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## ASSESSING CHINA'S BELT & ROAD INITIATIVE FOR CANADA: UNDERSTANDING KEY PRC PRINCIPLES AND ISSUES COME FIRST<sup>1</sup>

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*The crown jewel of China's current geopolitical and trade policy is its Belt & Road Initiative (BRI). It is now enshrined in many of the key, guiding documents of both the Communist Party and the country. Before an accurate assessment of impact of China's Belt & Road (BRI) upon Canada (as well as other nations) can be obtained, this article underscores that there are a series of 7 key considerations which must first be understood and then applied. These are the critical lenses through which China's BRI, as well as virtually all other serious analytical efforts focused on modern day China, must be viewed, as they provide the essential analytical backdrop. Those 7 lenses or lenses are as follows:*

- 1) *China's global plan. Where does the Communist Party of China (CPC)'s leadership intend to take the country?*
- 2) *The People's Liberation Army (PLA)'s stunning military modernization.*
- 3) *The People's Republic of China (PRC)'s business/government construct, the fusion of its military, civilian, business, IT and intelligence sectors.*
- 4) *China's capacity to execute.*
- 5) *China's dual currency and dual economy.*
- 6) *The CPC's drive to control thought and influence.*
- 7) *Maintaining the Revolution of Rising Expectations of China's citizenry in the face of various internal challenges which Beijing's leadership must deal with.*

*Once these 7 considerations are understood and applied, China's Belt & Road Initiative looks quite different than a "win-win" investment initiative designed merely to upgrade infrastructure projects on a grand, global scale. It is a complex, tactical initiative to enable the leadership of the Communist Party to Beijing to achieve its global plan, consideration no. 1 above, which is to become the dominant global superpower.*

*In addition to the substantial challenges posed generally by the BRI for Canada, the article also addresses the unique challenges Canada must now*

*deal with in the Arctic and its Northern provinces resulting from the Ice Silk Road aspect of China's BRI.*

*L'initiative de la Ceinture et la Route est le joyau de l'actuelle stratégie de la Chine en géopolitique et en commerce. Elle est désormais enchâssée dans bon nombre de documents fondamentaux du Parti communiste et du pays en général. Cet article souligne qu'avant de pouvoir bien évaluer les conséquences de la Ceinture et la Route pour le Canada (et d'autres pays), il y a sept points essentiels qu'il importe de comprendre et d'analyser. Il s'agit des grands angles sous lesquels effectuer toute véritable analyse de la Ceinture et la Route et d'à peu près tous les autres éléments de la Chine moderne :*

- 1) Stratégie internationale. Vers où le Parti communiste chinois compte-t-il diriger la Chine?*
- 2) La stupéfiante modernisation de l'Armée de Libération Populaire.*
- 3) La structure économique et gouvernementale de la République populaire de Chine, et la fusion de ses secteurs militaire, civil, économique, de TI et du renseignement.*
- 4) La capacité d'exécution de la Chine.*
- 5) Le système bidevise et l'économie à deux paliers de la Chine.*
- 6) La volonté du Parti communiste de contrôler les idées et les influences.*
- 7) Le maintien de la mentalité de révolution vers un lendemain meilleur chez les citoyens chinois en présence des problèmes intérieurs avec lesquels Beijing doit composer.*

*Une fois ces sept points compris et bien analysés, on se rend vite compte que la Ceinture et la Route n'est pas l'initiative d'investissement gagnant-gagnant dont l'objectif serait la simple modernisation de projets d'infrastructure à l'échelle internationale. Il s'agit plutôt d'une stratégie complexe visant à permettre au Parti communiste chinois de réaliser son plan international, soit le premier point ci-dessus, qui consiste à devenir la superpuissance dominante.*

*Outre les défis de taille que lui pose la Ceinture et la Route, le Canada doit aussi à présent résoudre les enjeux uniques, du côté de l'Arctique et de ses territoires nordiques, qui découlent du volet de cette initiative ayant trait à la route de la soie polaire.*

A clear-eyed assessment of China's Belt and Road initiative (the BRI) is not easy to come by.<sup>3</sup> Journalists, academia, the international business community, thinktanks, political leadership, and even intelligence and military experts,<sup>4</sup> for the most part, only get bits and pieces of what Xi Jinping's foreign policy crown jewel is all about; the big picture and the potential downside often eludes them. The reasons for this are a failure or an inability to view China and its BRI from a holistic perspective. There are seven key considerations<sup>5</sup> that need to be understood when undertaking a serious analysis of the BRI. These are:

- 1) *China's global plan.* Where does the Communist Party of China (CPC)'s leadership intend to take the country?
- 2) *The People's Liberation Army (PLA)'s stunning military modernization.*
- 3) *The People's Republic of China (PRC)'s business/government construct,* the fusion of its military, civilian, business, IT and intelligence sectors.
- 4) *China's capacity to execute.*
- 5) *China's dual currency and dual economy.*
- 6) *The CPC's drive to control thought and influence.*
- 7) *Maintaining the Revolution of Rising Expectations of China's citizenry* in the face of various internal challenges which Beijing's leadership must deal with.

To accurately grasp what the BRI is really about and where the leadership intends to take this global construct, an understanding of each of the seven considerations above is required. It is only then that the reality of the BRI becomes clear—it is not just an investment scheme or a massive series of lending and construction projects. It is a strategic tool, but for what? The answer to that question only emerges from the fog of various reports and studies after a grasp of the seven considerations<sup>6</sup> is obtained and then applied on a holistic basis. Once these seven considerations are understood, a more accurate overview of China's BRI and its key implications for Canada can be examined.

This article addresses each of these seven pieces of the puzzle and then lays out a view of the BRI with those seven considerations as a framework.<sup>7</sup> Finally, this article looks to Canada's special situation and the set of challenges facing it from the Arctic Silk Road portion of the BRI.

## China's Global Plan—Consideration No. 1

As a foundational matter, it is critical to understand where it is that the leadership in Beijing actually intends to take the country. This is the initial hurdle where so many so-called “China hands” stumble. China’s perception of its growing superpower status and objectives as to where it intends to direct that power is, after all, its own reality.

The leadership in Beijing, through its media influence outlets, makes no secret that China will arrive at full superpower status by the hundredth anniversary of the founding of the PRC in 1949—that means, by 2049—and to dominant superpower status over the United States thereafter.<sup>8</sup>

Figure 1: CCP Perception and Objectives



Image Credit: Michael Sacharski and GlobalRiskMitigation.Org

China’s relationship with the United States began with trade, back at the time of the latter’s founding in 1784. From the perspective of the current CPC leadership, China was then on a descending trajectory. A key historical marker in that descent was the year 1840, which marked the beginning of China’s “Century of Humiliation” following the Opium Wars.<sup>9</sup> That “Century of Humiliation” continued, as did China’s deterioration, until the founding of the PRC in 1949. This year marks the low point in China’s downward slide and, of course, once the Communist Party took complete control of China and founded the PRC, “naturally” it has been on an *ascending trajectory* ever since. Xi Jinping’s “China Dream” policy reinforces this view that China is now well on its way to restore its “rightful” status as the Middle Kingdom and to surpass the United States, with China becoming *the* decisive (and dominant) global power, with United States descending to become a lesser global power.<sup>10</sup> In contrast, the CPC’s view of the United

States is that the US was on an ascending trajectory. The point when Nixon “opened” China in 1972 marked the pinnacle of the US stature, status, and global reach as the world’s number one superpower—after that date, the US has been in decline, and China’s propaganda machine beats this drumbeat to no end. As the two countries approach the crossover point in 2049, Beijing’s view is that this becomes an increasingly dangerous time for China, with the risk of kinetic confrontation greatly enhanced.<sup>11</sup>

Consideration No. 1 is China’s driving ambition to become the dominant global superpower. That plan carries with it radical changes to the global order as we now know it. These changes include control by China (which is already well underway) of global governing institutions such as the United Nations, the World Trade Organization, the World Bank, and others.<sup>12</sup> It also includes the remaking of the rule of law, changes in trade, foreclosure of market access in a number of countries by non-Chinese firms (including Canadian and American), control of technical standards, etc.<sup>13</sup> In short, the plan that the CPC has been selling the nation is that China will be the governing global power. The Middle Kingdom will be restored. Beijing will be in control—not Washington, Brussels, or any other nation or group of nations. One important scholar on China describes the CPC’s end game this way:

“... the Chinese vision of victory is about a world in which China’s power is limited not by any other state or superpower, but only by the Chinese Communist Party’s imagination. For the Communist Party, coming to global preeminence is not an end in itself: it is also a beginning.”<sup>14</sup>

Once the objectives of the CPC’s leadership are clearly understood, the issue then becomes with what tools or “how”<sup>15</sup> the leadership intends to achieve this long-term objective. Those are the remaining six key considerations discussed in turn below.

### **The PLA’s stunning military modernization— Consideration No. 2**

China’s ambition to eclipse the United States as the dominant superpower by 2049 is not simply an idle threat. It is backed up by the development of its “hard power” or military muscle. In fact, that military development closely resembles the trajectory of China’s ascending red line in the illustration above.

The development of weapons systems by the PLA over the past 20 years has been staggering in terms of technical sophistication and sheer numbers.

