50 Years of Canada-China Relations: 
Complexity and Misperception

By Gordon Houlden

Synopsis

While the Canada-China relationship has waxed and waned over the half century since diplomatic ties were established, there has been a broad trend towards expanded economic, political, and people-to-people engagement. However, current political tensions between Ottawa and Beijing, in addition to the knock-on effects of sharpening great-power competition between the U.S. and China, may impede any prospect of further engagement or a more wide-ranging relationship.

With an eye on the current global political environment, this article examines the factors that have shaped the relationship since 1970 and which still govern the relations between the two nations. These factors include the vast gap in population/national power, dissimilar legal and social systems, global power alignments, and the reality that greater interaction often leads to greater conflict. Working with China is inevitable if we aim to solve global issues such as climate change. Dealing with China in a way that respects both our core values and national interests presents a tough challenge for Canadian policymakers moving forward.
About the Author

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Professor Houlden joined the Canadian Foreign Service in 1976, serving in Ottawa and abroad. Twenty-two of his years in the Canadian Foreign Service were spent working on Chinese economic, trade and political affairs for the Government of Canada, including five postings in China. His last assignment before joining the University of Alberta in 2008 was as Director General of the East Asian Bureau of the Department of Foreign Affairs and International Trade.

Under Professor Houlden’s leadership, the China Institute has focused on contemporary Chinese studies, with an emphasis on the political, economic, and security issues of the PRC. His third co-edited book on the South China Sea dispute will be published in early 2021.
Introduction

When Canada and the People’s Republic of China (PRC) established diplomatic relations a half century ago, it represented different goals for both states. Canada sought a diplomatic opening to a huge, if underdeveloped, country and began to consider accepting Communist rule as a fait accompli shortly after the establishment of the PRC on October 1, 1949. However, it was only following the early stages of the American geo-strategic opening to Beijing, engineered by President Richard Nixon and his National Security Advisor Henry Kissinger, that Ottawa and Beijing were able to make progress on establishing diplomatic relations. China saw, correctly, that diplomatic relations with Canada could assist China in breaking out of its isolation, which had been partially self-imposed but was buttressed by US sanctions and China’s rivalry with the Soviet Union.

The fifty years of the Canada-China relationship have seen distinct phases of interaction. In the time since Canada and China established diplomatic ties, there have been periods when relations have been warm as well as a few periods of coolness – such as after the Tiananmen violence and in the early years of the Harper government. Despite these variations, the broad tendency has been towards greater complexity combined with increased economic interaction and “people-to-people” ties, all fueled by immigration, education, and travel. However, the potential of the relationship, both in economic and political terms, has never been reached, perhaps because of the difficult-to-bridge variance in history, political culture, and distinct strategic imperatives.

As we look forward into the next half century of Canada-China relations, there are warning signs that international complications for both countries, combined with the political chasm between them, will continue to hobble the relationship. With sharpening great power competition between China and the United States, the prospects for a more comprehensive relationship between Canada and China are receding.

The emphasis of this article is not on the history of the relationship between Canada and China, nor a recounting of the major events over the fifty years since diplomatic recognition, nor providing policy prescriptions. Rather, the focus is on the broad contradictions and contrasts between the two countries that have shaped their interactions and which impose limitations on the closeness that can be expected between the two states and peoples. These factors will be named and examined, although there will be mention of a few seminal events that impacted the bilateral relationship.

Contradictions and Contrasts

A series of contradictions and contrasts have shaped the Canada-China relationship – even well before the 1970 diplomatic recognition – and will continue to do so. The specific outcomes from these influences have varied, but they will not vanish.

These contradictions and contrasts can be distilled into four persistent and significant factors that have shaped the Canada-China relationship since 1970:

1. Disparity in population and national power
2. Distinct political, legal and social systems
3. Global power alignments
4. Greater interaction and greater conflict

Disparity in Population and National Power

First is the disparity in population and, increasingly, in the relative power of Canada and China.

The vastly different population sizes, one with surplus labour and one with a shortage, fuelled the movement of indentured labour from Canada to China in the 19th century, but racist views regarding the size and threat posed by the Chinese population (“yellow peril”) fed discriminatory legislation against Chinese migrants such as the “head tax.” While the legal barriers have been dismantled, the gap between the emerging superpower that is China and Canada’s own modest comparative heft fuels Canadian insecurity.

