The Taiwan challenge and the future of Canada-Taiwan relations

By Kathleen Mackay

Synopsis

Taiwan has attracted considerable attention in the media and among academia and think tanks in recent years, especially in light of China's recent rapid rise. However, Canada's relationship with Taiwan should not be seen as an adjunct to its relationship with China. As a modern, democratic society with a large economy and significant manufacturing and technology capabilities, Taiwan should be considered on its own merits.

Recently China has intensified its aggression toward Taiwan, which has experienced increasing incursions into its air and maritime territory, multiple cyber-attacks, and indications of foreign interference in its dynamic media sector. China has blocked Taiwan’s participation in international fora, even where its participation would be of benefit to others, such as the World Health Organization. It would be in Canada's interests to widen our relationship with Taiwan in areas of mutual interest and to work with other similarly minded countries to develop a common approach to working with Taiwan in the future. This may help alleviate some of the challenges that Canada faces in balancing our core values and national interests when dealing with Taiwan and China.
About the Author

Kathleen Mackay is a former diplomat and management consultant. She joined PwC Canada in Toronto in 1983, qualifying as a chartered accountant, CPA (CA) in 1985. Ms. Mackay joined the Canadian Foreign Service in 1989. She served overseas in Tokyo, New Delhi, and Brussels (EU), as well as serving as the Deputy Senior Official (Trade) for Canada’s APEC team. Most of her work in Ottawa was in international trade policy, including trade negotiations and trade disputes. Her final posting overseas was as Executive Director of the Canadian Trade Office in Taipei, from 2012-2015. She led the Free Trade Promotion Task Force at Global Affairs Canada before her retirement in 2017.
There has been considerable recent public discussion about the need to strengthen ties with Taiwan in reaction to the decline in Sino-Canadian relations, but this perspective ignores the value and importance of Canada’s relationship with Taiwan on its own merits.

Taiwan is a modern multi-party democracy of more than 23 million people with a large, advanced economy. Located on the vital shipping lanes of the Taiwan Strait between North and South Asia, its international status has been disputed since the 1940s, when two governments emerged from the Chinese Civil War, the Communists and the Nationalists. Canada and many other countries recognized the Nationalists of Chiang Kai Shek as the legitimate government of China. When Canada switched recognition to China’s Communist government in 1970, it broke off formal diplomatic relations with the Nationalist regime. At the same time, Canada “took note” of China’s asserted domain over Taiwan but did not endorse or challenge it.

The Canada-Taiwan relationship operates under a “One China” policy which, other than an absence of diplomatic relations, is effectively undefined. Within that policy, Canada has maintained strong economic and people-to-people ties with Taiwan. China continues to claim Taiwan as part of its territory.

Canada-Taiwan relations: The early years

Canadian missionary Dr. George Leslie Mackay arrived in Taiwan in 1871. Dr. Mackay had a significant impact on Taiwan and its people. He introduced modern medicine and dentistry, opened churches and schools, championed girls’ education, and supported the indigenous peoples of Taiwan. (He also opposed the Canadian head tax on Chinese immigrants, labeling it racist and unjust.) He was later a strong proponent of Taiwanese liberation from the then-occupying Japanese forces. Other Canadian missionaries have been working in Taiwan since those early days.

Japan occupied Taiwan from 1895 to 1945. During the Second World War, Allied prisoners of war, including Canadians, were held at more than 12 camps in Taiwan. With the assistance of the Taiwanese government and volunteers, a memorial wall commemorating those held in Taiwan is now located at the site of a mine at which the prisoners were forced to work.

In 1949 the government of the Republic of China (ROC) led by the Nationalists (the Kuomintang or KMT) retreated to Taiwan, having lost to the Communist (People’s Republic of China or PRC) forces of Chairman Mao. An estimated 1.5 million to 2 million people descended on Taiwan, which then had a population of about 6 million people. Martial law was declared and remained in place until 1987. Considering themselves the rightful government of all China, the KMT intended to return to China to rule, claiming sovereignty over all of mainland China. Only in 1991 did the government of Taiwan relinquish this claim of sovereignty.

Canada established relations with the Republic of China (ROC) in 1942. After the 1949 establishment of the PRC, Ottawa debated recognition of the PRC but maintained relations with the ROC government of Taiwan, despite having no diplomatic presence on the island. The Pearson government would have liked to recognize both the PRC and the ROC, but this was equally unacceptable to both. The result was a compromise in the 1970 joint communiqué establishing Canada-PRC relations, in which Canada only “took note” of Chinese claims to sovereignty over Taiwan.\(^1\) In 1971 the PRC government in Beijing was recognized by the United Nations as the representative of China, replacing the ROC. The status of the ROC remains unresolved, but the UN does not recognize PRC sovereignty over Taiwan.