**Figure 2: China's Military Modernization**

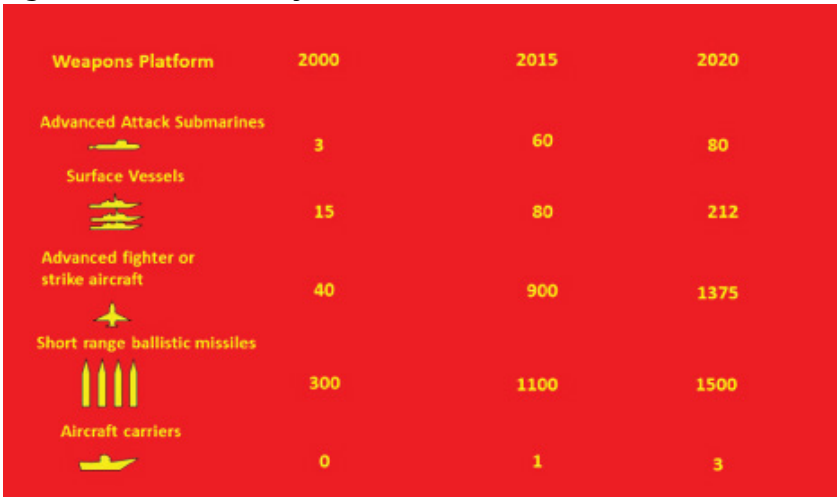


Image Credit: GlobalRiskMitigationFoundation.Org. Source: Multiple compiled by James E. Fanell, Capt. USN (Ret.)

The progress of the mission capabilities of the People's Liberation Army Navy (PLAN) during this same timeframe (2000–2020) is just as impressive as the development of weapons platforms in the chart above. Back in 2000, the PLAN was essentially a coastal navy operating well inside of the first island chain.<sup>16</sup> By 2015, the PLAN's capability had moved beyond simply being a coastal force and was considered a "brown-water" navy—meaning it could conduct operations well inside of the first island chain, including the South China Sea, as well as out into the second island chain<sup>17</sup> beyond the Philippines and into the Pacific Islands, near the Commonwealth of the Northern Marianas and Guam. By any standard, this was a huge leap in the 15 years from 2000. If that were not sufficient, by 2020, the PLAN had moved well beyond its "brown water" navy capabilities and had become a full-blown "blue-water" navy with mission capability into the Middle East, throughout the Indian Ocean, and a wide sweep of the Pacific Ocean.<sup>18</sup> According to the former Director of Intelligence and Information for the US Pacific Fleet,

*"When it comes to the very important metric of how many ships actually are being built, launched, and commissioned, the PLAN continues to surpass the US Navy."<sup>19</sup>*

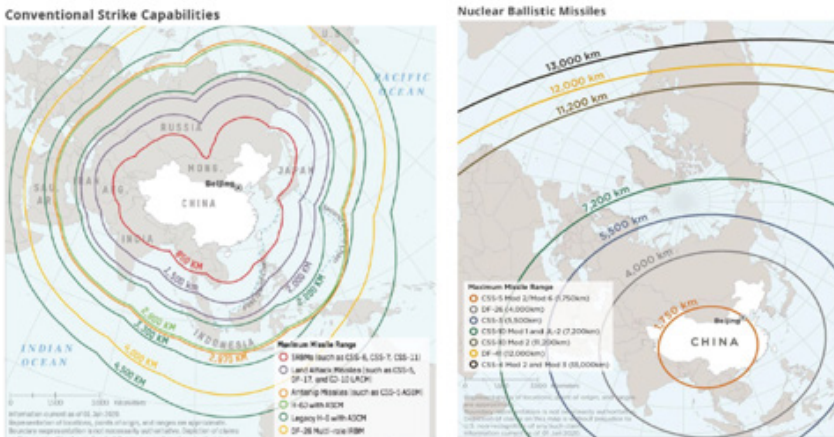
That same US Naval expert also forecasts that China's



“... global naval presence will result in exactly what the world has witnessed in the South and East China Seas over the past decade, where PLAN forces have been used to bully and intimidate smaller and weaker nations into complying with Beijing’s dictates.”<sup>20</sup>

Viewing the PLA’s military modernization from a North American perspective, China now has impressive ballistic missile capabilities. Even though the map below (left) does not show it, the PLA now has a conventional weapons range of targets within North America.

**Figure 3: Strike capabilities**



Source: US Department of Defense

Even more troubling, China’s current *nuclear* ballistic missile range now includes all of Canada and nearly all of the United States.

China’s development of its military “hard power” has been remarkable in such a short time. The PLA’s growth and advancement in technological capabilities is finally of serious concern<sup>21</sup> to the US and Canadian military planners and their allies alike. The development of China’s “hard power” reinforces the intent and ambition of its leadership as outlined in the first consideration above: put the country in a position to force or enforce its strategic goals, if necessary.

Understanding the speed and scope of China’s military advancement becomes critically important when looking at the BRI because of its global sweep. To be sure, some of China’s BRI projects in strategic islands and countries are thinly veiled acquisitions of potentially strategic future military assets. These would, for instance, include the development of ports that can be used for PLAN refueling or basing along with international airports<sup>22</sup>

that could provide “dual use” facilities for PLA aircraft, if necessary, for future conflict or enforcement actions by China in far-flung corners of the world.

### **The PRC’s business/government construct—Consideration No. 3**

China’s business model is unique. It consists of a tightly coordinated fusion of its government, military, state-owned enterprises (SOEs), and intelligence and “civilian” (including IT) sectors in a highly cohesive team. At the top of the pyramid is the CPC’s Central Committee, which supervises the State Council. The State Council, in turn, supervises the State-owned Assets Supervision & Administration Commission (SASAC).<sup>23</sup>

**Figure 4: China’s business model**



Image Credit: GlobalRiskMitigation.Org

The role of SASAC is critical to the Chinese business model. SASAC, along with its Chinese People’s Armed Police Force (PAP) stakeholder, owns and operates the country’s 96 SOEs.<sup>24</sup> Essentially, SASAC supervises all manufacturing, services, and economic activity in China through these 96 huge conglomerates. With the limited exception of very modest businesses, such as nail and hair salons or food service enterprises, there is no such thing as a private company, as we know it, in China. They are all connected in some fashion through these 96 SOEs up to the Central Committee of the Party.

One of the stakeholders in SASAC is the PAP.<sup>25</sup> The PAP is responsible for “internal” security, graft, corruption, and enforcing party “loyalty”. It is present in every single one of the SASAC’s 96 SOEs, including those located abroad.<sup>26</sup>

The fusion of the various government and economic sectors within China produces a coordinated team that oftentimes can move very quickly in terms of project finance and construction,<sup>27</sup> making it an overwhelming competitor for Western firms. This potential to operate like a Swiss watch is an important fundamental to understand. This competitive advantage is further magnified exponentially by the fourth consideration below: China’s capacity to execute.

### China’s Capacity to Execute—Consideration No. 4

Each of the 96 SOEs operated by SASAC has an enormous number of related firms and subsidiaries, and they represent the employment of hundreds of thousands of employees.

Figure 5: CPC-Designed National Asset Management



Image Credit: Michael Sacharski and GlobalRiskMitigation.Org

For example, State Grid Corporation of China (State Grid)<sup>28</sup> has 928,839 employees. Another, Aviation Industry Corporation of China (AVIC),<sup>29</sup> has 100 different subsidiaries, and 27 of those are listed companies.<sup>30</sup> The combined AVIC group has over 500,000 employees.

China has huge capacity to execute any project or plan which the CPC and its leadership desires to undertake.

When the fundamentals of China’s tightly fused business model (Consideration No. 3) and its capacity to execute (Consideration No. 4) are combined, the result is a formidable juggernaut for other non-PRC firms to compete against in any international market, much less on China’s home turf. Imagine the challenges faced by Western Small and Medium Enterprises, much less those faced by local firms in developing markets around the world.

## China’s Dual Currency and Dual Economy—Consideration No. 5

As a consequence of the fact that China’s renminbi (or Yuan) is not convertible on international markets (at least not yet), the CPC has had to develop a dual currency model. The renminbi is the PRC’s “domestic” currency. This is the currency that is used exclusively for all goods and services purchased and sold inside of China.

**Figure 6: Dual Currency and Dual Economy**



Image Credit: Michael Sacharski and GlobalRiskMitigation.Org

In order to conduct transactions internationally, China must use dollars or other convertible currency. To generate foreign exchange, China must either export goods and services to earn convertible currency (principally US dollars) or it has to take in foreign currencies through foreign direct investment (FDI). This is where the listing of Chinese companies or their subsidiaries on various exchanges throughout the world becomes critically important—they generate dollars, or other convertible currencies that can then be spent outside of China.

The conversion of the internal renminbi non-convertible currency into foreign currencies is controlled and conducted by the CPC's State Administration for Foreign Exchange (SAFE). When foreign exchange earnings are down, such as in the COVID-19 era, SAFE makes it difficult for individuals and companies to convert their renminbi earnings into foreign currencies to be spent (or loaned) abroad.

The development of a digital renminbi (e-yuan) over the long term is a potential path for China to bypass its current non-convertible renminbi situation. Originally, the CPC was loath to accept the arrival of Bitcoin and other cryptocurrencies. This was because in the US and elsewhere, cryptocurrencies have had a libertarian bent to keep governments away from the transactions entirely. Beijing has since rethought this trend and currently is now developing a digital renminbi as a "central bank digital currency"—the opposite of Bitcoin-like cryptocurrencies. Given the trading blocs forming with the BRI and the new Regional Comprehensive Economic Partnership<sup>31</sup> in Southeast Asia, the digital renminbi is likely to be deployed to serve cross-border transactions in the near future.<sup>32</sup>

The effect of China's dual currency situation has been to create a natural shock absorber for its internal currency based upon foreign exchange fluctuations or other financial shocks in the global market, mitigating any serious stress to the economy in the wake of either the 1997 Asian Financial Crisis or the 2008 Financial Crisis.