While China has long had great latent and unrealized power in the international community, the combination of inefficient autarkic Chinese policies, the chaos of the Cultural Revolution, and a hostile international environment constrained the growth of Chinese power.
With an underdeveloped economy, a huge military that lacked the capacity to project power, and inward-looking leaders, it was difficult, particularly in the 1960s and 1970s with a focus on the Soviet threat, for Western states and publics to fear China. But a modernized China with a powerful and capable military is another matter. China’s designs on the South China Sea and deeply held ambitions to regain control of Taiwan fuel Western suspicion of its long-term goals. These misgivings are particularly acute in Washington, where the relative decline of the US as a superpower, combined with China’s rapid rise, have forged a broad consensus among US policymakers than China represents the greatest threat to the US’s standing in the 21st century.

China’s ambitions have grown in tandem with its economy, global reach, and self-confidence. Exemplifying that confidence was the report of President Xi Jinping to the 19th Party Congress that put forth China as a model for the world – a model that he noted was not based on Western values.

But the contrast in size between the Canadian and Chinese populations also generated great hope for exports to China following diplomatic recognition, although substantive exports did not occur until the 1990s. As China’s global reach has increased, along with the sophistication and size of its economy, domestic concerns have increased in Canada regarding Chinese investments, especially from Chinese state-owned enterprises (SOEs) given concerns that the state and Chinese Communist Party’s (CCP) oversight carry a risk of undue influence by China within the Canadian economy. These security concerns extend to sophisticated telecommunications gear such as Huawei’s 5G equipment. China was no less dominated by the Communist Party in 1970, but it appeared as distant and sealed entity, not one that had the capacity to change Canada.

The trade relationship evolved from an exceptionally modest level in 1970, given the low level of economic activity in China during the Cultural Revolution. Trade was also impacted by the two-decades–long US-led embargo on China, although there had been considerable fraying of these policies by 1970. Agricultural exports had long dominated Canadian trade with China. This is not surprising, given that China struggles to achieve food self-sufficiency and that the Great Leap Forward and the Cultural Revolution had disrupted the functioning of the Chinese rural economy.

However, there were also early efforts by Canadian businesses and organizations to grow exports, with an outsized role played by large Quebec businesses, some of whom formed the Canada-China Business Council, possessed strong ties with the political leadership of Canada, and were in a position to influence Canadian China policies. It seems a distant echo, but in the 1980s, Canada enjoyed a trade surplus with China. Chinese officials regularly pointed out this disparity.

Even the most optimistic observers of China, including China’s own economic reformers, did not predict the speed of China’s economic expansion beginning in the 1980s. But it was this meteoric growth that pushed the Canada-China trade volumes forward, although with
Chinese exports growing far faster as Chinese consumer staples and industrial products displaced production of these products within Canada and from previous international suppliers. ¹

One characteristic that underpins the durability of the Canada-China economic linkages, irrespective of the variance in population and power, is that the two economies are broadly compatible. That which Canada possesses, be it vast arable land or untapped natural resources, China generally lacks. Of course, China, only modestly smaller than Canada in territory, has natural resources, but its population and industry far outstrip domestic supplies. China’s sophisticated industrial prowess guarantees that China will remain a competitive supplier of consumer and industrial products to Canada.

With an economy that is aging and with a declining number of workers as its demographic profile shifts, China will continue to need Canadian inputs. However, no matter how great the need for Canadian protein and minerals, it should be noted that Canadian exports are less essential to China’s development than the potential of Canadian exports to China are to Canada. China is poised to become the world’s largest market, and while Canada has privileged access to the US market, overlooking the scale of potential exports to China would have significant negative implications for Canadian exporters.

Relevant to this brief examination of bilateral trade, particularly looking forward, is the emergence of a movement towards the “decoupling” of US-China linkages, which gathered momentum under President Trump. This trend has immediate implications for Canada given both our deep economic integration with the US and our longstanding security alliances with the US. The decoupling movement appears to be most intense with regard to advanced technologies. This has implications for Canada’s high-tech companies, as there will be consequences to possibly being estranged from the second-largest economy that is on track to become the largest in the course of the next decade.

On the other hand, Canadian high-tech firms that engaged with Chinese partners are likely to face close scrutiny from US authorities, which could mean exclusion from American supply chains, especially where there are real or perceived security risks for the United States. However, it is clear that, despite the policy push towards decoupling, most US corporations already operating in China prefer to stay and the current US investment trends, both in terms of Foreign Direct Investment and portfolio investment, show strong capital flows toward China in 2020. Few supply chains are returning to the United States, and shifting established supply chains is difficult. Furthermore, foreign companies – including Canadian firms – that operate in China have prospects of joining Chinese supply chains that serve third country markets.

