



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

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by Matthew Fisher  
November 2018

# COMMENTARY

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**F**ormer prime minister Pierre Trudeau abandoned official ties with Taiwan in 1970. It was the price that had to be paid to establish diplomatic relations with China.

Half a century later, with Australia, the European Union and the U.S. re-examining how close they want to get to China, Trudeau the Younger should consider how Canada can maintain or grow trade with the Mainland. And to do so while re-engaging with Taiwan, which Ottawa has mostly ignored for nearly half a century, lest Beijing take offence, but which offers great trade opportunities and a much easier political culture in which to conduct business.

This would be a very delicate dance, of course. China is notoriously thin-skinned, especially when it comes to anything involving Taiwan. It considers Taiwan a renegade province that must be brought under Beijing's firm control though few in Taiwan want anything to do with the Communist dictatorship.

During my first visit to Taiwan in many years – including a side trip to Kinmen Island, a Taiwanese enclave packed with Mainland tourists and only a couple of kilometres from the much bigger China – it is clear that Taiwan is prospering. A visitor can only wonder why Ottawa remains totally besotted by the People's Republic of China and the never-realized dream of a big slice of the economic bonanza there, and is so uninterested in doing more to be part of the boom that has been taking place in the Republic of China.

After a long honeymoon, global opinion has recently begun to shift away from Beijing and its emperor-like president, Xi Jinping. Roughly coinciding with U.S. President Donald Trump's growing trade war with China, the U.S. Congress has been making noises about strengthening ties with Taiwan. This follows former president Barack Obama's celebrated Asian pivot, in which additional warships, warplanes and troops were sent to the western Pacific to keep an eye on China's rapidly growing military.

There is deep unease across Asia today over China's claim that it owns most of the South China Sea as well as islands that are also claimed by South Korea and Japan. This coincides with rising anger in Asia and Africa over the crippling terms that come with Chinese loans to build the hugely ambitious Belt and Road Initiative. There is also disgust over the imprisonment of nearly one million Turkic-speaking Muslim Uyghurs in Cultural Revolution-style re-education camps.

China has built on seven atolls near the Philippines, Malaysia and Vietnam, and transformed them into military airfields equipped with fighter jets, missiles and radars. It has also intensified surveillance of Chinese students overseas, cracked down on social media at home, broken non-interference commitments regarding the political and judicial systems in Hong Kong, and implemented a system where citizens wishing to travel abroad must earn that right by demonstrating their loyalty to the Communist party.

This occurs at a time of increasing Asian and Western anxiety over the intentions of the People's Liberation Army. The PLA has been on a buying and building spree, developing stealthy fighter



jets, more capable missiles, aircraft carriers, icebreakers and submarines and a potent cyber-warfare capability.

As Red China's relations with much of the world cool, improving ties with Taiwan is an obvious option. At the same time that China's economy was soaring, Taiwan transitioned in the 1980s from being a military dictatorship to a flourishing democracy, while building another of the world's most vibrant economies.

Oblivious to, or unconcerned by, China's recent behaviour and the growing doubts that Canada's closest allies have about China, Prime Minister Justin Trudeau sounds as bullish on the prospects of dramatically growing trade with the Mainland as countries such as Australia did until a few years ago. Trudeau said last month that he intends to continue to pursue a bilateral trade deal with Beijing. However, achieving that ambition has been complicated by the so-called "[China clause](#)" in the new USMCA agreement.

Information concerning the China clause was curiously unavailable until after Trudeau and Foreign Affairs Minister Chrystia Freeland grandly announced NAFTA 2.0 as a Canadian triumph. They have [since denied](#) that the U.S. has been given a veto over a future trade deal with China, but Beijing has no doubts about what the fine print meant. Its [leaders have warned](#) Trudeau and Freeland that it was unacceptable that the U.S. could nix any future trade deal.