On a related note, there is no cost of capital in China because the CPC can simply print more renminbi when needed and the conversion rate is set at whatever the SAFE decides. While there is no "cost of capital" as classic or Western-trained economists understand it, there is decidedly a "political cost" as assets are shifted from one priority project to another. This also means that the debt burden which the economy can withstand does not follow Western rules of thumb or guidelines. It is unclear precisely where those limits are given this dual economy construct.

Along with its dual currency construct, China has also built entirely separate enterprises and supply chains for the export sector of its economy, in contrast to its domestic sector. Products that are created for export have different standards, quality control, packaging, labeling, customer service, and even fabrication. The factories and workers that undertake manufacturing for export are entirely separate from those creating similar products for the domestic market. Despite Xi Jinping's recent pronouncement that China

will now begin the conversion from an export-oriented economy to one that is domestically driven, that retooling exercise cannot happen overnight.

### **The Party's Drive to Control Thought and Influence— Consideration No. 6**

Propaganda and ideology sit at the core of the CCP's efforts to maintain its own security and leadership. That requires, in the CPC's view, both a domestic and an international approach in the comprehensive marketing of its ideology.

**Figure 7: Propoganda Poster**



Image Credit: Kerry Gershaneck

The CPC places its own political security at the very foundation of China's state or national security. It views its own political security as sustained by "ideological security" and "cultural security." These concepts are best summarized as protecting the CPC's versions of the "truth"—the truth about China, the Chinese people and culture, and what China's future is and is not. The overarching goal is to make the world's perspectives "harmonious" with those of the CPC. Central Party scholars have said China requires a "high degree of unity between sentiments of the Chinese nation and sentiments of the world's population." This means that, for security reasons, the CPC must bend the perspectives of those in other nations to align with those dictated by the Communist Party. Why this long arm reach of propaganda, censorship, and other forms of control into other countries? The CPC sees the most powerful threats to its own ideological, cultural, and general

political security as emerging from *outside* of China. According to this logic, preventing external risk requires the CPC’s political ideological and cultural security efforts to go global.

Beijing’s perspective on China’s national security is all-encompassing: for the CPC, security means the absence of all threats to its interests. As those interests have expanded globally, the CPC’s reach has become far more expansive. The CPC’s broad notion of state security and views are underscored by security education and the development of the citizenry’s awareness of their individual duties to support overall state security.<sup>33</sup>

The translation of this broad notion of what is necessary to maintain the security of the leadership in Beijing and the dominance of the Communist Party in political power<sup>34</sup> justifies the development and maintenance of a massive propaganda and influence apparatus in order to provide a comprehensive mechanism to support and protect the CPC on a global scale. On one level, some argue that this is a defensive move to simply keep the CPC leadership at the top of its pyramid and defend China’s so-called core interests. There is, however, an offensive aspect of this thought control which requires a thorough understanding of Consideration No. 1 discussed above, China’s long-term global ambition. This means that while the CPC suffers from a broad paranoia about its own security (*i.e.*, state or national security), it must achieve domination of the realms of international discourse in order to dictate the policies and actions of other states and control the governance of international institutions that the CPC perceives as potential threats to China.

Figure 8: China’s Global Influence

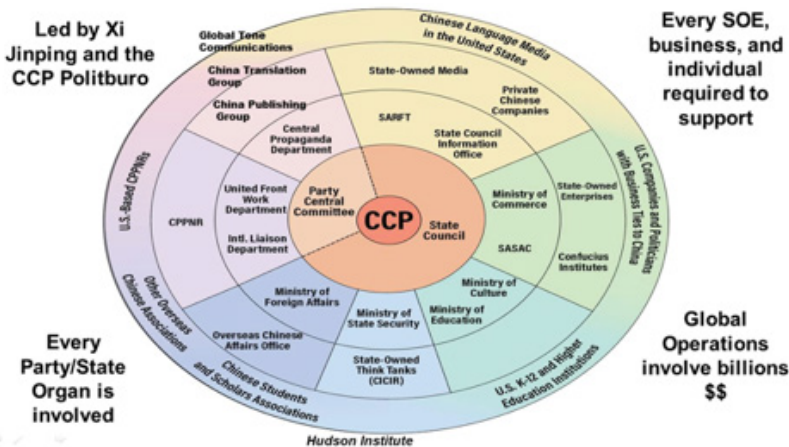


Image Credit: Hudson Institute (with modifications)

To achieve this extraordinary level of both internal and global influence, the CPC's Central Committee and State Council have built an enormous global influence operation. That operation involves billions of dollars and has untold hundreds of thousands of employees burrowed into various PRC influence operations around the world. Every PRC SOE, business, and individual is required to support this effort. China's National Intelligence law of June 2017 contains an intelligence-gathering, "spies-r-us" provision. It gives the government enormously broad powers to monitor all people, as well as domestic and foreign companies and organizations, within China's borders. It also gives intelligence officers the right to deputize businesses and individuals as spies. All Chinese citizens and companies are under a legal obligation to help the government gather intelligence (and keep any cooperation secret). This law allows China's intelligence services to embed their people and devices or to requisition facilities in any premise, anywhere, for that purpose.<sup>35</sup>

*"Article 14: national intelligence Work institutions, when carrying out intelligence work according to laws, may ask relevant institutions, organizations and citizens to provide necessary support, assistance and cooperation."*

There are now some 140 countries within China's BRI orbit—all of which are on the receiving end of China's aggressive propaganda and ideological influence operations. However, the target list of the PRC's propaganda and influence operations is not limited to the BRI countries.<sup>36</sup> As China builds out its BRI infrastructure (as well as elsewhere in non-BRI countries), its strategy is to supply those countries with technical infrastructure, including the internet and telecommunications backbone, software and services, and to maintain the foreign data on servers located in the PRC. If the build-out of that technical infrastructure (with its cyber-espionage capabilities) in a whole host of countries was not sufficiently troubling, there is an related aspect of this build-out which is even more concerning to open, Western societies. The CPC has a much more ambitious vision for harnessing a broad suite of current and emerging technologies in support of its own interests, including some that might seem relatively benign, like language-translation technologies<sup>37</sup> that are then used to support new applications of Artificial Intelligence (AI). The foundational piece all of these developments is data collection.

For the CPC, data gathering is a means of generating information to enhance state security—and, crucially, the political security of the CPC—across multiple domains. Given the CPC's intent to shape, manage, and control its global operating environment so that public sentiment is



favorable to its own interests, the development of enormous data centers in China is merely the first step. By leveraging SOEs, Chinese technology companies, and partnerships with foreign entities—including Western universities, the CPC is currently building a massive data-collection enterprise that gives it control over large data flows.<sup>38</sup> In turn, bulk data collection and the AI processing of that data is used for information platforms and tools provided to the CP. Such tools include propaganda (traditional and social media), intelligence, social credit system-linked creditworthiness determination products, and government services. This is where the one of the downsides of the “Digital Silk Road” aspect of China’s BRI comes into sharper focus. As the host BRI countries provide the data to the CPC to build out its influence tools,<sup>39</sup> they then become ongoing and even larger targets for the newer, more-enhanced influence operations of the PRC.

China’s current program developing digital renminbi (e-yuan) is tied up in the CPC’s drive to maintain control. The technology is partly designed to reinforce the surveillance state; it puts every transaction on the radar of the People’s Bank of China—all transactions can be tracked at the individual level in real time.<sup>40</sup>

The future of both influence and business is in the ownership and manipulation of data. The global impact and financial success of Facebook and Google underscore this proposition. In addition to business dominance, data control brings with it the ability to run the economic life and governance of a country. This is no small achievement and fits nicely into the CPC’s broad goals of national security and supporting its drive for dominant superpower status, as discussed above.

The global reach of the enormous propaganda and influence operations apparatus that the CPC has constructed is used for a wide variety of malign purposes. These include hacking and spying efforts; disinformation campaigns; corruption and influence peddling operations;<sup>41</sup> and various forms of economic, psychological, public opinion, and legal warfare<sup>42</sup> that the PRC engages in. Broadly defined, this entire topic is called, “Political Warfare.” It is far from understood in Western countries and the open nature of these societies enhances their vulnerability.<sup>43</sup>

### **Maintaining the Revolution of Rising Expectations— Consideration No. 7**

This final consideration has to do with understanding the principal forces or realities within the PRC that drive CPC policymaking and strategy.

The portion of China's landmass that is generally populated with its 1.4 billion inhabitants is roughly equivalent of less than 1/3 of the continental United States. This makes for a highly-congested society. In addition to the congestion, China has, for the most part, depleted its natural resources.<sup>44</sup> It also faces extreme environmental degradation with serious pollution of its air, soil, and groundwater. If all of that were not enough, China's growing middle class now demands more protein, placing its food security at risk.<sup>45</sup>

China has a number of border security challenges. It has 14 countries on its land borders with another seven sharing maritime borders. Of those 14 border countries, China now faces seven with territorial disputes. In addition, it must also deal with territorial disputes with ten other nations—all in Asia.<sup>46</sup>

If the foregoing were not sufficiently challenging, China has an enormous employment problem, which the CPC leadership must constantly deal with. There are 10 million new entrants annually into its workforce of 900 million, and in 2020 alone there were 8.74 million new university graduates.<sup>47</sup> China's labour headaches are compounded by increasing costs, a declining birth rate, an aging workforce, along with the social challenges arising from the CPC's previous disastrous "One Child" policy. Then there are the social, workforce, and other brutal problems associated with minorities in Tibet and Xinjiang.

