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Reviving Canadian Growth and Prosperity:

*What Role for an Expanded
Economic Relationship
with China?*

Julian Karaguesian
Author

Clara Chu
Researcher



“A world of fortresses will be poorer, more fragile and less sustainable.”

– Prime Minister Mark Carney, April 2026

Reviving Canadian Growth and Prosperity: What Role for an Expanded Economic Relationship with China?

I. Opening Statement

The intent of this research report prepared for the Office of Senator Yuen Pau Woo is to further the national interest of Canada at a time when this country's current and future prosperity is facing the most powerful challenges and shocks in the post-World War II era. The most immediate threat to Canada's prosperity is emanating from the Trump Administration's high and volatile tariffs that have made cross-border trade with the U.S. increasingly costly (in some cases prohibitively so) and uncertain. As the Government of Canada continues to broaden and deepen its economic relations with much of the rest of the world, this report offers a fresh perspective on China with the objective of maximizing opportunities for Canadian households and businesses. The intent of this report is not to criticize Canada's national security policy, but rather to make the point that a less monolithic – and thus more nuanced – security approach to China would be in this country's national interest.

II. Introduction and Overview

The overarching thesis of this report is that Canada is losing out economically, technologically, and strategically by narrowly circumscribing its economic and wider relationship with China. Driven by often-exaggerated, often U.S.-generated national security fears, Canada is limiting its own technological advancement and prosperity. While the recently negotiated "EVs for Canola" deal, amid the broader Canada-China Strategic Partnership (the "Carney-Xi agreement"), presents an initial reset in bilateral relations, the economic relationship remains limited.¹ There are still many voices in Canada, ranging from domestic protectionist lobbies to Neoconservative-aligned think tanks, arguing that we have already gone "too far" and that further integration conflicts with "Western values."² This cautious approach narrows the range of possibilities for engaging economically with China, ultimately preventing Canada from reaching its full economic potential.

¹ See, for example, Prime Minister Carney forges new strategic partnership with the People's Republic of China focused on energy, agri-food, and trade | Prime Minister of Canada; and the Joint statement of the Canada-China Leaders' Meeting | Prime Minister of Canada

² See, for example, "Is more trade with China really a good idea," Margaret McCuaig-Johnston, *Globe and Mail*, January 7, 2026 – among many others.

Canada is currently facing a set of converging economic crises, with its long-standing trade-based economic model under severe threat. Canada exports roughly one-third of its GDP, with an overwhelming 77 per cent of those exports having traditionally gone to the U.S.³ This overreliance has become a salient vulnerability amid ongoing U.S. protectionism and a "thickening" border. At the same time, powerful vested interests in the U.S. seek to limit Canada's economic relationship with China specifically to maintain their leverage over the Canadian economy while "containing" China's reemergence as a major civilization. However, the structural decline of Canada's economic model began long before the current U.S. administration. Canada's trade as a share of its GDP peaked in the early 2000s and has trended downward since, with almost all of the decline attributable to stagnating trade with the U.S.

Canada is facing not only profound threats to its trade-based economic model but also the slow-but-steadily-corrosive effects of low and declining productivity and adverse demographic dynamics. Other related challenges include a severe shortage of housing facing middle- and lower-income Canadians, an affordability crisis in the wake of post-pandemic inflation, an overstretched health care system, shortages of skilled workers, outmoded physical infrastructure, operational constraints facing universities and all other levels of education, regulatory delays facing major energy, mining and infrastructure projects, and more.⁴ There is also a growing awareness that Canada has fallen behind other countries, not only in headline-grabbing metrics such as GDP per capita and productivity, but also in 21st-century transportation infrastructure (e.g., high-speed rail), agricultural technology adoption, "sponge" cities, and research, development and commercialization, and so on.

This report briefly addresses the profound macroeconomic challenges and headwinds facing Canada's underlying economic model and how an expanded relationship with China could help steer the country onto a higher economic growth path. In this regard, the note provides a non-exhaustive sample of areas, sectors, industries, and technologies in which a far more comprehensive economic relationship with China could help Canadian policymakers address challenges such as municipal waste management or achieve key objectives like reducing CO₂ emissions. It is these aspects of the economy that are almost always understated (or not mentioned at all) in the *China narrative* and in broader Western debate about what constitutes a geopolitically acceptable relationship with China.⁵

³ This number represents an average from 1994-2024.

