern part of China and bordering Vietnam to the southwest, has a population of around 49 million people. To its east is Guangdong province. A popular tourist destination in China, it is renowned both for its beautiful scenery bordering the Li River, with its majestic beehive-like mountain peaks covered in lush greenery and since 1949, as one of China's five minority autonomous regions. There are in total 12 nationalities and 25 smaller ethnic groups in the province. It is also rich in mineral resources, especially metal ore.

While in Guilin, the delegation received a briefing from the Consul General, François Rivest, who is responsible for both Guangdong and Guangxi Provinces, as included in the present visit. The briefing covered a broad range of issues, including the opportunities for Canadian businesses in the economic powerhouse that is Guangdong province. In particular the issue of the success of Australia in breaking into the Chinese marketplace was discussed and particularly in Guangdong Province, with the view that Canada should follow a similar strategy, namely:

- 1) A greater emphasis on the opportunities available for Canadian based small and medium enterprises in China, and most particularly in Guangdong, by increasing awareness and support within Canada for companies wishing to break into the Chinese marketplace, especially affecting intellectual property concerns;
- 2) A greater number of direct flights to Guangdong province to increase the free flow of goods and services;
- 3) A greater emphasis on building relationships between Canada and China at the political, provincial and corporate levels.

While in Guilin, the delegation visited Guangxi Normal University and had the opportunity to speak with a number of its students, all of whom expressed the wish to study in Canada. Founded in 1932, the University is the second largest in Guangxi province, and has an enrolment of over 30,000 students, representing over 32 countries, with 2 students and 4 professors from Canada. The University also houses an important landmark in the history of China, that of a tribute to Sun Yat-sen, a Chinese revolutionary and political leader, known in particular for his development of a political philosophy known as the *Three Principles* founded on the tenants of nationalism, democracy and the people's livelihood. A pioneer of Nationalist China, he is often referred to as the Father of the Nation.

The delegation also had a meeting with the Chairman of the Guilin Municipal Peoples' Congress. Guilin is one of the 10 principal tourist destinations in China, and with the emphasis of both Canada and China in promoting tourism, both sides agreed to promote their tourism industries, while continuing to encourage the satisfactory resolution of the issue of preferred destination status.

Visit to Shenzhen, Guangdong Province:

Located in the southern part of Guangdong Province and on the eastern side of the Pearl River Delta, Shenzhen has experienced a most remarkable transformation as a city and is firmly indicative of the China success story. A small fishing village on the

outskirts of Hong Kong only 29 years ago, it has now become an economic powerhouse, with a population of over 8 million people and a growth rate of an average 26% over the past 29 years. In 1980, the first Special Economic Zone of China was built in Shenzhen. While the global economic crisis has slowed somewhat the growth of Shenzhen, it has still managed a growth rate of 12.1% in 2009. In recent years, a large part of its growth has been attributed to the high tech sector.

While in Shenzhen, the delegation visited the Topray Solar Company Ltd. Over the course of more than 10 years in the solar industry, the company has developed solar cells and modules using both thin film and crystalline technology. It also manufactures solar consumer products including multifunctional solar battery chargers, portable power supply systems, fountain pumps, solar lanterns, solar radios and fan caps. Its clients include buyers from North America, Europe, Africa and Australia. The company prides itself on its high ethical standards and production means with little impact on the environment, and has been recognized by the United Nations as the recipient of the Bluesky Award. The company would like to search for opportunities to invest in the Canadian marketplace.

The delegation also visited the Shenzhen Concord College of Sino-Canada. The college is a joint Canadian-Chinese boarding school located in the Nanshan District of Shenzhen, China. Another of its campuses is located in Beijing.

The agreement to the establishment of SCCSC was signed on February 13th, 2001 in the presence of former Canadian Prime Minister Jean Chrétien and Team Canada in Beijing. The signing instituted the agreement between the Shenzhen Nanshan Education Bureau, the New Brunswick Ministry of Education, and AKD International Incorporation to commence the opening of the Shenzhen (Nanshan) Concord College of Sino-Canada on September 1st, 2001.

Doctor Francis Pang, Director of UNESCO, is the Board Chairman of CCSC. Mr. Vernon Goodfellow, appointed by the New Brunswick Ministry of Education, is the Canadian Principal of CCSC and oversees the Canadian curriculum implemented at CCSC, thereby ensuring its students a degree recognized both in Canada and in China.

The delegation also visited the Huawei Company Headquarters. Shenzhen-based Huawei Technologies shot past Alcatel-Lucent and Nokia Siemens in 2009 to become the world's No. 2 telecom-equipment provider, powered by quality and product upgrades on top of its long-standing low prices. In the past year, it has won a slew of lucrative, prestigious contracts -- Huawei recently beat out rivals Ericsson and Nokia Siemens for a deal to build Norway's pioneering 4G cell-phone network, one of the world's first -- and showed continued strength in the burgeoning Indian and Chinese markets. The sum of these deals was good enough to double Huawei's global market share to 20% and boost 2009 sales 17.5% to \$21.5 billion.