Finally, there are the tough issues related to trade. The US-China trade war expedited an exodus of foreign and Chinese domestic companies out of the PRC to escape the imposition of tariffs. This departure was already underway in some quarters occasioned by oppressive government regulation and higher labor costs. The trade war caught the CPC off-guard and exacerbated the exodus. The situation was further compounded by (a) The CCP leadership's "zero-covid" policy and its crippling lockdowns as well as (b) various new sanctions and entity listings blocking certain PRC firms from access to US technology, federal contracts, certain hardware and goods, etc.

In formulating its policies and strategy, the CPC's leadership must take into consideration all of these challenges and still produce financial improvement for its citizenry. This is because there is a symbiotic relationship between the CPC and the Chinese people. The citizenry cedes power to the authoritarian rule of the CPC in exchange for prosperity.<sup>48</sup> China's young and middle generations have, for the most part, never known anything in their lifetimes but rising incomes and financial stability. This is the ever-rising expectation which its citizenry expects to be maintained. While

there is no definitive number, it has been widely assumed that China needs to hit a five per cent annual Gross Domestic Product (GDP) growth rate to retain social and leadership stability.

These stark realities that the CPC leadership has, and will continue to face, require that China look to expand its territorial security; secure necessary international markets, resources and raw materials to continue to fuel its required growth;<sup>49</sup> and perhaps most importantly, create and export new jobs for its growing labor pool to maintain social stability at home. Understanding the fundamental realities that the CPC leadership faces then helps to explain part of the rationale and drive behind the BRI initiative. There are, of course, other components behind the rationale for the BRI, such as strategic military basing and support,<sup>50</sup> geopolitical influence, control of global governing institutions, etc. In Asia, Beijing views the BRI as key to its geostrategic goals in that region, particularly preventing terrorist threats, ensuring access to energy resources, and increasing its regional influence, particularly relative to the United States.

Without an understanding of the seven considerations discussed above, those attempting to analyze or assess the BRI end up off the mark. They miss the real significance of the entire initiative along with the risks and dangers that it imposes.

### **The Belt & Road Initiative**

Initially announced in October of 2013 in Kazakhstan and Indonesia by Xi Jinping, China's ambitious BRI, also known as One Belt One Road, is a combination of two initiatives: a 21st Century Maritime Silk Road and a Silk Road Economic Belt. The BRI has now become the crown jewel of Xi Jinping's foreign policy such that it has been enshrined as the cornerstone of China's 13th Five-Year Plan (March 2016), as well as the draft of the 14th Five-Year Plan (March 2021).<sup>51</sup> It is now also included in both the Constitution of the Communist Party of China (October 2017) and the National Constitution of China (October 2017).

The maritime "Road" was presented as a major opportunity for consumer and industrial firms. Excluding China, it accounts for 63 per cent

of the global population and 44 per cent of its GDP. The landlocked “Belt” connects two of the world’s largest economies: China and Europe, along with the Middle East and Africa. Beijing has predicted the route will emerge as a major logistics corridor and will offer significant energy and mining opportunities. Finally, there is an Arctic “Ice Silk Road” component of the BRI which runs from China, up around Russia, through the Arctic region to Northern Europe and the Scandinavian countries—it is this aspect of the BRI which Canadians also need to focus on and is addressed below.

**Figure 9: The Scope of China’s Belt & Road**



Image Credit: Development Reimagined

**Note:** The countries in red (or darkened) here partially illustrate the scope of China’s BRI. This global map is incomplete as it does not show the strategic island countries throughout the Pacific and the Caribbean that have signed onto the BRI. Additionally, Columbia has announced that it would join the BRI and, in 2022, Argentina did join the BRI. This now leaves Brazil, the only major country (a BRIC) in the Western Hemisphere, south of Mexico, that has not yet committed to the BRI.

At its elementary level, the BRI is a global development strategy adopted by China involving infrastructure development and investments in more than 140 countries. This includes international organizations throughout Asia, Europe, Africa, the Middle East, the island countries of the Pacific,<sup>52</sup> and the Americas (the Caribbean, Central, and South). This infrastructure development includes physical structures (such as railways, bridges, roads, etc.), as well as digital.<sup>53</sup>

The “Digital Silk Road” (DSR) is a subset of the BRI. Digital infrastructure is becoming even more essential to business with the arrival of faster networks, cheaper sensors, and the proliferation of connected devices. The DSR consists of financing for purchases of Chinese telecommunication equipment, fiber-optic cables, and surveillance systems. These items are

purchased by governments and the private sector around the globe. In many countries, such purchases prompt understandable fears about importing the intrusive characteristics of the Chinese political system and the risk of Chinese espionage. As the PRC builds the systems that underpin communications, finance, and essential government functions in capitals around the world, it is accumulating intelligence and building coercive power.

The CPC's strategy behind the BRI's DSR has two phases. First, buildout the DSR using PRC financing for host country communications infrastructure projects. Thus, driving the export of PRC technology products and standards, along with its development model, packaged with its monolithic trade and financial system. Second, leverage the acceptance of PRC technical standards within the BRI to obtain even wider acceptance globally. This second phase serves as a wedge for Chinese technology companies to capture even larger market shares in other technologies beyond 5G. These include Big Data (capture and exploitation); AI; cloud and quantum computing and networking; industrial automation; financial technology (fintech); and a whole host of new technologies.<sup>54</sup>

When Beijing discusses digital standard-setting with foreign audiences, it stresses the need for "win-win collaboration."<sup>55</sup> Internally, the discourse is far more aggressive as China seeks to set standards in 5G and IT, more broadly:

"... standards are the commanding heights, the right to speak, and the right to control, Therefore, the one who obtains the standards gains the world. The first-rate enterprises sell standards, second-rate companies sell brands, and third-rate companies sell products."<sup>56</sup>

The drive to control standards is to enable China's SOEs to overtake Western firms, which provides economic, as well as military, advantages.

There is a geopolitical side to the ambitious economic expansion of China's "reach" as it seeks to build out its own supply chains with economically dependent countries in what Beijing perceives as a post-American world. The CPC's plan is to foster investment connections and an infrastructure architecture, both physical and digital, to weld countries to Beijing, both economically and politically. It is this digital side of the BRI that is a force multiplier for China's influence and control over its host nation network. The application of afore-mentioned Considerations all come into play here. One example of the political muscle China has generated with the BRI is that the United Nations has so far been unable to pass a single negative resolution against China relating to its Uyghur camps in China's resource-rich

Xinjiang province. Pakistan has openly admitted that it will not complain about this issue because of the “money” involved. The UN’s lack of control on the issue of Xinjiang is a clear example of the CPC’s achievement of a piece of its global construct—the intent to control the institutions of global governance.

Although the BRI initiative provides funding for investment that is sometimes only of marginal economic value,<sup>57</sup> it is perceived by some to be filling a void left by Western powers in many areas of the world. It is also contributing to a path of dependency for poorer economies that may not be able to extricate themselves from Chinese influence in the future (*i.e.* “debt trap” diplomacy). The dependency is real even where the debt burdens newly incurred by relatively poor countries are “modified” by the CPC in exchange for additional contracts, political concessions, votes in international organizations, or simply “voices of support” on issues of import to Beijing.<sup>58</sup>

The COVID-19 pandemic has caused a short-term “pause” or slowdown of a number of the ambitious BRI projects.<sup>59</sup> It is important to remember that the BRI is a long-term play by China.

The stated objective of the BRI is to “foster investment.” This includes global development in digital, as well as physical infrastructure (ports, rail, airports, bridges, etc.), tying host countries to Beijing digitally, economically, and politically. The BRI is however, much, much more. This is where an understanding of each of the seven considerations about China discussed above come into play. Since China needs more natural resources, export markets, and the ability to develop and outsource jobs, the BRI becomes a new monolithic trading bloc enabling China to lock in its supply chains and customer base, along with additional trade relationships. This is where Consideration No. 7 (maintaining the revolution of rising expectations) comes sharply into focus. The more global markets that are controlled by Chinese firms, the greater their ability is to set the standards and develop the next generation of transformational technologies. Additionally, because BRI has control, enforcement, and military components, it is an integral part of China’s development of its “hard power.” Here is where Considerations No. 1 (China’s global plan) and No. 2 (the PLA’s military modernizations) also come into play. The military component can be seen in many aspects of the BRI development: PRC SOEs now control 76 ports and terminals in 34 countries, including control of ports at both ends of the Panama Canal, and one of those, China’s Landbridge Group, also currently holds a lease on the port of Darwin, Australia; extensive modifications and upgrades to the

international airport in Samoa; the construction of an unusually large wharf for the size of the typical ship traffic in Fiji, among others.<sup>60</sup>

However, the least recognized aspect of the BRI has to do with the Consideration No. 1—China’s drive for global governance. This is the PRC’s end game once it achieves dominant superpower status: change the rules<sup>61</sup> and institutions of world governance to the Chinese model.<sup>62</sup> In this light, the BRI looks very different. The CPC’s public marketing pronouncements about the BRI as a “win-win” infrastructure development plan only reveal a small piece of the overall plan. The real strategy is that the BRI is a tactical tool for the CPC in its drive for global dominance.<sup>63</sup> For those that truly understand this tactical aspect of the BRI and its implications for global governance and the rule of law, too many are reluctant to call it out directly.<sup>64</sup>

### **What Happens to the BRI in a Post-COVID World?**

The BRI is not going away. It is baked into the CPC’s superpower strategy, embedded into its foundational documents, and is part of the all-important “face” of the country. It is also fused with Xi Jinping’s “China Dream” policy and the CPC’s vision for the future.<sup>65</sup> It is now built into China’s year-long Centennial<sup>66</sup> plan for 2021, the commencement of the 14th Five Year Plan, and the 20th Party Congress in October or November of 2022.<sup>67</sup> We would do well to remember that this is the same society and culture that built the Great Wall<sup>68</sup> over a 2,000 year period. There will not be an abandonment of this massive project at the first signs of a setback. The BRI is, however, going to undergo some shifts in both priorities, as well as strategy, in the short term.