⁴ For a comprehensive list of challenges facing the national economy, please see Canada Budget 2025 and the 2026 Spring Economic Update.

⁵ The terms *China narrative* and *Washington narrative* are used interchangeably by the author to describe a mostly U.S.-constructed idea of China as only an adversary, to be feared on national security grounds (e.g., trade, investment, data, technology, international cooperation, militarily, human values, etc.). One objective of this narrative is to vastly downplay China's economic and wider successes over the past nearly 50 years (i.e., the notion that China cannot be successful), while attributing any visible successes to cheating in international trade and the theft of Western manufacturing, ideas and wider intellectual property. Another key objective of this narrative is to hinder (or prevent) non-U.S. Western countries from expanding their economic relationship with China so that Washington can maintain leverage and thus dominance over the West.

III. Context: Macroeconomic challenges, policy responses and the role of China

Canada's economic model in the post-WWII era was built in part on the defence-industrial sectors (e.g., fighter planes, tanks, armoured cars, and other weaponry) that were rapidly established in response to an existential threat to global security posed by Nazi Germany and Imperial Japan. As the post-WWII decades progressed, the Canadian economy became increasingly integrated with the U.S. economy through trade, investment and military cooperation. Economic integration was first given a major boost by the Auto Pact of 1965, which shared automobile production and parts assembly between the two countries.⁶ The Canada-U.S. Free Trade Agreement of 1987 (which took effect in 1988) provided another major, across-the-board boost to economic integration. NAFTA, which brought in Mexico and came into force in 1994, created one of the largest free trade platforms in the world, second only to the European Union. Trade and investment flows between Canada and the U.S. rose sharply throughout the 1990s and early 2000s – so much so that trade between Canada's provinces and territories and the U.S. exceeded interprovincial trade flows by the turn of the century.

A series of events and crises – the 911 Attacks on the U.S., the Global Financial Crisis, the COVID Pandemic, and the rise of anti-free trade movements under President Trump and so-called Trumpism – have led to a thickening border with Canada over the past 25 years. Most obvious and recent in this regard are the Trump Administration's tariffs on Canadian (and global) exports to the U.S. At first, the trade war was dominated by across-the-board tariffs, followed by sectoral tariffs on Canadian exports of aluminum, steel, autos, and wood products. While the Auto Pact expired in 2001, with Canada experiencing a 60 per cent decline since then in automobile production (with large-scale migration of assembly, parts and the associated jobs to Mexico), the sectoral and other tariffs clearly represent an even more profound blow to Canada's trade-based economic model, given that between 75-80 per cent of total exports have been absorbed by the U.S. since the early 1990s. The recent escalation of the Trump Administration's trade war against Canada with 50 per cent tariffs on C\$28 billion worth of exports to the U.S., U.S. demands for effective control over critical minerals and key aspects trade policy, and rising trade policy uncertainty, represent a further thickening of the border and further motivation to diversify Canada's trade.

This immense shock to one of the key pillars of Canada's economic prosperity comes on top of a long-term decline in the country's productivity. Canada's productivity has been deteriorating in absolute and relative terms since the late 1990s. Deep globalization and total free trade with the U.S. helped drive a contraction in the once-wide range of higher-productivity goods produced in Canada, with an increasing concentration on energy production and exports. As economist Jim Stanford has extensively documented in reports such as *A Cure for Dutch Disease* (2012) and *The Failed Strategy of Staple-Led Growth* (2014), this persistent trading pattern resulted in a form of

⁶ The Canada-U.S. Auto Pact was a generous agreement in which the U.S. agreed that Canada could have 20 per cent of combined automobile manufacturing.