In 1986 Canada opened an office in Taiwan, now the Canadian Trade Office in Taipei (CTOT). By 1992 Taiwan had offices in Toronto, Vancouver, and Ottawa. Both delegations are staffed with professional diplomats and carry out nearly all the functions of an Embassy.\(^2\)

Taiwan today

Since 1996 Taiwan has been a liberal democracy with regular and free elections. From post-war poverty as a largely agrarian economy, Taiwan has transformed itself into one of the world’s leaders in high-technology products. Taiwan now stands as the world’s 21st-largest economy and Canada’s 12th-largest trading partner.

---

\(^1\) Andree Laliberte and Scott Simon, “Time to Rethink Relations with Taiwan,” Vimy Paper 45, CDA Institute, October 2020, 3

\(^2\) Andree Laliberte and Scott Simon, “Time to Rethink Relations with Taiwan,” Vimy Paper 45, CDA Institute, October 2020, 4
GDP per capita in Taiwan is now US$26,910, close to South Korea (US$30,640) and similar to some European countries (Spain US$26,830).  

As Taiwan is not a member of the UN, it is not included in many international assessments of human rights or freedoms. Freedom House’s annual report on citizens’ access to political rights and civil liberties scores Taiwan at 93, with 100 meaning “free” and 0 meaning “not free” (Canada scores 98 and China 10). As well, Taiwan ranked 43rd in the 2020 World Press Freedom Index from Reporters Without Borders (Taiwan placed second in Asia, after South Korea). Japan was 66th; Hong Kong, 80th; Singapore, 158th; and China, 177th. Canada was 16th. 

In 2009 Taiwan ratified two United Nations human rights instruments, making the covenants legally binding. Taiwan has developed a “self-made international review process” under which a report from the Taiwanese government is submitted to a group of international experts which includes former UN officials. Conclusions of the process in 2013 and in 2017 were generally positive.

Taiwan is a leader in LGBTQ rights in Asia. Pride parades have been held annually since 2003 and have become the largest in Asia. Same-sex marriage was first considered for legislation in 2003 and finally legalized in 2019, the first such law in Asia.

While China continues to view the Taiwanese as somewhat difficult rogue subjects, fewer and fewer Taiwanese see themselves as Chinese. A May 2020 poll by Pew found that 66% of respondents identified as Taiwanese, 28% as both Taiwanese and Chinese, and a mere 4% as Chinese only. This is one more indication that Taiwanese people have grown increasingly separate from China. It is not surprising given the decades of separation, lively civic fora and an active free press.

In an August 2020 poll, Taiwan’s Mainland Affairs Council found that almost 90% of Taiwanese respondents were opposed to the “One Country, Two Systems” concept offered by China to both Hong Kong and Taiwan. Similarly large numbers were concerned by the recent changes to security laws in Hong Kong, which have further reduced support for “One Country, Two Systems” in Taiwan, as has recent repression in Tibet and Xinjiang.

Taiwan has been subject to cyber-attacks for more than 20 years, many of which are believed to have been instigated by China. Taiwan has developed a depth of cybersecurity expertise as a result. While Taiwan’s status makes it difficult to engage internationally on cybersecurity, in 2019 it held cybersecurity exercises with the US in Taiwan. Australia, Indonesia, and Japan also participated.

In the spring of 2014, protests erupted in Taiwan over the negotiation of a services trade agreement with China. Taiwanese citizens were concerned by the prospect of deepening Taiwan-China engagement. Labelled the Sunflower Movement, the protests were led by students and civic organizations (some connected to the then-opposition DPP). The agreement was never ratified and further economic engagement with China slowed significantly. The protestors used the experience to advise contacts in Hong Kong when their own protests – known as the Umbrella Movement – began later that year.

Taiwan imports almost 98% of its energy. A new policy targets a mix of 20% renewables, 50% natural gas, and 30% coal by 2025, while nuclear will be phased out. Taiwan is looking to diversify its sources of energy and should be able to use its technological skills to improve energy efficiencies and consumption.

Taiwan is also a net importer of agri-food and seafood products. In 2018, Taiwan’s agri-food and seafood trade deficit was US$8.7 billion with imports valued at US $14.1 billion.

