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by Stephen Nagy
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POLICY PERSPECTIVE

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Canada-China relations are at their lowest point in history. Michael Kovrig and Michael Spavor remain imprisoned in China after their arbitrary arrests in December 2018, canola exports remain blocked and a majority (52 per cent) [of Canadians view China](#) as this country's highest security threat.

Following Canada's lead, a group of [40-plus countries has condemned](#) Beijing's treatment of Tibet and of the Uyghurs in Xinjiang, along with the [erosion of freedom of the press](#), the rule of law and human rights in Hong Kong after the promulgation of the 2020 national security law (NSL). Beijing has now engaged in a [what-about-ism campaign](#) targeted at Ottawa, accusing it of hypocrisy over its [treatment of First Nations children](#) and its colonial past.

Beijing was further angered after Global Affairs Canada released a [statement](#) on July 11, 2021, reiterating its support for the decision by a tribunal –constituted under the United Nations Convention on the Law of the Sea (UNCLOS) – in the matter of the South China Sea.

This statement included an explicit concern about “China's escalatory and destabilizing actions in the East and South China Seas (ECS and SCS), including, recently, off the Philippine coast, and ... the militarization of disputed features and the use of naval, coast guard and maritime militia vessels to intimidate and threaten the ships of other states.”

This drew Beijing's ire as it considers these regions to be part of its [core interests](#).

Trade Paradox

The curious thing about our bilateral relations during this low point is that trade remains robust and is deepening. A [March 31, 2021 survey](#) by Statistics Canada found that stocks of major crops such as lentils, oats, peas, soybeans, barley, wheat and canola were down compared to the previous year. This decrease was primarily driven by China.

A deeper look at bilateral trade relations with China shows that when compared to the previous year, trade from January to December 2020 rose from \$23.3 billion to \$25.2 billion, an 8.12 per cent increase, according to the University of Alberta's [Canada-China Trade: 2020 Year in Review](#).

A granular sectorial analysis of Canada-China trade reveals that non-agglomerated iron ore, canola seed, swine and canola oil have also increased in volume and value.

Clearly, the Canada-China trade relationship is a boon to the Canadian economy. Critically, the benefits are not limited to natural resources and the agricultural sector. Educational institutions, tourism, hotels, car rentals, language schools and restaurants are but a few of the benefactors of Canada-China relations. This will continue to be the case as the Chinese economy grows. Canada would be smart to position itself to maximize the benefits it receives from China's economic growth.



Chinese Revisionism and Its Implications for Canada

Trade remains an important and deepening aspect of the Canada-China relationship. However, aspects of Chinese behaviour in the Indo-Pacific are deeply concerning for middle-power nations like Canada which depend on international institutions and agreements to adjudicate how states behave.

Examples tangentially linked to Canada include the recently adopted [national security law](#) in Hong Kong, bellicose rhetoric towards Taiwan, the rejection of the Permanent Court of Arbitration's (PCA) decision in July 2016 rejecting all of China's claims in the SCS, and its grey-zone and lawfare tactics in the both the ECS and SCS.

Hong Kong and Broken International Agreements

With more than [300,000 Canadian passport holders](#) living and working in Hong Kong, what happens in the city matters to Canadian policy-makers. The recently adopted NSL, which has eroded freedom of the press, the rule of law and human rights in Hong Kong, has quieted the pro-democracy movement. At the same time, it has [raised concerns about the future](#) of Hong Kong, with 60 per cent of Hong Kong youth aged 15-30 wanting to leave.

Aside from the challenges of repatriating 300,000-plus Canadians from Hong Kong to Canada, there is China's abrogation of the [1984 Sino-British Joint Declaration, which raises alarm bells about China's commitment to international agreements](#). The declaration guarantees that the "rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research and of religious belief will be ensured by law in the Hong Kong Special Administrative Region."

Taiwan, Technology and Sea Lines of Communication

China-Taiwan relations are also a consequential point of concern for Canada. Critically, Taiwan's location connects the most important sea lines of communication (SLOCs) in the ECS and SCS. These SLOCs are used to transport energy, imports and exports to all of Canada's major trading partners in the region.

Friction and/or conflict in and around Taiwan would directly impact Canadian exporters and thus Canadians.

Taiwan's position in the high-tech supply chain is also important for Canada. Home to the Taiwan Semiconductor Manufacturing Company (TSMC), Taiwan is responsible for producing the vast majority of the most advanced semiconductor chips used for civilian and military purposes. These include the chips found in our Apple devices, vehicles and cutting-edge F-35 stealth fighter jets.



Growing concerns about Beijing resorting to [force to unify with Taiwan](#) raises questions for Canadian policy-makers as to the fate of a fellow democracy but also about supplies for critical technologies.

Revisionism in the East and South China Seas

The recently adopted [China Coast Guard Law](#) (CCG law) and the use of [grey-zone operations](#) to bully and/or erode Japan's claims of sovereignty over the Senkaku Islands, or of Southeast Asian states in the SCS, challenge Canada's commitments to multilateralism and international law..

The new CCG law escalates the chances for kinetic conflict in that it allows the Chinese coast guard to use armed force in areas it deems under its jurisdiction. This includes the Senkaku islands and the maritime formations in the SCS that China claims but which the PCA soundly rejected in July 2016.

How should close partners such as Japan respond to Chinese constabulary forces entering their waters? What position should Canada take as its partners are assailed by lawfare and other grey-zone operations, such as the [April 2021 incident](#) in which 200 Chinese merchant vessels positioned themselves at Whitsun Reef, clearly inside the limits of the Philippines' exclusive economic zone?

More importantly, could Canada abstain from joining its allies, such as the U.S. and Australia, as they come to the defence of partners in the region? The answer should be no, as it would seriously blemish our reputation and credibility as a champion of a rules-based order that is buttressed by multilateralism and international institutions.

Canada as a Responsible Indo-Pacific Stakeholder

Unquestionably, Canada should have a pragmatic partnership with China that benefits Canadians and acts as a platform to tackle global problems such as climate change, development and transnational diseases, including COVID-19. Canada and China have much to gain from intelligently investing in their relationship.

Mindful of Chinese benefits for Canada, we also need to be cognizant of the challenges to the rules-based order which China is [proactively working to erode](#). Hong Kong, Taiwan and the ESC and SCS are on the front lines of these efforts and their outcome will negatively impact the interests of Canada and its allies.

By working with like-minded states such as Japan, the U.S., Australia and others, Canada should try to strengthen its position vis-à-vis China by becoming a responsible Indo-Pacific stakeholder that promotes a free and open rules-based order.

► About the Author

Dr. Stephen Nagy is a senior associate professor at the International Christian University in Tokyo, a fellow at the Canadian Global Affairs Institute (CGAI) and a visiting fellow with the Japan Institute for International Affairs (JIIA). He was a Distinguished Fellow with the Asia Pacific Foundation from 2017-2020.

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The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

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