"Canadian Disease": an overreliance on energy production and staple exports that led to an overvalued Canadian dollar that in turn crowded out higher value-added manufacturing. This severely diminished Canada's economic complexity and business R&D spending.⁷

Adverse demographic dynamics are further compounding these macroeconomic fragilities. The demographic dividend that once provided 6.67 working-age adults for every senior (aged 65 and older) in the 1970s has steadily declined. The ongoing rise in the *senior dependency ratio* means that by 2040 there will be only 2.2 working-age adults per senior, in the absence of offsetting changes.⁸ Federal statutory expenditures, driven largely by elderly benefits, the Canada Health Transfer, and other transfer payments, account for over 54 per cent of total budgetary spending. Pressures on government spending, health care, and other essential services are exacerbated by an aging population and recent large-scale immigration amid weak economic growth.

While many of Canada's high-level (economic model-related) challenges have been long in the making, the ongoing trade war and sharp rise in overall protectionism initiated by the Trump Administration – amidst a wider fragmentation of the global trading and financial order – have awoken Canadians to the extreme vulnerability of their prosperity and sovereignty to the vagaries of American geopolitical dynamics. In response, the new government under Prime Minister Mark Carney has set out on an ambitious path of reform. These include offsetting the loss of trade with the U.S. by eliminating inter-provincial barriers to commerce, diversifying external trade, and launching a broad range of Nation-Building projects to modernize and expand transportation, trade, and energy infrastructure. On trade diversification with China, the new Strategic Partnership agreed by Prime Minister Carney and President Xi in mid-January 2026 marks a significant milestone in the thawing of relations after nearly a decade of intensifying geopolitical tensions.

In spite of the new Canada-China Strategic Partnership, however, the current trade relationship is a mixture of tariff-free access on some goods (e.g., agrifood, energy, electronics, plastics, textiles, etc.), substantial tariffs on other goods (e.g., steel, solar panels, wind turbines, and other clean tech), quotas (e.g., EVs) and widespread non-tariff and national security barriers on yet other goods and services (e.g., dual-use technologies). The investment relationship is even more complex and subject to greater uncertainty, security screening and fears of geopolitical blowback from Washington. Moreover, the durability of this thaw in relations and whether a broader relationship is forthcoming depend on the ability and willingness of the Carney government and wider society to do two things: (i) withstand potential economic and geopolitical consequences that could be imposed by powerful vested interests in the U.S., and (ii), move past the toxic anti-China narrative that has been planted and taken root across much of the West.

⁷ See "A cure for Dutch Disease: Active Sector Strategies for Canada's economy", Jim Stanford, Canadian Centre for Policy Alternatives, 2012.

⁸ See, for example, Statistics Canada, The Daily — Population estimates and demographic dependency ratio: Health regions and peer groups, July 1, 2025

The potential for a comprehensive economic relationship with China to develop new sources of economic growth and renewal for Canada is clear. China is the largest economy in the world at *Purchasing Power Parity* and the second-largest at market exchange rates.⁹ The country accounts for one-third of global manufacturing output, while two-thirds of global manufacturing supply chains pass through China at least once before assembly and shipping to final markets.¹⁰

In addition to China's central position in the global economy, its economic structure is complementary to Canada: that is, China's manufacturing ascendancy versus Canada's immense endowments of energy, minerals, metals and other natural resources, and its outsized role in agrifood. In short, the two countries are natural trading partners. With a comprehensive trade and investment relationship, and one unhindered by fear of backlash from Washington, China by itself (let alone the rest of the world) could offset a significant loss of trade with the U.S. economy. In fact, *Gravity models* of trade, which estimate trade flows based purely on economic size and distance between countries, suggest that Canada-China trade flows could nearly triple from their current C\$135 billion in 2025 within 10-15 years.¹¹ This would generate significant new sources of economic growth, jobs and incomes for Canadians nationwide.