For China, Canada is small beer when compared to the U.S., Japan and Europe, though it has unquestionably benefited from the relationship, particularly at a time when the U.S. has imposed steep tariffs on goods from the Mainland. As the [Globe and Mail](#) reported, some Canadian businesses have managed to temporarily fill some of the gap that higher U.S. tariffs have created.

Beijing's greater fear is that Canada's major concession to Washington on dealings with China may become a template for thwarting future trade deals with Europe, which remains interested in some kind of trade agreement.

As Taiwan only has 23 million people, the trade opportunities are obviously not nearly as big as they are with a giant that generates 1/3 of the world's economic growth and has 50 times more people. Still, Taiwan is doing very well. Despite living in the Mainland's long shadow and being constantly pressured militarily and isolated diplomatically by its neighbour, it has recorded an astonishing annual average growth rate of nearly seven per cent since the early 1960s. During the same period it has accumulated foreign reserves of more than \$450 billion, or six times more money than Canada has in the bank.

Two obvious examples of explosive growth are the fantastic luxury hotels that dominate the skylines of Kaohsiung and Taipei and the high-speed trains that connect the country's economic locomotives.

Taiwan excels at traditional heavy industries such as steel as well as emerging technologies. A yard in Kaohsiung produces supertankers and gigantic container ships. A few minutes away is a high-tech campus where researchers are designing state-of-the-art circuitry and chips for flat-



screen TVs and cellphones. They're also building cutting-edge amusement rides that whisk travellers around the world on seats that are programmed to act like aerial drones.

Though it is not a household name, Taiwan's greatest business success may be Foxconn, which employs nearly one million workers. It has become the world's largest electronics manufacturer and fourth largest information technology company, making telephones for BlackBerry and Apple and games for PlayStation and Xbox.

A generation of frustrated Canadian businessmen has complained that it is difficult and sometimes impossible to deal with Mainland China because intellectual rights and copyright can be opaque and capricious there. Canada's small trade office in Taiwan reports that few Canadians have such complaints there. They are hugely bullish about the economic opportunities available to Canadian companies in the other China.

One of the oddities of Canadian policy in the western Pacific is that unlike the navies of the U.S., Australia, France and Britain, the Royal Canadian Navy does not conduct freedom-of-navigation patrols in the South China Sea. In fact, Canadian captains have been specifically told to stay far away from the artificial islands that China has built there. Canada's lame public position is that the jumble of overlapping territorial disputes is a matter for countries in the region to work out among themselves.

Similarly, despite casting itself as one of the most progressive governments in the world, Canada has had almost nothing to say about China's outrageous mistreatment of the Uyghurs.

Countries that were once enthusiastic about trade with China have begun to lean away and U.S. legislators are taking another look at Taiwan. There are many reasons for this. Among them: state-directed industrial espionage, state-affiliated companies' growing stakes in foreign energy and telecommunications industries, and China's big military push, not only in adjacent waters, but as far south as Indonesia, as far north as Japan and South Korea and in the Indian Ocean.

Hard questions should be asked about why Canada is becoming such an outlier on China. The Trudeau government often lectures other countries about human rights and the rule of law, yet it has turned a blind eye to almost everything Beijing has done lately to destroy such principles. If Canada were to be more realistic about what is achievable in China and develop a more balanced plan for trade in that region that respects what it says are its values, it could tap into billions of dollars in business opportunities and partnerships in Taiwan that are waiting to be exploited in a far less problematic and vexing atmosphere.

## ► About the Author

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***Matthew Fisher** is a Fellow at the Canadian Global Affairs Institute. He was born in northwestern Ontario and raised there and in the Ottawa Valley. He has lived and worked abroad for 34 years as a foreign correspondent for the Globe and Mail, Sun Media and Postmedia. Assignments have taken him to 171 countries. An eyewitness to 19 conflicts including Somalia, the Rwandan genocide, Chechnya, the Balkan Wars, Israel in Gaza and Lebanon, the two Gulf Wars and Afghanistan, Matthew was appointed as the first Bill Graham Centre/Massey College Resident Visiting Scholar in Foreign and Defence Policy in 2018.*

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