The COVID-19 virus, associated lockdowns, and consequential economic slowdown in many countries, has had a substantial impact upon China’s ability to earn valuable foreign exchange, which it needs for BRI project funding and loans.<sup>69</sup> The pandemic and the initial dependence on China for personal protective equipment and pharmaceuticals have brought home the vulnerability of concentrating supply chains for certain sectors all within “the workshop of the world.” That realization has initiated the restructuring of supply chains and accelerated<sup>70</sup> the movement of many operations out of China, seeking diversification of markets.

Additionally, groups within China have pressured the CPC to spend more domestically to repair certain damaged sectors and grow others because supply chains and foreign markets have been so disrupted and the enormous pressure for jobs is ever increasing. This is the “China First” movement and we will see more of it in the years to come.<sup>71</sup> Beijing is also

well aware that some of its BRI projects have had challenges. In fact, the first generation of BRI projects have had dismal results from a purely financial perspective (but not so from political or strategic perspectives). There has been a substantial decrease in BRI lending for all of the above reasons.

Given the decrease in foreign exchange available for BRI projects, the CPC is now forced to prioritize and be more discerning in the projects that are funded. Those funding priorities, in the short-term, will necessarily include a combination of geostrategic benefit and return on investment.<sup>72</sup> This combination will be joined with various project management lessons derived from first-generation BRI stumbles as the Chinese executives learn and adapt.

The technology sector will continue unabated because COVID-19 has battered economies, while making digital infrastructure even more essential. This is the “Zoom” effect. Compared to large transport and other projects, digital infrastructure projects tend to take less time to deliver, cost less, and are less disruptive to their immediate surroundings—enormous positives given the BRI’s rough start.

Select BRI host countries will continue to receive active attention from Beijing and, in the short-term, those are the countries with larger populations and incomes that can support purchasing exports from China.<sup>73</sup> Other host countries or regions that China must target are in the resources sector, particularly energy.<sup>74</sup> That is why the Ice Silk Road in the Arctic is now in play.

### **The BRI on Canada’s Home Turf: The Ice Silk Road**

Beijing has announced that China is a “Near-Arctic” country<sup>75</sup> and, as such, expanded the reach of the BRI to include a sweep around Russia, through the Arctic, into Northern Europe and Scandinavia. This route not only shortens the maritime trade route between China and Europe, but it also positions China to stake natural resource claims in the Arctic region.<sup>76</sup> This newest component of the BRI poses tough issues for Canada.



Figure 10: The Ice Silk Road



Image Credit: Mercator Institute for China Studies & The Economist (with modifications)

China perceives that it has a real interest in Arctic activity. It intends to play a role in the region and it expects to be treated as a partner in those activities.<sup>77</sup> The rationale is that the CPC has simply decided that it wants to do so and expects differential treatment as a “partner” because it has elected to now focus on the Arctic. This rationale is tied to Consideration No. 7: securing new sources of resources. Chinese SOEs have already invested tens of billions of dollars into Siberian and Russian Arctic offshore oil and natural gas fields, Greenland mines, and related shipping infrastructure. Additionally, Chinese shipping and natural resource companies are increasingly invested in Arctic shipping routes and Northern mineral and hydrocarbon resources.

It is also important to understand that presently there are two very different routes through the Arctic region. One of these, the Northwest Passage, cuts through the Canadian archipelago and is depicted below.<sup>78</sup>

**Figure 11: Potential Alternate “Ice Silk Road” Route**



Image Credit: Russia-briefing.com (with modifications)

The conundrum for Canada is the debate over the desirability of PRC investment and development funding in the country's remote Northern provinces, with the possible benefit to Indigenous Peoples juxtaposed against the risks of having China further embedded within the country.<sup>79</sup> Canada would do well to bear in mind the misrepresentations and salami-slicing tactics Beijing employed to ultimately assert *de facto* control over the South China Sea.

If the South China Sea seems too remote, Canada need only look to the harsh treatment of the “Arctic Five” (the smallest Arctic economies: Denmark, Finland, Iceland, Norway, and Sweden) by Beijing. For example, Norway's case is instructive. While the relations between the two governments was entirely constructive, the CPC soured on Norway quickly when, in 2010, Norway's Nobel Committee decided to award the Nobel Peace Prize to Liu Xiaobo, a Chinese writer who had been imprisoned for authoring a pro-democracy manifesto. Beijing held the Norwegian government responsible for failing to stop the award. A near-completed free trade agreement was cancelled, Beijing stopped all high-level contact, a boycott of Norwegian salmon was erected, and even visa policies for Norwegians travelling to

China were modified. Ultimately, it was not until years after Norway's concessions<sup>80</sup> that China began to once again normalize its relationship with Norway. Similar examples of coercion and influence by Beijing over the Arctic Five exist for Sweden and Iceland.

Far too many in both Canada and US have viewed the Ice Silk Road as a part-time, summer venture when the Arctic sea-lanes are clear of ice. That all changed in late February of 2021, when the Russian LNG tanker, *Christophe de Margerie*, successfully crossed the Northern Sea route through the Winter ice<sup>81</sup>—opening up the Arctic sea lanes year round and resulting in an explosion of shipping traffic along with resource development.

The issues posed for Canada by China's Ice Silk Road are challenging ones:

- A) As evidenced by Beijing's development of other "legs" of its BRI, whether there is a PLA military component that will pose new national security challenges for Canada in the Arctic?<sup>82</sup> Will Canada be able to adequately manage those new national security challenges?
- B) Can Canada develop its own "hard power" assets sufficiently to block both PLA incursions into the Canadian sector of the Arctic and enforce and protect its own internal Arctic waters with increased shipping traffic?
- C) Is Canada able to both *control* (via minority shareholder participation, etc.) and *encourage* China's investment and participation in Canada's northern provinces? And if so, are the risks in doing so desirable and manageable?
- D) Is there a risk of the loss of sovereignty over the waters of the Arctic Archipelago which Canada has historically treated as "internal waters"? If so, will Canada be able to regulate and control the Arctic water without outside interference?<sup>83</sup>
- E) The Ice Silk Road necessarily involves the United States as a portion of it transits the Bering Strait. Additionally, will Canada's approach and handling of China's Arctic policy have the potential for being at odds with its ally to the South's response and pushback to the BRI?<sup>84</sup>
- F) As Canada really begins to comprehend the severe, underlying challenges posed by the BRI, can it lead the United States, along with other allies, in not only fashioning a comprehensive and coordinated

response to the special challenges posed by the Ice Silk Road, but also in participating in developing a global response?

These challenges faced by Canada have become both sharper in focus and more urgent with the development of three key events. The first was the arrest and extradition proceedings against Huawei's Meng Wanzhou (December 2018) and the subsequent, and linked, PRC imprisonment, and trials on espionage charges<sup>85</sup> of the two Michaels (Michael Kovrig and Michael Spavor) followed by their release in September of 2021, along with that of Meng Wanzhou. These actions by Beijing have underscored for Canadians the darker side of Beijing's authoritarians. This perception has been exacerbated in Canada and elsewhere by the trade retaliation Beijing has launched against Australian exports of coal, beef, and wine following Australia's demand for a full investigation of the origins of the COVID-19 virus (not to mention Canada's own trade challenges with Beijing). These are far from trust-building exercises and have served to portray the CPC and its leadership in an irrational, vindictive light. The detainment of Australian journalist Cheng Lei on February 6, 2021 and the further disturbing disclosures of China's mistreatment and reports of genocide<sup>86</sup> regarding its Muslim minority Uyghurs in the West, add to this darker view of China's conduct and real intentions on every front.<sup>87</sup>

Canadian lawyers with an understanding of the seven considerations outlined herein are in a position to develop a clear-eyed understanding of China's BRI and its very real implications for the rule of law and Canada. In turn, they will be in a better position to advise clients on the risks in participating in BRI projects, assisting in their clients' supply chain management, foreign investments, and international market strategy, as well as in dealing with Chinese firms in competition or seeking to work with their clients.

There is also a leadership role for Canadian lawyers here. The understanding of most American lawyers (even those with international practices) of the risks imposed by the BRI and where China is headed is weak and off the mark. The same can be said for a number of our colleagues in many Allied countries. The opportunity is open for members of the Canadian Bar to now help educate professional colleagues in other countries on the issues and risks outlined here.

Finally, there are substantial national and provincial policy challenges facing Canada regarding trade with China, including the potential foreclosure of Canadian firms (as well as U.S. firms of U.S. and those of other Western nations) out of certain international markets in the future; the Ice

Silk Road on its Northern border; national security; and the ramifications of relations with Canada's allies in fashioning responses to the BRI on a global level. The responses to these challenges will potentially focus on supply chain diversification; export controls and sanctions; import restrictions; new trade requirements; FDI in Canada's strategic industries and natural resources; stock exchange de-listings; military and national defense developments; and others. The list is substantial with no end in sight. These are all highly complex issues that members of the Canadian Bar that are fully up to speed can assist Ottawa and the provincial leadership with.

## ENDNOTES

<sup>1</sup> While this article is appearing in a legal journal, the reader will note that there are few legal citations in this piece. This is because the nature of this topic and its analysis are in advance of formal legal developments for the most part. We would expect in the years to come that formal legal decisions, regulations and statutes will come into play and permit future authors to refer to the same when addressing the issues presented here.