The delegation also met with the Chairman of the Standing Committee of the Shenzhen Municipal Peoples' Congress, Li Hongzhong and remarked on the fact that Shenzhen has been twinned with St. John New Brunswick. The Chairman of the tremendous growth experienced by Shenzhen over the past 29 years, principally due to its status as the first special economic zone in China in 1980 and welcomed increased Canadian investment in the region.

The 12th Bilateral visit of the CCLA to China accomplished much to solidify the long-standing relationship with their Chinese counterparts, and allowed the members of the delegation the opportunity to witness the tremendous growth and history of the country, while demonstrating unique opportunities for Canadian businesses in the Chinese marketplace. Both associations are actively planning activities to mark the 40th anniversary of the establishment of diplomatic relations, including holding two bilateral visits, and identifying opportunities for both Canadian and Chinese small and medium enterprises to mutually benefit from broadening their business opportunities within the respective countries. Both sides remarked that as a result of these 40 years, the relationship has matured to a point where mutual respect and trust are the cornerstones by which a firm friendship, allowing for unique cultural, educational, political and business opportunities to flourish.

Respectfully submitted,

Hon. Joseph A. Day, Senator
Co-Chair
Canada-China Legislative Association

Mr. Daryl Kramp, M.P.
Co-Chair
Canada-China Legislative Association

Appendix A

List of People who met with the Delegation during the 12th Bilateral Consultation of the Canada-China Legislative Association

BEIJING, X'IAN, GUILIN, and SHENZHEN

September 18 - 27, 2009

Mr. Lu Congmin, Former Chair of the Canada-China Legislative Association

Mr. Liu Jieyi, Vice-Minister, International Department of the Communist Party of China (CPC) Central Committee

Mr. Zhang Zhijun, Vice-Minister, Ministry of Foreign Affairs

Mr. Guo Zhonghua, CIBC

Ms. Zhang Ping, Zeidler Grinnell Partnership (Architects)

Tian Huang, Tembec

Dr. Francis Pang, Canadian International School of Beijing

Mr. Li Zhao, Magna Cosma International – Tianjin

Mr. Valere Morissette, GLV (Groupe Laperriere Verreault)

Mr. Gervais Lavoie, Fruits and Passion

Mr. John Grutzner, Intercedent

Mr. Roger Heng, MD and Country Head, China, GM, BMO Beijing Branch

Mr. Zheng Silin, Vice-Chairman of the Foreign Affairs Committee of the National People's Congress and Chair of the China-Canada Legislative Association

Mr. Wang Liming, Member of the National People's Congress Law Committee

Mr. Xie Jingrong, Member of the National People's Congress Financial and Economic Committee

Mr. Jin Mao, Member of the National People's Congress Foreign Affairs Committee

Mr. Yang Gengyu, Member of the National People's Congress Environmental and Resources Protection Committee

Mr. Zhang Xiaoshan, Member of the National People's Congress Agriculture and Rural Affairs Committee

Mr. Jiang Shusheng, Vice-Chairman of the 11th National People's Congress Standing Committee and Chairman of the China Democratic League Central Committee

Mr. Albert Yu, CEO, Asia, BMO Financial Group

Mr. Yang Yongma, Executive Vice-Chairman of the Standing Committee of the Shaanxi Provincial People's Congress

Mr. Li Hongzhong, Chairman of the Standing Committee of the Shenzhen Municipal People's Congress

Travel Costs

ASSOCIATION	Canada-China Legislative Association
ACTIVITY	Twelfth Bilateral Consultation
DESTINATION	Beijing, Xian, Guilin, and Shenzhen, China
DATES	September 18-27, 2009
DELEGATION	
SENATE	Hon. Joseph Day, Senator, Hon. Terrance Stratton, Senator, Hon. Grant Mitchell, Senator
HOUSE OF COMMONS	Mr. Daryl Kramp, M.P, Mr. Bob Dechert, M.P., Mr. Larry Miller, M.P., Ms. Joyce Murray, M.P., Mr. Mario Silva, M.P.
STAFF	Elizabeth Kingston, Delegation Secretary
TRANSPORTATION	\$62,501.50
ACCOMMODATION	\$11,430.25
HOSPITALITY	\$2,497.23
PER DIEMS	\$3,251.71
OFFICIAL GIFTS	\$929.95
MISCELLANEOUS / REGISTRATION FEES	\$1,336.08
TOTAL	\$81,873.13