The opportunities for investment mobilization with China are equally profound. In its Budget 2025-26, the Government of Canada has identified up to C\$1 trillion in investment needs to underwrite its ambitious major (nation-building) projects. These range from electricity grid expansion across both major population centres and the interior to oil and gas development, critical minerals and other mining, and trade and transportation infrastructure. China has the world's second-largest pool of capital after the U.S., with a national savings rate of 42 percent of GDP. With a domestic investment rate of 39 per cent, this leaves some US\$600 billion for overseas direct and portfolio investment.¹² China has repeatedly communicated its ability and willingness to substantially boost its direct and portfolio investments, as well as syndicated lending through its largest banks, in Canada.¹³

A comprehensive economic relationship would also benefit Canada in other macro-level areas: productivity, clean energy and climate mitigation, cross-country transportation, and beyond. In less than a quarter of a century, China has gone from having no high-speed rail to having 45,000 km of it, which is more than two-and-a-half times the rest of the world combined. As of April 2026, China alone accounted for over half of the world's wind power capacity and produced two-thirds of the world's wind turbines and components.¹⁴ According to the Paris-based

⁹ Source: IMF - Members' economic size at PPP

¹⁰ See, for example, Richard Baldwin - IMD China Globalization Paradox November 2025

¹¹ Estimates based on author's calculations. It is also worth noting here that this line of reasoning is not an anti-American posture whatsoever, but a strategic imperative for Canada to reduce excessive dependence on a single country (that is withdrawing from the global system) by diversifying with the rest of the world – which encompasses 95 per cent of the world's population and over 80 per cent of GDP at *Purchasing Power Parity*.

¹² See China's latest IMF Article IV Consultation here: IMF China Article IV Report 2025-26

¹³ China signals willingness to invest in Canada March 30 2026

¹⁴ See, for example, World Wind Energy Association (WWEA) WWEA China 2026.

International Energy Agency (IEA), in 2025 China produced 70 per cent of the world's EVs, or more than two times the rest of the world combined.¹⁵ According to IEA data, China produces 85 per cent of the world's solar cells and 90 per cent of the world's solar wafers.

IV. Canada's structural challenges: How can China be part of the solution

The high-level gains from a comprehensive economic relationship, whether in generating new export sources and economic growth or in the transfer of productivity and clean tech, are abundant, clear, and compelling.

The purpose of this report, however, is to go beyond the high-level gains to the structural, microeconomic gains, exploring where a comprehensive partnership could help Canada and Canadian policymakers solve actual “on-the-ground” problems and challenges. This note represents an initial attempt to sketch out the economic and technological cooperation landscape with the aim of (i) gathering data across a broad range of sectors, industries, technologies and ideas which China has developed to address its own immense-scale problems, and (ii) exploring how these could be tailored to the Canadian setting should the political will exist to update the China narrative, rendering it more nuanced, more aligned with modern geopolitical realities, and thus less antithetical to a broader economic relationship.

This report identifies nationwide, regional and local structural challenges, as well as opportunities for expansion, in the following areas:

1. Housing shortages and affordability:
2. Energy Security,
3. Electrification
4. Investment needs, including in the “Blue Economy”
5. Critical minerals development and oil byproduct / petrochemical processing
6. Skilled labour shortages
7. Healthcare shortages, modernization and expansion
8. Agrifood development
9. Urban mobility and transport
10. Climate change resilience and waste management
11. Arctic sovereignty and northern connectivity
12. Tourism and cultural exchange

The Table on the following page lists these challenge areas by **Issue**, **Indicators** (of the problem), the **Policy Response** to date (federal and / or provincial), **Current Status** (what the current relationship permits), and the **China Opportunity** (some of the possibilities in terms of benefits for Canada that could result from a comprehensive economic relationship). In other words, the

¹⁵ See the IEA's Global EV Outlook 2025 here: [Global EV Outlook 2025](#)

Table provides an initial, far-from-exhaustive empirical basis for understanding how a shift in the Canada-China relationship could help address some of Canada's structural challenges.

The Table begins with “big picture” / macroeconomic challenges, policy responses and the opportunities presented by a comprehensive economic and broader relationship with China. The Table then drills down to structural, microeconomic and other related challenges.

The Table includes references linked to the Table References in Section VI, which are URLs to the various information sources. This is an initial, very partial step towards creating a database of academic papers, news articles, official documents, and other sources that would highlight a broader range of benefits from a comprehensive relationship with China. An ever-growing database could then be more precisely categorized and built upon through a *Wikipedia-like* portal that citizens of Canada, China, and the world could contribute to. This could also include business cases (case studies) that analyze, collate and document the experiences and lessons of Canadian businesses in China, and Chinese businesses in Canada.