<sup>2</sup> Chairman of the Belt & Road Task Force of the American Bar Association's International Section and Co-Chairman of the Trade Policy committee of the U.S. National Association of Export Councils. He is an American international lawyer based in Hawaii. Mr. Day's background can be found here: <<https://www.globalriskmitigation.org>> and here: <<http://davidfday.com>>.

<sup>3</sup> The author of this piece would like to acknowledge the thoughtful comments and contributions of Dr. Elizabeth Chan, Esq., Susana Lee, Esq., Michael Sacharski, Prof. Kerry Gershaneck, and Capt. (Ret.) James Fanell, USN.

<sup>4</sup> An example of the failure to understand and apply the first and second considerations discussed below was the invitation by the US Pacific Command (now, US Indo-PACOM) to invite the PLA Navy (PLAN) to participate in the biennial 2014 "Rim of the Pacific Exercise" (RIMPAC) off of Hawaii with the navy ships of 22 other nations—this was even after the PLAN sent a spy ship (AGI—"Auxiliary General Intelligence" vessel) and was uninvited to the prior 2012 exercises. The PLAN accepted the 2014 invitation, participated, but brought along a spy ship again. If two spy ship incidents were not sufficient, Indo-PACOM again invited the PLAN to the 2016 exercises. While the PLAN was "disinvited" to participate in the 2018 RIMPAC, the PLAN sent along a spy ship instead, just for good measure. Sadly, this is not an isolated example of the failure of even US military experts to heed key fundamentals regarding China. See: James E. Fanell, "China's Global Navy—Today's Challenge for the United States and the U.S. Navy" (2020) 73 Nav War Coll Rev 4 at 16, online:<<https://digital-commons.usnwc.edu/nwc-review/vol73/iss4/4>> [Fanell].

<sup>5</sup>This identical failure to fully appreciate and apply the same two considerations can be seen repeatedly by Western allied military organizations. Canada is no exception. Up until early December of 2020 the PLA was engaged in joint

training exercises with the Canadian Army. The latest was a joint winter warfare training in the Thedford area at CFB Petawawa in Ontario province in 2018. See also: J. Michael Cole, “Canada must stop all military collaboration with China” (14 December 2020) *iPolitics*, online: <<https://ipolitics.ca/2020/12/14/canada-stop-all-military-collaboration-with-china/>>.

<sup>5</sup> These seven considerations are the author’s own and provide the important analytical backdrop for assessing the BRI.

<sup>6</sup> The seven key considerations presented here do not apply just to an analysis of the BRI, but equally to virtually all other serious analytical efforts focused on modern day China.

<sup>7</sup> The author’s picture of the BRI is troubling and different than the reader may have previously been exposed to.

<sup>8</sup> The CPC openly talks about its plan as it is convinced that it is unstoppable, as is the inevitability of the decline of the US. See, for example: Michael Pillsbury, *The Hundred-Year Marathon: China’s Secret Strategy to Replace America as the Global Superpower*, 1st ed (New York: Henry Holt and Company, 2015); Jonathan Ward, *China’s Vision of Victory*, (Fayetteville: Atlas Media and Publishing, 2019) [Ward]; and, Robert Spalding, *Stealth War* (New York: Penguin Random House, 2019).

<sup>9</sup> Opium Wars (1839-1842) were between Great Britain and the Qing Dynasty. The “Century of Humiliation” refers to that period in China’s history from the Opium Wars up to 1949.

<sup>10</sup> To be clear, this is the view which the Communist Party takes of its own history and ambition for the future.

<sup>11</sup> This contributes to the PLA’s justification for military modernization as quickly as possible.

<sup>12</sup> Clive Hamilton & Mareike Ohlberg, *Hidden Hand: Exposing How the Chinese Communist Party is Reshaping the World* (London: Oneworld Publications, 2020).

<sup>13</sup> The draft new 14th Five Year Plan (March 2021) contains a specific chapter which references this intent. Chapter 42: “Chapter 42: Actively participate in the reform and construction of the global governance system.” Source: <<https://www.airuniversity.af.edu/CASI/Display/Article/2533644/select-translations-of-the-draft-chinas-14th-five-year-plan-and-the-long-range/>> “Reform and construct” means China intends to have a significant role and input into changes to the rules and institutions of governance. The Party is contemplating a complete rebuild on a Chinese model.

<sup>14</sup> Ward, *supra* note 8 at 232.

<sup>15</sup> To be fair, there are some additional “whys” mixed in with some of these remaining six considerations, especially in the seventh one below.

<sup>16</sup> References to the “first island chain” refer to the chain of islands starting from the Kurile Islands, Japan and its Ryukyu Islands, Taiwan, and the Philippine and Indonesian archipelagos.

<sup>17</sup> The “second island chain” is defined by the Kuriles, Japan and its Bonin Islands, the Marianas Islands, Palau and the Indonesian archipelago.

<sup>18</sup> Many US analysts and think tanks predicted that this would never happen,

missing the first and second key considerations discussed herein. See, *Fanell*, *supra* note 4 at 2-3.

<sup>19</sup> See *Fanell*, *supra* note 4 at 16. Fanell's piece is an excellent maritime account and perspective on the actual "blue water" capabilities of the PLAN.

<sup>20</sup> *Ibid* at 20.

<sup>21</sup> As one of many examples, see Ryan Morgan, "US will 'lose fast' in war with China, Air Force's simulation shows" *American Military News* (11 March 2021), online: <<https://americanmilitarynews.com/2021/03/us-will-lose-fast-in-war-with-china-air-forces-simulation-shows-report/?fbclid=IwAR0moGJSmia6-dZl4zSyBk0nRAPMrvjgyr7XDBGc21kds9I8U12ZwjW0z6c>>. On the US ability to defend Taiwan, Air Force Lt. Gen. S. Clinton Hinote, the deputy chief of staff for strategy, integration and requirements recently stated, "The definitive answer if the US military doesn't change course is that we're going to lose fast. In that case, an American president would likely be presented with almost a *fait accompli*."

<sup>22</sup> See the substantial improvements made to the international airport in Samoa by China as an example, or the port and wharf construction on Fiji.

<sup>23</sup> See "State-owned Assets Supervision and Administration Commission of the State Council", online: <<http://en.sasac.gov.cn/>>.

<sup>24</sup> A list of the SOEs operated by SASAC can be found at "State-owned Assets Supervision and Administration Commission of the State Council," online: <<http://en.sasac.gov.cn/directorynames.html>>.

<sup>25</sup> See, "China's People's Armed Police: reorganized and refocused," International Institute for Strategic Studies (June 21, 2019), online: <<https://www.iiss.org/blogs/military-balance/2019/06/china-pap>>.

<sup>26</sup> The PAP even has its own construction company: China Anneng Construction Group Corporation, Ltd., which is engaged in construction projects both domestically within China as well as abroad.

<sup>27</sup> Not always, but more often than not.

<sup>28</sup> State Grid is an electric utility SOE and the largest utility company in the world.

<sup>29</sup> Aerospace and defense conglomerate headquartered in Beijing.

<sup>30</sup> The listing of PRC firms on global exchanges was a brilliant stroke by the CPC. It has harnessed the profit motive of foreign investors to capitalize on China's military modernization along with other development within the country with valuable foreign exchange. The financing of an adversary's military needs no further discussion.

<sup>31</sup> The Regional Comprehensive Economic Partnership is comprised of 15 countries, including the PRC. It creates Asia's largest free trade zone and was completed in November of 2020.

<sup>32</sup> See James Kynge and Sun Yu "Virtual control: the agenda behind China's new digital currency" (17 February 2021), *Financial Times*.

<sup>33</sup> That education and corresponding duty, in turn, produces security for the country in a number of critical sectors: scientific, information, economic, cultural, military, homeland security, ecological, nuclear, social, and natural resources—all protecting China from both internal menaces and foreign disturbances.

<sup>34</sup> From this author's perspective, what worries the CPC's Zhongnanhai leadership is the potential for an ugly citizen uprising. The historical example that terrifies them most is the lightning-fast collapse of Romania in 1989 followed by the rapid execution of Nicolae Ceausescu, who went from being dictator to being executed (with his wife Elena) within three days, which was dramatically recorded by video for worldwide distribution. Ceausescu was the CPC's staunchest supporter and a pretend CPC leader in Europe. Ceausescu's relationship started with Mao Zedong and he was revered thereafter by the CPC. The rapid implosion of Ceausescu's dictatorship and graphic execution is burned into the memories of the CPC's Zhongnanhai leadership.

<sup>35</sup> Related to this concept of "deputization" for intelligence-gathering purposes is a related notion, which can best be described as fealty owed to "Mother China." This is a broader concept, which has been applied in many cases by the CPC officials to lean on overseas Chinese, including citizens of other countries, as long as they are of Chinese ethnicity, to render support, assistance or cooperation for the benefit of China. There are, for example, cases where Chinese-Americans have been asked to undertake such actions. Most have resisted. Some have not. See US, Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the Peoples Republic of China* (2020) at 131.

<sup>36</sup> Anyone who has seen the "China Watch" supplement in the *Washington Post* or a myriad of other media outlets or "*The China Daily*" in newsstands, or the *China Global Television Network (CGTN)*, knows this, but may not fully appreciate the magnitude of the PRC's influence operations until they are mapped out on a global scale.