With one of the world’s best records for Covid-19 management, Taiwan closed its borders early and tightly regulated travel. Other factors include rigorous contact tracing, technology-enforced quarantine and universal mask wearing. Further, Taiwan’s very difficult experience with SARS in 2003, in which it had little

---

3 “GDP per capita, current prices,” International Monetary Fund, https://www.imf.org/external/datamapper/NGDPDPC@WEO/KOR/JPN
7 Mainland Affairs Council, Taiwan, News Release, August 6, 2020
Taiwanese relations with the US and other allies

The US is Taiwan’s most important ally. When the US switched recognition to the PRC in 1979, it laid out an explicit approach to Taiwan in the Taiwan Relations Act. This legislation declares that US policy is “to provide Taiwan with arms of a defensive character; and to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.” This has resulted in significant arms sales to Taiwan over the decades. In 2019, the United States approved more than $10 billion of arms sales to Taiwan.9

The US currently maintains a policy toward Taiwan known as “strategic ambiguity,” whereby it refuses to declare whether US forces will be deployed to defend the island nation in the event of a Chinese attack. While vague, it is intended to give both countries flexibility to respond diplomatically without escalating to conflict. Recent defence reviews by the US government have focused on concerns of a more aggressive China. China has recently developed military installations in the South China Sea. Northeast Asia relies heavily on the flow of oil and commerce through South China Sea shipping lanes, including more than 80% of the crude oil to Japan, South Korea, and Taiwan10.

In March 2020, US President Trump signed the TAIPEI Act, indicating Washington’s support for Taiwan in strengthening its relationships with countries around the world. It further proposes signing a US-Taiwan free trade agreement. Bipartisan sponsorship indicates that there will be continued support for Taiwan under the incoming Biden administration.

Japan is also a strong ally of Taiwan. In addition to significant trade volumes, there are long-standing people-to-people ties, including large tourism flows. There have been high-level contacts and visits in the past few years. In 2013 a civil fishery agreement was signed, and in 2017 a search-and-rescue MOU was reached. Japan manages the relationship carefully, reflecting the importance of its relationship with China. But it recognizes the common values and strategic interests of the bilateral relationship with Taiwan.

9“Strategic Approach to the People’s Republic of China,” White House, May 2020, 14
Some EU member states have recently had high-level visits to Taiwan. Tensions with China have led to some experts pressing for an updated EU policy toward both China and Taiwan.

A small number of countries, including the Vatican, have continued to recognize Taiwan rather than China diplomatically. That number stood at 22 when the current DPP government was elected in 2016 but now stands at 15 with rumours of more defections pending under strong pressure from China.

China continues to claim Taiwan as part of its territory. Offers of a “One China, Two Systems” model similar to Hong Kong’s have been of limited and diminishing interest to Taiwan’s elected governments and people. Tensions between China and Taiwan have been rising in recent years, particularly since Xi Jinping became President in 2013; Taiwanese President Tsai was elected in 2016 and again in 2020. Her Democratic Progressive Party (DPP) has long had independence-leaning objectives. The outcome of these tensions will be an important element in the stability of North Asia in the coming years. China has also indicated that unification of Taiwan on China’s terms is an important condition of national rejuvenation.

China has made multiple aggressive incursions into Taiwan’s declared territory by air and sea in recent years. In January 2019, President Xi’s New Year’s remarks focused on the importance of unification with Taiwan (under an undefined “One Country, Two Systems”), noting that it was not an issue to be passed on for generations.

The incoming Biden administration has not yet laid out a policy on Taiwan (or China). Concerns about China’s military build-up in the South China Sea, cyber-attacks on both corporations and governments, and intellectual property theft have changed the US’s (and other countries’) views on China. Recent changes to Hong Kong’s security laws and negative perceptions of China’s early handling of the pandemic outbreak have furthered these concerns. It is widely expected that the Biden administration will work to develop an alliance of like-minded countries to push back on such behaviour.

Canada-Taiwan today

Since the opening a Canadian office in Taipei in 1986, Canada’s economic, academic, scientific, cultural, and people-to-people relations with Taiwan have grown substantially, although they have never reached their full potential due to Canadian reluctance to fully engage arising from concerns about China’s reaction.

From 2015 to 2019, bilateral trade grew more than 15%, reaching more than CA$8 billion. There are many academic and scientific relationships, some going back decades. Canada’s National Research Council has had a relationship with Taiwan’s National Science Council for more than two decades, recently focusing on such subjects as printable electronics, functional textiles, satellite communications, and earthquake technologies. The Terry Fox Research Institute has been working with Taiwan’s National Science Council to advance cancer research for some years.

Taiwan has 16 recognized indigenous tribes, about 2% of the population. A memorandum of understanding was in place to facilitate academic and community exchanges between Taiwanese and Canadian indigenous peoples. Taiwan’s Indigenous TV is modelled on Canada’s APTN, and a range of subjects have been addressed in meetings and events over the years.