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Economic model under attack Thickening U.S. Border, anti-free trade MAGA movement, Trump trade war and prohibitive sectoral tariffs U.S. weaponization of Canadian economic dependency	Rising protectionism and high tariffs threaten the range of key Canadian exports to the U.S.: aluminum (50 per cent), autos (25 per cent), steel (50 per cent), wood products (45 per cent), lumber, etc. “Washington narrative” spurs national-security hysteria of all things related to China	Trade diversification with rest of world, including new <i>Strategic Partnership</i> with China Strategic partnership that reduces tariffs on agricultural products and clean energy transition technologies, establishes a quota on Chinese-made EVs at 49,000 for 2026-2029 period, and rising to 70,000 thereafter Opens way for greater Canadian investment in China, such as consumer goods, energy, new materials, aerospace, modern agriculture, advanced manufacturing and other fields Reframing of National Security through “vetted hardware requirements” rather than broad-stroke bans	Despite Strategic Partnership and diplomatic thaw, significant protectionist measures and structural barriers remain in place Bilateral trade currently in the C\$125-130 billion range Certain vocal interest groups in U.S. and Canada argue the “Carney-Xi agreement” misaligns with “Western values”, even though Canada would be the greater beneficiary of this agreement Others raise issues related to “forced labour,” as well as allegations that educational, academic, cultural and other non-profits are linked to Chinese Communist Party Pervasive fear of “backlash” from Washington due to greater trade and investment ties with China	China is the world's largest economy at purchasing power parity (nearly \$45 trillion) with two-thirds of global manufacturing supply chains running through China Deeper integration with China could end North American free trade in its current form (which is in any case under threat), but trade diversification with China (and the rest of the world) is a strategic necessity for Canada’s long-term sovereignty, prosperity and resilience Canada can build out infrastructure for domestic processing of energy and raw materials, and create redundancy lines that shock-proof its economy <i>Gravity models</i> of trade suggest that current two-way trade of C\$140 billion could be nearly tripled to C\$370 billion over 10 years with comprehensive trade agreement (i.e., most tariffs and quotas brought to zero). Gravity models also suggest that Canada’s current C\$50-60 billion bilateral deficit with China would decline significantly with comprehensive agreement

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Declining Productivity	Lagging R&D spend and constant brain drain due to U.S. commercialization strength	Incentivizing R&D via the Federal "Productivity Super-Deduction" and Ontario Tax Action Plan	Strictly circumscribed by national security concerns that shut out many of the top Chinese institutions and researchers, isolating Canada further from the innovation frontier	China leads in 66 of 74 critical technologies of the 21st century. ¹ The country surpassed the US in 2024 at \$1.03 trillion of R&D spend when adjusted for purchasing power. ²
	Canadian universities face declining operating grants and research funding	Encouraging private-sector partnerships and Federal Tri-Council research funding for Applied Sciences	See Policy on Sensitive Technology Research and Affiliations of Concern.	Nature Index's leading ten institutions in the applied sciences for 2024 were all based in China. Researchers based in China contributed to 56% of the applied sciences output. ³
	Talented international students returning home or moving elsewhere due to better job placements		One of the objectives of this report is to add nuance to national security concerns so that Canada is not unduly disadvantaged in global technology research by a more across-the-board approach to security.	Create a national IP commercialization strategy that includes "Global Science Hubs" with top Chinese institutions to boost underfunded yet fundamental sectors in the Canadian economy: • Corporate joint labs & research centers • Increased joint university spin-off enterprises with commercialization from both markets • Relocation packages that remove barriers to entry like housing, workspace, healthcare, legal, and tax credits⁴