<sup>37</sup> A fascinating study in this field has been undertaken by the Australian analyst, Dr. Samantha Hoffman of the Australian Strategic Policy Institute. Dr. Hoffman's case study of China's (Global Tone Communications Co., Ltd.) (GTCOM) and the development of its "Language Box" translation tool is frightening. See, "*Engineering global consent: the Chinese Communist Party's data-driven power expansion*," online: <<https://www.aspistrategist.org.au/engineering-global-consent-the-chinese-communist-partys-data-driven-power-expansion/>>. The drive for GTCOM is to build out its AI recognition capability for objects, settings and human faces, and matching voices and texts, which, in turn, provide real-time monitoring of security risks. The stated goal is: "*In the future (GTCOM) will be able to find the requested facial structure through image recognition and provide technical support and assistance for state security.*"—Liang Haoyi, GTCOM Director of Big Data. Keep in mind that this is not simply an internal, Uyghur-locating mission. It is an international drive as a part of the PRC's stated goal of global governance discussed in Consideration No. 1 above. Note that GTCOM is tied directly to China's Central Propaganda Department and the Central Committee of the Party (see illustration above). It even has a subsidiary operating in North America, GTCOM-US, located in Santa Clara, California.

<sup>38</sup> The Tencent Holdings' data center in Guizhou province is just one of the many that the PRC has recently constructed.

<sup>39</sup> Among these influence tools are sophisticated social media bots, which can



be engineered to support or destroy a given viewpoint or even create a new one, more suitable to the CPC's needs.

<sup>40</sup> See generally James Kyngge and Sun Yu "Virtual control: the agenda behind China's new digital currency" (17 February 2021), *Financial Times*.

<sup>41</sup> These are typically targeted at the influential elites of a country as well as those perceived to be in the upcoming class of the same. They run the gamut from the classic bribery, illicit sexual relationships, semi-business appearing deals, research grants, branch operations or offices, paid travel, "consulting work" and other affiliations, "joint" or "cross" investments in the target firm or firm owned by the target individual, etc. Any scheme to obtain leverage over the target individual or firm (economic, social, political, etc.) is fair game. These types of special influence operations directed at a country's elite or influencers is not limited to host nations within the BRI footprint. These malign influence operations have been levelled at US and Canadian firms and influential individuals as well. Moreover, these efforts are not secret. In certain cases, the CPC is brazen about their successful influence operations involving America's elite, or "elite capture," as the technique is more commonly known. For instance, PRC Professor, Di Dongsheng, a senior, influential member of the CPC, the Vice Dean, School of International Relations, Renmin University, the Vice Secretary and Secretary of the Center for Foreign Strategic Studies of China, speaking before a live audience in China on November 28, 2020, talking about powerful, "old friends" in the US among America's elite helping China, to the absolute delight of his Chinese audience: "Prof Di Dongsheng Explains How China owns USA and possibly Biden Part 1", YouTube, uploaded by Joe Plo, 9 December 2020, online: <[https://www.youtube.com/watch?v=\\_qV9j2AZhTc](https://www.youtube.com/watch?v=_qV9j2AZhTc)>. An alternative link to the same presentation by PRC Professor Di Dongsheng can be found here: <<https://www.youtube.com/watch?v=Qv9VhK3c48c>>.

<sup>42</sup> Psychological, public opinion, and legal warfare, known as the "three warfares," have been part of the PLA's operational planning since 2003. See US, Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the Peoples Republic of China* (2020) at 130-32. More recently, a fourth form of warfare has emerged, which serves as a force multiplier for the original three warfares: the digital/IT/cyberwarfare component. Given the military-civilian fusion in the PRC, this fourth warfare is particularly insidious.

<sup>43</sup> There is a recent book authored by one of the global experts on the subject: Kerry Gershaneck, *Political Warfare: Strategies for Combating China's Plan to "Win without Fighting"* (Marine Corps University Press, 2020).

<sup>44</sup> The internal depletion of natural resources within China is one challenge. Another is the future strain China is placing on the totality of global resources. See e.g. Elizabeth Economy, "China's Next Challenge: The Depletion of Global Natural Resources" (28 February 2015), online: <<https://thediplomat.com/2015/02/chinas-next-challenge-the-depletion-of-global-natural-resources/>>.

<sup>45</sup> "How is China Feeding its Population of 1.4 Billion?" *Center for Strategic & International Studies* (25 January 2017), online: <<https://chinapower.csis.org/china-food-security/>>.

<sup>46</sup> A number of these are claimants in the South China Sea. *Council on Foreign Relations*, “Global Conflict Tracker” (February 17, 2022), online: <<https://www.cfr.org/global-conflict-tracker/conflict/territorial-disputes-south-china-sea>>.

<sup>47</sup> China’s workforce, online: <[https://data.oecd.org/searchresults/?r=%2Bf%2Ftype%2FIndicators&r=%2Bf%2Ftopics\\_en%2Fjobs](https://data.oecd.org/searchresults/?r=%2Bf%2Ftype%2FIndicators&r=%2Bf%2Ftopics_en%2Fjobs)>.

<sup>48</sup> Richard McGregor labeled this as the most important pillar supporting the CPC at home and China’s growing power abroad: Richard McGregor, *The Party: The Secret World of China’s Communist Rulers* (New York: HarperCollins Publishers, 2021) at 269.

<sup>49</sup> China’s drive to ensure the free flow of goods to and from China’s market has also resulted in a massive increase in Chinese investments in ports around the world, with Chinese SOEs now running at least 76 ports and terminals in 34 countries.

<sup>50</sup> The BRI has also given China an opportunity to advance its military objectives. In Greece, Pakistan, and Sri Lanka, Chinese investment in ports has been followed by high-profile visits from Chinese naval vessels. See: Nadege Rolland, “China’s Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative” *National Bureau of Asian Research* (23 May 2017); Elizabeth Economy, “China’s New Revolution” *Foreign Affairs* (May/June 2018).

<sup>51</sup> See, Zichen Wang, “Select Translations of the Draft China’s 14th Five Year Plan and the Long-Range Objectives Through Year 2035: Chapter 41: Promote the high-quality joint development of Belt and Road” (March 2021), online: *China Aerospace Studies Institute, Air University* <<https://www.airuniversity.af.edu/CASI/Display/Article/2533644/select-translations-of-the-draft-chinas-14th-five-year-plan-and-the-long-range/>>.

<sup>52</sup> Most Canadians and Americans know these island nations and US territories as vacation destinations of exotic locales or from World War II documentaries. Beijing, however, sees these strategic islands in the Pacific and in the Caribbean as geographic steppingstones in an expanding global presence with economic, diplomatic, and military significance. See also, U.S. Department of Defense, “Annual Report to Congress: Military and Security Developments Involving the Peoples Republic of China” (2020) at 129. This is why, for instance, China made a strong push to acquire operational control of the former WWII US Naval base (Lombrum) at Manus Island, off of the coast of Papua New Guinea in the Fall of 2018. It was narrowly edged out by a joint US-Australia move to retain control of this strategic island port. See, Ben Wan Beng Ho, “The Strategic Significance of Manus Island for the U.S. Navy” (December 2018), *U.S. Naval Institute*, online: <<https://www.usni.org/magazines/proceedings/2018/december/strategic-significance-manus-island-us-navy>>. There is concern, in addition, with the ongoing Chinese seaport expansion projects in the commercially important port at Kingston, Jamaica, as well as the port at Freeport, Bahamas, China’s possible new base of operations 90 miles off the US coast.

<sup>53</sup> See also U.S. Department of Defense, *ibid* at 123-24.

<sup>54</sup> John Hemmings, “Reconstructing Order: The Geopolitical Risks in China’s Digital Silk Road” (2020) *Asia Policy* 15:5 at 9.

<sup>55</sup> See Rush Doshi *et al.*, “China as a ‘Cyber Great Power’: Beijing’s Two Voices in Telecommunications” (April 2021), *Brookings*, online: <<https://www.brookings.edu/search/?s=China+as+a%22CyberGreat+Power%22>>.

<sup>56</sup> See: Duan Weilun & Han Xiaolu, “Research on 5G Supply Chain Security Under Global Digital Economy Strategic” (2020) *Journal of Information Security Research* 6:1, online: <<http://www.sicris.cn/CN/abstract/abstract715.shtml>>.

<sup>57</sup> Typically, Western analysts look at a particular BRI project using a normal profit/loss analysis. They fail to see the political and/or strategic value of the project as viewed from the eyes of the CPC’s leadership, which typically might view the same project as a “loss leader” with Considerations No. 1, 2, 6 and 7 in mind.

<sup>58</sup> This “debt trap” situation is exacerbated by the desperate economic straits in which many of the host BRI developing countries now find themselves in the wake of the COVID-19 pandemic.

<sup>59</sup> This situation is addressed further below, but the BRI is here to stay for the next several decades.

<sup>60</sup> In the Americas, the current military/strategic footprint of the BRI goes beyond the control of the ports at both the Pacific and Caribbean (Atlantic) sides of the Panama Canal. It extends to the port of La Union in El Salvador, the military training that the PLA conducts with a number of Caribbean and Latin American countries, and major police/law enforcement/air transport equipment sales and donations to Trinidad, Tobago, Guyana, and Jamaica. Of course, this does not include various projects China has instituted with the Chavez government in Venezuela or those in Cuba. See also: US, Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the Peoples Republic of China* (2020) at 128. The PLA footprint has also included training right on Canadian soil until just very recently.

<sup>61</sup> Lawyers in international practice are accustomed to operating under a set of long-standing rules and institutions that have been built to support those rules of law and governance. The intent to change or rework the international legal regimes is a matter of serious concern to international practitioners and, once they fully grasp this, to their clients, governments, and international organizations as well.