Canada’s considerable expertise in the energy field is being applied to a large 1044 MW offshore wind-farm project being developed by a consortium consisting of Canadian power producer Northland Power (60%) and a Taiwanese offshore energy developer (40%), representing a significant Canadian investment in Taiwan.

There are an estimated 200,000 Taiwanese in Canada and more than 60,000 Canadians resident in Taiwan. In 2019 more than 120,000 Taiwanese travellers visited Canada, while more than 136,000 Canadians visited Taiwan. A working holiday program has supported youth travel both ways. Taiwanese students rank 15th.
as a source in 2019. Most Canadian students in Taiwan are studying Mandarin Chinese, for which Taiwan has excellent facilities.

Canada and Taiwan have discussed the negotiation of a Foreign Investment Promotion and Protection Agreement (FIPA), which would support two-way investment. Taiwan has such arrangements with a number of trading partners. Taiwan has expressed interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

**Why should the Canada-Taiwan relationship matter to Canada?**

The Canada-Taiwan relationship should be seen on its own merits rather than as an adjunct to Canada’s relationship with China. With great potential for expansion of trade and investment ties and with a convergence of interests and values across a wide spectrum of social, health, environmental, transportation, Indigenous, and other subjects, Canada has a choice to make: further develop the relationship with Taiwan, or maintain the status quo.

Taiwan has developed into a modern, liberal democracy which respects the rule of law and human rights. This is a completely different situation from that which existed when Canada switched its recognition to the PRC from the ROC in 1970.

Taiwan is a significant importer and exporter and is a key source of technological advances. For instance, more than 60% of semiconductors are produced by Taiwanese firms. It plays a productive role in global supply chains and controls the manufacturing of many products of importance to Canada and the rest of the world. Its location in North Asia close to and along key aviation and marine routes is important to Canadian trade and defence interests. Taiwan also plays a key role regionally in such areas as search and rescue and disaster relief.

It is also one of the world’s hot spots with fears of a deeper cold war – or a hot war – between the US and China, either over Taiwan directly or spilling over from other concerns such as information technology theft and industry dominance in areas such as 5G mobile networks and international standards for these products. Recent Chinese actions in Xinjiang and Hong Kong have increased concerns regarding possible Chinese hostile actions toward Taiwan.

At the same time, reportedly one of the few foreign policy issues with bipartisan consensus in the US Congress today is that of US allies doing more to help offset the cost of confronting China’s military buildup and accepting more responsibility for their own defence.17

**How to engage within the One-China policy**

The One-China policy has been interpreted myriad ways by different countries and administrations over the years. Economic relations and people-to-people ties commonly fall under that umbrella. This leaves a lot of room to manoeuvre. Canadian economic, social, and security interests with Taiwan are substantial and should be expanded through greater engagement at all levels. However, many companies and governments in Canada remain nervous about interacting with Taiwan as they are not sure of Canadian policy and may fear Chinese retaliation.

There are many opportunities to expand ties in trade, scientific and medical research, education, tourism, climate change, human rights, and Indigenous interests, for example. Taiwan has developed well-recognized skills in the field of cybersecurity. To take advantage of its expertise in this area, the US has developed a cooperative arrangement with Taiwan; Canada would benefit from a closer relationship in this increasingly vital field. Taiwan’s skills as an advanced manufacturer of high-tech products and Canada’s skills in high-tech software development have led to a number of natural synergies, with room for growth.

Canada should be looking for opportunities to work with Taiwan where our interests and expertise overlap. This could be in semiconductors, AI, PPE, or vegetable research. The recent establishment of a Canadian Technology Accelerator (CTA) in Taiwan is a good example of innovative thinking, as is the current Year of Canadian-Taiwanese Innovators. There is room to grow Canadian agricultural exports, Taiwan being a significant importer.

Support for human rights projects or disaster relief, for instance, are also consistent with Canadian interests and values. Bilateral projects on Aboriginal issues where common priorities and interests overlap could sustain continued exchanges.

Canada should initiate long-delayed FIPA discussions to support two-way investment interests and consider Taiwan as a possible new member of the CPTPP (membership offers are by consensus).

---

17 Jeffrey Collins, Shuvaloy Majumdar, and Jonathan Berkshire Miller, “From Middle to Major Power: Correcting Course in Canadian foreign policy,” Macdonald Laurier Institute, December 2020, 10
As noted earlier, Taiwan’s energy import dependence meshes well with Canada’s many advantages in the energy field, both in oil and gas production and also in new areas of energy production.

