

Intelligence MEMOS



From: Guy Saint-Jacques

To: Canadians Concerned About China

Date: January 6, 2021

Re: **DESPITE THE TENSIONS, CANADA HAS OPPORTUNITIES IN CHINA**

The Canada-China trade data for the first nine months of 2020 year confirm what we [reported](#) in November, that despite the present tensions in the relationship, our exports to China are doing relatively well, up 4.22 percent or \$18.3 billion compared to the same period in 2019, while globally our exports are down 14.25 percent. Non-agglomerated iron ore (\$1.9 billion, up 97 percent) remains the largest category in dollar value, followed by chemical wood pulp (down 25 percent to \$1.3 billion), canola seed (up 52 percent to \$976 million), swine/pork (up 165 percent to \$865 million), and copper ores and concentrates (down 1.3 percent to \$763 million). China's growing needs mean continued imports of quality Canadian products.

In recent months, Prime Minister Trudeau, Foreign Affairs Minister Champagne and UN Ambassador Bob Rae have used a much firmer tone on China; a new policy towards China is also in the works. In terms of trade, China's punitive behaviour has led to a loss of trust and a cooling in the interest for this market in Canadian business circles. It is important for the government to develop common approaches with allies to force China to better respect international agreements (and stop using phytosanitary reasons to block exports as punishment) and adhere to a rules-based system. Efforts should also be made to diversify our trade by relocating resources from China to other markets in Asia.

Even so, the Chinese market will continue to offer opportunities for our farmers and manufacturers, and select service industries. The challenge for the government working in collaboration with the provinces is therefore to look at how to support our exporters. This calls for a more selective approach: a good place to start would be to look at the priorities that will be outlined in the soon to be released Chinese Five-Year Plan (2021-2025).

The environment is a case in point. It is a top priority for the Chinese government and Canada enjoys a very good reputation in China thanks to the work done through CIDA's development assistance program. Canada has cooperated with China on 21 projects contributing \$153 million to a wide array of energy and environment projects that shared advanced environmental technology, and more importantly, pioneered innovative environmental governance approaches with China. This collaboration led to the creation of the Ministry of Environmental Protection and of the China Council for International Cooperation on Environment and Development (CCICED). The council, whose executive vice-chairs are China's Minister of Ecology and Environment and Canada's Minister of Environment and Climate Change, sponsors research by internationally recognized experts and meets annually in the fall in Beijing and provides China's Premier and State Council with annual policy recommendations on the environment and sustainable development issues. Canada also hosts the secretariat of the council's International Support Office at the International Institute for Sustainable Development in Winnipeg.

Canada's new commitment to net zero emissions by 2050 puts us on a difficult, but cleaner path, needing to balance economic growth with the need to address our own environmental challenges. On this path, there is much for Canada and China to learn from each other. Opportunities in renewable technologies, clean tech, carbon capture and storage, nuclear energy, etc., should be pursued by Canadian companies working in tandem with the Trade Commissioners Service. There are no solutions to global environmental challenges without China's active cooperation.

Other promising areas include liquefied natural gas (to replace dirty coal), health care (especially elderly care), insurance services and wealth management, educational services, financial controls, food quality, consumer products (brands such as Lululemon, Canada Goose, Arcteryx, and Tim Horton's are popular), entertainment services, etc.

As exports represent 19 percent of its GDP, China needs continued access to international markets to achieve its growth objectives. Canada and its allies have woken up to China's bullying tactics and coercive diplomacy, and together should seek to impress on China that their use will threaten its access to markets. At the same time, Canada can advance concrete areas of cooperation and mutually beneficial trade with China such as outlined above, to lay stronger economic foundations in anticipation of days when current tensions clear.

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