<sup>62</sup> As part of its global strategy, China has stepped up its campaign for even more influence in key international organizations. CPC-linked officials now are in charge of four of 15 UN specialized agencies, more than the United States, Britain, France and Russia combined—plus key roles within Interpol, the International Civil Aviation Organization, and others.

<sup>63</sup> This is why a Wall Street financial analysis of the financial viability of a given BRI project is off the mark at times. For certain projects, long-term CPC strategic goals override a short-term profitability analysis.

<sup>64</sup> The reasons for such are varied. They include a reluctance to publicly acknowledge Consideration No. 1 discussed above, a worry over the impairment of relations with China or Chinese firms, concerns over criticism or other actions from Beijing (including retaliation), and for some organizations, a concern over

defunding. Additionally, others who are knowledgeable have been swept into the CPC's orbit by any number of the influence operations outlined in Consideration No. 6 above. The fact remains that even though the CPC's ambitions and goals are stated openly, few outside of China have been willing (or able) to acknowledge such openly and of those that do, even fewer have been willing to openly underscore the pivotal role that the BRI is playing in the CPC's drive for global governance and the risks and changes that that it will necessarily bring.

<sup>65</sup> Consideration No. 1 above.

<sup>66</sup> The 2021 Centennial has been in the planning for 15 years and is to celebrate the founding of the CPC in 1921.

<sup>67</sup> The BRI will be included in the 20th Party Congress as new CPC policies are rolled out and the leadership is appointed/reappointed for a new 5-year term. *Congressional Research Service*, "China's Political System in Charts: A Snapshot Before the 20th Party Congress" (November 14, 2021), online: <<https://crsreports.congress.gov/product/pdf/R/R46977>>. See also (video event), Brookings Institute, "Toward Xi's third term: China's 20th Party Congress and beyond" (January 20, 2022), online: <<https://www.brookings.edu/events/toward-xis-third-term-chinas-20th-party-congress-and-beyond/>>.

<sup>68</sup> In total, the Great Wall of China was, in fact a series of walls and took more than 2,000 years to complete—between 770 BC and 1633 AD. The initial section was first built during the Zhou Dynasty in 770 BC and the most recent section was built during the Ming Dynasty. See UNESCO World Heritage Centre, online: <<https://whc.unesco.org/en/list/438/>>.

<sup>69</sup> Consideration No. 4 above.

<sup>70</sup> Some of this movement had already begun as a consequence of the US-China trade war. AmCham-Shanghai, "Joint Press Release" (May 22, 2019), online: <<https://www.amcham-shanghai.org/en/article/amcham-shanghai-and-amcham-china-joint-tariff-survey-release>>. See also Nikkei-Asia, "China scrambles to stem manufacturing exodus as 50 companies leave" (July 18, 2019), online: <<https://asia.nikkei.com/Economy/Trade-war/China-scrambles-to-stem-manufacturing-exodus-as-50-companies-leave>> and, *Rabobank*, "Leaving China: Which countries might benefit from a relocation of production?" (August 8, 2019), online: <<https://economics.rabobank.com/publications/2019/august/leaving-china-countries-might-benefit-from-relocation-production/>>.

<sup>71</sup> Keep in mind Consideration No. 7 above: the CPC leadership must maintain the revolution of rising expectations of China's citizenry in the face of challenges.

<sup>72</sup> The Return on Investment (ROI) component in BRI projects was lacking from earlier BRI projects and funding.

<sup>73</sup> Increasingly, those critical exports for China will involve digital data platforms, which are growing in scope and scale. They enable the delivery of high value-added data and communications services, e-commerce and industrial Internet of Things (IoT).

<sup>74</sup> Again, see Consideration No. 7 above. China needs the resources of the Arctic.

<sup>75</sup> China did not step onto the Arctic stage in any significant manner until January 26, 2018. It was then that China's Vice-Minister of Foreign Affairs, Kong

Xuanyou unveiled “China’s Arctic Policy” in a white paper. This new policy was the first time that Beijing had issued a policy whitepaper for a region beyond its own territory. It signaled the Party’s intent to participate in the Arctic region and deal with the Arctic countries as a “near-Arctic” power. Adam Lajeunesse, “Finding ‘Win-Win’: China’s Arctic Policy and What It Means for Canada” (December 2018), *Canadian Global Affairs Institute*, online: <[https://www.cgai.ca/finding\\_win\\_win\\_chinas\\_arctic\\_policy\\_and\\_what\\_it\\_means\\_for\\_canada](https://www.cgai.ca/finding_win_win_chinas_arctic_policy_and_what_it_means_for_canada)> [Lajeunesse].

<sup>76</sup> Interestingly, the “Ice Silk Road” is specifically mentioned in recently released draft of the CPC’s 14th Five-year Plan. See Wang, *supra* note 51. See also US, Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the Peoples Republic of China* (2020) at 132-33.

<sup>77</sup> PLA military texts see the Arctic as a potential theater for future great military power competition noting that China “cannot rule out the possibility of using force.” While China seeks to become a “great polar power” it has downplayed this goal publicly. See the excellent piece: Rush Doshi, Alexis Dale-Huang & Gaoqi Zhang, “Northern Expedition: China’s Arctic Activities and Ambitions” (April 2021), *Brookings* online: <<https://www.brookings.edu/research/northern-expedition-chinas-arctic-activities-and-ambitions/>> [Northern Expedition].

<sup>78</sup> The Northwest Passage route poses serious national security and sovereignty challenges for Canada. This particular issue requires that Canadian lawyers and leadership work constructively with their US colleagues and counterparts to reverse the US position on Canadian archipelagic waterways to assist Canada in maintaining sovereignty and control over its internal waters. Alternatively, the potential exists for Beijing to begin to use the Northwest Passage route as part of its Ice Silk Road, accompanied with the PLAN or Maritime Forces along with other forms of control and influence as has been the case elsewhere throughout the BRI.

<sup>79</sup> This important debate is thoroughly examined in Lajeunesse, *supra* note 75.

<sup>80</sup> The government of Norway had even attempted to block the Nobel Prize to Liu Xiaobo. It also enthusiastically supported China’s bid for Arctic Council observer status for years, its leaders refused to meet the Dalai Lama, and Norway even joined China’s Asia Infrastructure and Investment Bank in a bid to help the Bank achieve greater legitimacy—all to mollify Beijing, which continued to rebuff Norway’s “repair” efforts for years. See *Northern Expedition*, *supra* note 77 at 20-21.

<sup>81</sup> Alexandra Odynova, “Russian tanker cuts a previously impossible path through the warming Arctic” (23 February 2021), *CBS News*, online: <<https://www.cbsnews.com/news/russian-tanker-cuts-a-previously-impossible-path-through-the-warming-arctic/>>.

<sup>82</sup> See Anne-Marie Brady, *China as a Great Polar Power* (Cambridge: Cambridge University Press, 2017).

<sup>83</sup> This issue involves the potential for conflict with treaties, including the United Nations Convention on the Law of the Sea along with general international law and freedom of navigation. While unresolved, the existence of an international

strait through the Arctic Archipelago has been assumed by the US. China has taken the position that Arctic Sea lane disputes are to be resolved by international law and while stating that it will respect Canada's sovereign rights over waters subject to its jurisdiction, it has never acknowledged Canada's own historic claims of "internal waters." Canada may well find that its sovereignty over its historically "internal waters" in the Arctic up for debate. This issue is likely to be brought to a head once there is an increase in maritime traffic led by China. This sovereignty question is carefully examined in *Lajeunesse*, *supra* note 75.

<sup>84</sup> This is where the careful, "win-win" policy argument in *Lajeunesse*, *supra*, note 75, may well end up being at odds with US foreign policy vis-à-vis China and its BRI.

<sup>85</sup> Meng Wanzhou was arrested on December 1, 2018 and the two Michaels were picked up exactly ten days later on December 10, 2018—the "hostage" linkage was inescapable then and confirmed with the simultaneous release of all three. This prolonged, "hostage diplomacy" and ultimate prisoner exchange will undoubtedly impact the willingness of Canadian and American (as well as other Western) executives and professionals to travel to the PRC—at least in the near future. The reader should not conclude that the "2 Michaels" hostage diplomacy situation faced by Canada was unique. Beijing has employed this technique with nationals of other countries—it is part of its political warfare "toolbox" (Consideration No. 6 above). See Paul Charon & Jean-Baptiste Jeangene Vilmer, "Chinese Influence Operations: A Machiavellian Moment," *Institute for Strategic Research (IRSEM)* (October 2021) at 411-412, online: <<https://www.irsem.fr/report.html>>.

<sup>86</sup> "The Uyghur Genocide: An Examination of China's Breaches of the 1948 Genocide Convention" (8 March 2021), *Newlines Institute for Strategy and Policy*, online: <<https://newlinesinstitute.org/uyghurs/the-uyghur-genocide-an-examination-of-chinas-breaches-of-the-1948-genocide-convention/>>.

<sup>87</sup> David Vigneault, Director of the Canadian Security Intelligence Service: "The government of China ... is pursuing a strategy for geopolitical advantage on all fronts—economic, technological, political, and military—and using all elements of state power to carry out activities that are a direct threat to our national security and sovereignty." See David Ljunggren, "China poses serious strategic threat to Canada, says Canadian spy agency head" (9 February 2021), *Reuters*, online: <[https://www.reuters.com/article/us-china-canada/china-poses-serious-strategic-threat-to-canada-says-canadian-spy-agency-head-idUSKBN2A92VH?utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=newsletter\\_axioschina&stream=china](https://www.reuters.com/article/us-china-canada/china-poses-serious-strategic-threat-to-canada-says-canadian-spy-agency-head-idUSKBN2A92VH?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axioschina&stream=china)>.