Taiwan has a number of excellent universities and think tanks. One of their many strengths is in researching and assessing China – “China watching.” A common language and an understanding of China give Taiwanese researchers an advantage in this area. Some Canadian organizations have existing relationships with their Taiwanese counterparts. It would be in Canada’s interests to deepen our connections to some of these organizations to better understand the region. This could include adding staff to the Canadian Trade Office in Taipei to focus on cross-strait issues.

**Canadian approach now and in the longer term**

The constraints that Canada agreed to in establishing its One-China policy remain unchanged, and Canada should be able to operate within a wide range of economic and non-economic spheres of interest to Canada and Taiwan. However, over the years, the Canadian government and the private sector have been cautious about interactions with Taiwan and its organizations to a point of self-censorship.

There have been no federal ministerial-level visits to Taiwan in more than 20 years, and limited provincial visits. (Canadian politicians have made regular visits organized by the Taiwanese government.) Interactions across a range of issues have been limited to lower-level officials or business executives. Trade, health, democracy, and human rights at the least will be better served by increased, higher-level interaction with Taiwan. The US and Japan have both recently increased the frequency and level of engagement with Taiwan. A pragmatic approach to Canadian interests should not be grounds for Chinese objections.

Canada could consider developing some sort of guidance or legislation to better clarify the scope of its relationship with Taiwan, although this could prove complex. This could assist business, government, and other organizations to better understand what is possible in interacting with Taiwanese organizations and government.

The Canadian government has recently been clear on support for Taiwan’s meaningful participation in international multilateral fora where its presence provides important contributions to the public good, in particular at the World Health Organization. Likewise, in the field of civil aviation, Taiwan has a legitimate need to participate in international discussions and regulatory development. Taiwan’s flight area is contiguous to those of the Philippines, Hong Kong, China, and Japan and is close to South Korea’s. In a busy region with the highest passenger and freight growth in the world, it would make sense that Taiwan be permitted to participate in relevant ICAO fora. There are other organizations in which Taiwan’s participation might also be useful, such as the OECD and Interpol.

The risks of conflict in the region have increased recently. China’s aggressive approach in Hong Kong and Xinjiang and increased incursions into Taiwan’s air and sea space have amplified the risk of further problems in the area. Canada needs to increase its knowledge of and engagement with Taiwan to better analyse and defend our interests in the region.

There is a risk that China will react negatively to increased Canada-Taiwan engagement. China’s recent aggressive actions against Australia show what could happen if China feels aggrieved (although these actions are not related to Australia’s relationship with Taiwan). China’s power and economic might is significant. Recent Chinese actions, however, have made Canada and many allies take stock of their relationships with both China and Taiwan. With a new US administration comes a timely opportunity to engage with like-minded countries to ensure that we are all able to engage in turn with both Taiwan and China flexibly.

China has been trying to narrow the range of interactions between Taiwan and other countries, which should be resisted. A contraction of its relationship with Taiwan is not in Canada’s interests. Not only do we share common values but the current pandemic has shown the importance of supply chains and the risks of reliance on a small number of suppliers. In an interconnected world, Taiwan’s strengths in important areas of manufacturing, intellectual property, research, and health management are important to many countries.

It is time for Canada to end its self-censorship in its relations with Taiwan and to develop the relationship more fully. This includes a re-examination of policies regarding interactions with Taiwan, active support for Taiwanese participation in the next round of CPTPP accession, support for Taiwan’s participation in relevant international fora, and a strengthening of trade and investment links. It would be in Canada’s interests to widen our relationship with Taiwan in areas of mutual interest and to work with other similarly minded countries to develop a common approach to working with Taiwan. This may help alleviate some of the challenges that Canada faces in balancing our core values and national interests when dealing with both Taiwan and China.
Bibliography


Schuman, M. (October 2020). Keep an Eye on Taiwan. The Atlantic.


The Economist, (November 21, 2020), The China strategy America needs.
About the CIC

The Canadian International Council (CIC) is Canada’s foreign relations council. It is an independent, non-partisan membership organization and think tank dedicated to advancing constructive dialogue on Canada’s place in the world and providing an incubator for innovative ideas on how to address the world’s most pressing problems.

The non-profit CIC integrates the voices of a diverse and multidisciplinary group of societal actors from academia, business, civil society, government and the media, and endeavours to inform and develop the capacity of the country’s next generation of foreign policy leaders.

One of Canada’s oldest and most respected think tanks, the CIC is not only dedicated to nurturing dialogue on Canadian foreign policy domestically, but also in projecting a Canadian perspective on the international stage. In our rapidly changing world, this effort to promote greater understanding and foster meaningful debate on critical challenges is more important than ever.

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.

Canadian International Council