PRC investment in Canada assumed a high-profile and controversial role in the second decade of this century, led by the purchase of the Canadian energy firm Nexen by Chinese energy SOE CNOOC for over 15 billion, at the time the largest-ever overseas acquisition by a

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Chinese enterprise. While there had been many smaller purchases of Canadian companies by Chinese firms, the Nexen purchase generated a strong nationalist response from the Canadian public and media that in turn led to the gradual imposition of a series of restrictive measures on such acquisitions, some limiting PRC access to the Alberta oil sands and others imposing stricter security reviews.

Given that China possesses the largest reserves of foreign currency of any country – over $3 trillion US – the availability of Chinese capital, or its exclusion, will have significant implications for the Canadian economy in this century.

The disparity in national power and population between China and Canada is also evident in the influence of the two countries on each other. The Canadian impetus vis-à-vis China has long been based on a “missionary impulse” whereby Canada would play a leading role in re-shaping China. This has been true from the period when Canada sent missionaries into late Qing dynasty China through the early part of this century, where Canadians hoped that Canadian interaction with China would help bring China’s social and political systems into closer alignment with Canadian institutions and mores.

The sheer size of China’s population and its rapidly developing economy have meant that China’s influence on Canada is far greater than Canada’s ability to change China. That reality is a shock for Canadians. Some of this influence is simply a measure of the global clout of China, based on its economic and political power. However, some of the effects of Chinese political influence are problematic, particularly where it flows through the CCP United Front Work Department and where activities are aimed at influencing Canadian domestic politics, even if these efforts may not have a major influence. These sub-rosa activities are likely to persist as they are rooted in longstanding behaviours.

Distinct Political, Legal, and Social Systems

The second contradiction is the profoundly different political, legal, and social systems of Canada and China. One could fairly say that the contrasts between China’s political and social systems have declined since 1970. China was, at that time, still in the grip of the Cultural Revolution. Mao Zedong dominated Chinese society to an extent that today even President Xi Jinping cannot, and the lives of the Chinese people were regimented by a totalitarian vision managed by the CCP. That vision has now been replaced by a political system that remains authoritarian but which allows greater individual autonomy, from career choice to international travel. However, the effect of access to modern high-tech surveillance tools has strengthened the ability of the Party to control dissent.

The Western consensus is that President Xi Jinping has undertaken a much tougher political approach, both internally and in China’s foreign policies. This is accurate, but at the same time it is fair to state that Chinese society has also been gradually transformed in other ways. The Party seeks to balance its priority on regime survival while allowing significant autonomy in the daily life of citizens that may serve to reduce dissatisfaction.

The expectation of many Canadians and the hope of Canadian Governments was that Chinese society and its politics would evolve in a manner such that the divergences between China and Canada would decline over time. Canada was not alone in this hope. Western governments generally believed – or at least stated – that engagement with China, from aid to trade, would gradually bring about an evolution of Chinese society to bring it broadly into line with the West.

These arguments were not pure fantasy. We have seen that, each by very different paths, Japan, the Republic of Korea, and Taiwan have seen an evolution in their political and social systems that has brought them much closer to Western models while still retaining their own cultural imprints that in turn shape their institutions.

While the gap between the daily lives of Chinese citizens and Canadians has narrowed, the hoped-for convergence in political norms has not. While evolutionary changes in PRC and CCP governance are possible in the medium term, it is far more difficult to envisage even in the longer term fundamental changes that would bridge the gaps

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between Canadian and Chinese norms as has partially been the case with some East Asian states.

China may or may not be a special case. While not alone in its antiquity in East Asia, a central tenet of Chinese thinking is China’s unique character and the importance of this heritage to the Chinese. While the PRC is only 71 years old and thus young by the standards of the far older American Republic, PRC politics and statecraft clearly bears influence from its dynastic past, along with some elements that flow directly from the Soviet Union’s early influence. Chinese historical pride and self-identification as a unique civilization does not lend itself readily to overthrowing national norms in favour of foreign alternatives.

It is possible, over time, that China could evolve towards a more open and accountable political system. But that is by no means a sure thing. The legitimacy of the CCP currently rests on the twin bases of economic success and nationalism. Economic success, which depends to a considerable degree on foreign trade – including with major Western economies – pushes China towards cooperation with the West which provides both markets for Chinese industry and resource inputs. However, Chinese nationalism carries risks of confrontation with the West, especially the US. The Chinese desire to regain control of Taiwan, a “core” value for China broadly supported not just by the leadership but also by the Chinese people, especially the nationalist youth, carries the possibility of military confrontation and a risk of war.