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Housing and Affordability Gap	A structural deficit where CMHC estimates nearly 5 million new homes required by 2035⁵ Reliance on a limited number of heavy equipment suppliers, driving up construction project costs Affordability crisis spanning automobile, foods, mobile phone contracts, featuring one of the highest house price-to-income ratios in the world⁶ Severely inflated costs for ambulances and municipal vehicles⁷	Government of Canada 10-year C\$115 billion “National Housing Strategy” (of which C\$40 is new capital), 10-year C\$51 billion “Build Communities Strong Fund,” C\$7 billion Accelerated low-cost financing for CMHC Ontario's \$210 billion (over 10 years) capital plan to develop the necessary infrastructure for housing, along with some C\$ billion in tax credits and spending initiatives to enable the building of 1.25homes by 2031 Addressed implicitly via trade diversification and lowering of import barriers	Minimal and localized New Strategic Partnership allows for greater trade and investment opportunities, but high tariffs on inputs such as steel, glass and other, related home-building inputs remain in place Momentum hindered by anti-China narrative and fear of mass job losses from importation of China’s factory-build housing	Immense potential to import factory-built modular "container" and "villa" housing at a fraction of the cost to build traditionally. These all-purpose spaces can also be used for short-term leasing, rural tourism, service centers, portable classrooms, and remote health clinics Diversify heavy equipment supply in Canada with zero-emission Chinese excavator and loader alternatives,⁸ which have supported rapid industrial expansion in Africa, the Middle East, Latin America, and Southeast Asia Partner and source Chinese companies that manufacture advanced EV ambulances and municipal vehicles to address emergency-response wait time crisis⁹
Energy Security	Insurance companies continue to expect more drought and extreme weather.¹⁰	Major (nation-building) projects in electrification, energy development, LNG storage	New Strategic Partnership and Roadmap for Economic and Trade Cooperation, and the accompanying MOU has	China generates more solar/wind power than all other countries combined. Propose additional policies to push for more transition hardware and broader industry application

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Energy Security (cont.)	Canada, dominant in hydroelectricity, but became a net importer of electricity in 2025-26 due to drier conditions and long, cold winter. ¹¹	11 of the 23 nation-building projects referred to the Major Projects Office are energy and electrification-related Baseload power expansion and Federal Clean Economy ITCs. See “Electrification” below as a separate category	laid specific groundwork for greater bilateral energy cooperation, including increased scope for two-way trade and investment in both clean technology and conventional energy, and joint ventures in EV supply chains, novel batteries, fuel cells, nanotechnologies, advanced materials, and a wider range of “Advanced Energy Technologies” are on the Sensitive Technology List that was released by the Government of Canada in early 2025.¹⁶ Strained by "climate-killing" tariffs on transition hardware	such as floating solar arrays that regulate fishery temperatures during heatwaves¹² Procure ultra-high-voltage (UHV) transmission lines¹³ that link expanded renewable generation sites to communities, farmland, and remote research centers Collaborate on pilot programs for cost-effective SMRs and nanoreactor technology to be used in non-grid applications like offshore exploration robots, lifetime lasting nuclear batteries,¹⁴ and nuclear thermal district heating during extreme cold weather¹⁵ Sustainable Aviation Fuel (SAF)¹⁶ production in Canada can be supported in collaboration with Chinese companies for establishing refineries or technology licensing necessary for domestic capacity

¹⁶ The Sensitive Technology List released by Public Safety Canada on February 6, 2025, identifies eleven technology sectors or areas considered by the Government of Canada to be sensitive from a national security and defense point of view. The specific products and technologies listed under each category are potentially subject to rigorous foreign investment, international trade, and research cooperation reviews by the Government of Canada (Public Safety, ISED, etc.) through a national security lens. For more information, please see the list here: [Sensitive Technology List - Canada.ca](#). This list should be read in conjunction with the new Guidelines on the National Security Review of Investments, which “inform investors of procedures that will be followed in the administration of the national security review process of the Investment Canada Act.