The degree to which Chinese human rights practices deviate from those of the West (and Canada in particular) has been and will remain a brake on the potential of the bilateral relationship. These practices include human rights issues in Tibet and in Xinjiang, religious freedoms, freedom of speech, and pressure on Hong Kong society. Attention to these issues has waxed and waned, changing not only with the emphasis of Canadian governments but also in response to events in China, the most dramatic being the Tiananmen violence of 1989.

With Xi Jinping’s tough internal crackdown on Xinjiang’s Uighur population and on some other religious minorities including Christians and Tibetan Buddhists, it appears unlikely that we will see significant improvements while he remains in power.

China’s Asian neighbours, who have far longer and far more intimate experience with China, generally place less emphasis on China’s internal arrangements than on their inter-state relations with Beijing than is the case for Western countries. That may be simply indicative of a long historic exposure to a powerful neighbour as well as a more traditional approach to state sovereignty than that of Canada.

Global Power Alignments

The opening of diplomatic relations with the PRC had been considered by Ottawa well before 1970, but steadfast US opposition made this unlikely and Canadian efforts to retain diplomatic recognition of the Republic of China, confined to Taiwan, also frustrated these efforts. But by 1970 the Nixon Administration was quietly engaged in its own rethinking of the US relationship with China. This policy shift was not determined by changes in US Administration views regarding the nature of the PRC Government but rather by strategic considerations vis-à-vis the Soviet Union and the advantages that an opening to Beijing could bring to the US’s Cold War confrontation with Moscow.

The subsequent strategic alignment between Beijing and Washington, aimed at Moscow, lasted until the dissolution of the Soviet Union in 1991. This twenty-year period created an environment conducive to closer Canada-China ties as US-China relations improved. The end of the Cold War did not immediately end the favourable US-China geo-strategic relationship, although part of the rationale for a strategic alignment between Washington and Beijing evaporated with the fall of the Soviet Union.

However, the post-Cold War strategic realignments that brought Beijing and Moscow closer together, combined with gradually increasing US concerns regarding the long-term ambitions of the PRC, have in the 21st century led to a deterioration of Sino-American relations. This deterioration accelerated under President Trump. It is possible that under a Biden Presidency there might be an improvement in this key bilateral relationship. But there is a broad consensus in the US security, think tank, and congressional circles that China poses a rising threat to American security.

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As long as the Sino-American relationship remains challenged, there will be parallel pressures on Canada-China relations. That is not to say that Canadian policymakers do not have their own concerns regarding the security implications of China’s rise. It rather means that Ottawa will continue to face pressure from Washington to adjust its China policies to minimize US discomfort. These pressures will fluctuate in response to the ups and downs of US-China relations and will remain a significant factor in Canadian foreign policy calculations.

The “wild card” is the prospect for a Cold War between the US superpower and an emerging Chinese superpower. This prospect is not a certainty, but it is a possibility. Chinese military spending is currently approximately one third that of the US but is growing more quickly. A good portion of the Chinese military development is focused on “asymmetric” and high-tech investments in weapons systems that are designed to counter existing US weapons systems. These points of US vulnerability include aircraft carriers and regional bases in the Western Pacific. The Chinese tools being deployed to put at risk US military assets include a broad range of missiles and increasingly sophisticated cyber warfare capabilities.

As China’s economic output nears and surpasses that of the US, which likely will occur in this decade, China’s fiscal prowess and industrial capacity will allow the PLA to rapidly increase its military might if Beijing chooses to do so. Should the US and the PRC embark on a global arms race parallel to that of the decades-long Warsaw Pact-versus-NATO confrontation, Canada would have no choice but to align closely with our US security guarantor. Any prospect of a Canadian foreign policy of independent engagement with China would be diminished.

Greater Interaction and Greater Conflict

During the first years of the Canada-China relationship, especially between 1970 and the 1978 emergence of reformer Deng Xiaoping, there were occasional high-level visits, such as the 1973 visit by Pierre Trudeau, but there was limited substance. The US-China détente had made a relationship with China acceptable to Washington and our other Western allies. There were resident embassies established in Ottawa and Beijing in 1971, but few Canadians visited China, and very few Chinese, apart from a handful of officials, visited Canada. Trade was minimal, and there was little substance to the relationship, although it was generally cordial.

While Deng Xiaoping began the transformational programme of economic reforms in 1978, it took years before a broad take-off of the PRC economy was underway. Canadians were beginning to visit China in greater numbers, including members of the business community, but the numbers remained modest.

But as the pace of interactions between Canada and China accelerated, so did the potential for political, commercial, legal, and diplomatic disputes. The Canada-China relationship began to involve multiple departments and ministries in both states as well as Canadian and Chinese provinces and municipalities. The immigration movement from China to Canada accelerated in the 1980s and 1990s (initially largely from Hong Kong). China has a longstanding tendency to keep track of its overseas citizens, even after they acquire foreign citizenship, and as the numbers of emigrants increased and as some returned to live or work in China with Canadian citizenship, the potential for increasing numbers of Canadians citizens to find themselves under arrest multiplied. The growing numbers of Canadian businesses operating in China and Chinese businesses in Canada also led to commercial disputes that – more often than in Canada – can lead to detention of the individuals involved while the disputes are litigated.

It its first term, the government of Justin Trudeau put in place an ambitious set of high-level dialogues and discussed prospects for a free-trade agreement (FTA) with China. These dialogues are now frozen, and an FTA is off the table. Public views of China by the Canadian public in recent public polls are sharply negative. This domestic political reality will make any early rehabilitation of Canada-China ties problematic.

The irony is that the more substantive the interaction between Canada and China, the more intractable issues emerge, exacerbated by the paucity of dispute resolution mechanisms and the sharp divergences of legal and judicial practices. Simply put, the more contacts there are between Canadians and China, the more problems emerge.

Looking over the Horizon

The prospects for the immediate future of Canada-China relations are not positive. Dominating the relationship at this time are the twin consular cases of Huawei Chief Financial Officer Meng Wangzhou and Canadian citizens Michael Kovrig and Michael Spavor. Mme Meng was detained in Vancouver on an extradition warrant from the United States Department of Justice, while Mr. Kovrig and Mr. Spavor were arrested on what the Chinese government describes as national security grounds days later. Almost two years later, the cases remain unresolved, both having provoked strong negative reactions among the Canadian and Chinese publics. China generally denies that there is a linkage between the two cases, but it is clear that such a linkage does exist.

The two countries approach the cases in very different ways. The Canadian government – as well as the majority of the Canadian public – view the detention of Mme Meng as simply the application of Canadian extradition law. This values-based approach contrasts with that of China, which lacks a strong rule of law tradition and with sees the cases through their realpolitik lens. The general view in China, fed by the state-controlled media, is that the detention is a US plot to damage China’s interests by involving third parties, in this case Canada. China’s state-controlled media, to date, has chosen not to orchestrate a major propaganda campaign against Canada. But the arrest of Michael Kovrig and Michael Spavor, in retaliation for Mme Meng’s arrest, has infuriated the Canadian public.

It is difficult to imagine a return to normalization without an end to both cases. That may mean further months or even years of legal wrangling. But, as alluded to in the reference to distinct political systems, including legal systems, it is likely that the twin consular challenges now bedevilling the relationship will be repeated. The Meng/Kovrig/Spavor challenges are not the first such cases. There have been others, and there will be more.

The deeper we gaze into the 21st century, the more shrouded the prospects for Canada-China relations become. The factors cited above will not evaporate: with a vast gap in national power; distinct political, legal and social systems; global power alignments; and greater contacts come the prospect of more numerous conflicts.

China is a nascent superpower that has not yet reached the apogee of its economic, political, and military clout. Canadians, used to a world dominated by Europe or North America since Confederation have difficulty accepting that a state and civilization in Asia will influence Canada in ways that are unclear but which will be substantive.

But if global topics such as climate change are to be addressed, there is no alternative to working with China. For trade-dependent countries such as Canada and China, there are also incentives to trade. But the opportunity to do so will depend in part upon support from key allies and partners, especially the US.

Canadians expect their leaders to conduct foreign policy in ways that are consistent with Canadian values. However, China provides a conundrum for Canadian foreign policy by simultaneously offering significant opportunities to tackle global environmental and security issues and to advance Canadian prosperity while posing hard-to-resolve political, moral, and security challenges. The next fifty years will test the capacity of Canadian leaders and the Canadian public to manage the complexity of China relations in ways that respect both our values and our interests.
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The CIC would like to acknowledge the editorial contribution of the China Policy Centre and the financial support of the China Institute and Global Affairs Canada in making this series of articles possible.

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