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Electrification	Wait-time crisis of auxiliary electrical components necessary for manufacturing. Imports shocks delay projects	There are many, large-scale plans underway at the federal, provincial and territorial levels to modernize and expand existing grids, as well as build new grids	Transactional, with potential for syndicated lending; equity participation may follow at a later date depending on progress in Joint Economic and Trade Commission (JETC)	Canada can incentivize joint ventures with Chinese electrical manufacturers to build switchgear and transformer factories inside Canada
	Large power transformers and inverters, industrial turbines, switchgears, HVAC packages, electrolyzers, grid integration technologies suffering long lead times ¹⁷	Seven of the 23 nation-building projects referred to the Major Projects Office are electrification in BC, NWT, and Nunavut Ontario government has earmarked an additional C\$20 billion per year over the next decade as part of its Energy for Generations plan, which foresees a 65 per cent increase by 2050		Partner with champion Chinese producers to bring in part of the value gain of grain-oriented electrical steel (GOES) into Canada for final processing of transformer steel, thereby securing domestic stability for electrical infrastructure. Canada does not produce electrical steel due to its difficult and high-precision manufacturing process and relies on imports.¹⁸ Canada pivoting to GOES presents a huge opportunity¹⁹ Chinese manufacturers can continue to assist Canadian public transit and school busses towards electrification evenly across the country
Investment & Blue Economy	The Government of PM Carney identified C\$500B to C\$1 trillion in capital needs for nation-building	Major Projects Office, new Sovereign Wealth Fund, and Investment Summit planned for mid-September 2026, along with already-earmarked	Strategic Partnership opens to possibilities for two-way investment in conventional and clean energy	China has the 2nd-largest capital markets, four of the world's ten largest banks, a 40 per cent national savings rate, and vast foreign exchange reserves. Opportunity for deeper capital markets integration in co-financing green infrastructure projects across Canada

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Investment & Blue Economy (cont.)		capital injections in Canada Infrastructure Bank	Large-scale investment remains hindered by restrictive security reviews and US geopolitical narratives.	Issue "Blue Bonds" for sustainable aquaculture, eco-tourism and coastline conservation, kinetic tidal power and deep-sea energy storage, and algae biomass projects ²⁰
Natural Resources	Canada lacks midstream processing in critical minerals across many sectors Up until recently, permitting bottlenecks created 10-15-year delays to bring new mines online China accounts for 85-90 per cent of global refining. Insufficient domestic oil refining capacity, and petrochemical processing capacity, remains stuck in the commodities value-	As of early 2026, Canada has aggressively accelerated its actions to secure critical mineral supply chains. The Government of Canada has fundamentally shifted its approach, elevating critical minerals from a purely economic resource to a core national security and allied defense priority. Initiatives to accelerate mining and processing include the “Critical Minerals Production Alliance (C\$18.5 billion), the “First and Last Mile Fund” (C\$1.5 billion), “Critical Minerals Sovereign Fund” (C\$2 billion), “One Project, One Review,” and others	Despite the push for clean energy cooperation, there is a hard limit to this investment flexibility. The partnership does <i>not</i> override the Investment Canada Act. Investments in highly sensitive upstream sectors, most notably critical minerals (like lithium, nickel, and cobalt, which are essential for EV batteries), remain tightly constrained. Canadian government continues to heavily scrutinize or block “state-owned enterprises” from acquiring controlling stakes in these strategic resources.	China pioneered Chemical Enhanced Oil Recovery (EOR) for heavy crude and built state-of-the-art mega-oil refineries.²¹ Canada can partner with Chinese refinery experts on frontier technologies and advanced metallurgy best suited to Canadian sour crude, helping to move Canadian oil up the value chain and diversify refined products to the rest of the world. An example of this success exists in Nigeria, where a major oil refinery has been supporting neighbouring countries. “Built at a cost of about US\$20 billion, Dangote Petroleum Refinery’s eight-year journey from construction to production was made possible by cost-efficient Chinese engineering, procurement and construction contractors.”²² China holds monopoly-level advanced IP for refining, nanoscale materials, a wide range of

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Natural Resources (cont.)	chain and forced to import final goods		Critical minerals, critical minerals manufacturing, and critical mineral supply chains are on both the Sensitive Technology List (Section 3, Advanced Materials and Manufacturing), and subject to national security reviews under the updated Guidelines (Sections 9 iv and v).	advanced materials and manufacturing, and smart coatings. While materials such as Tungsten have clear dual civilian-military applications and are thus highly-restricted from foreign trade, investment, and technological research cooperation, there are potentially a wide range of other areas where Canada could benefit from China's technological lead in nanomaterials, advanced materials, and advanced manufacturing processes that are critical for metalworking, aerospace, electronics, EVs, and medical infrastructure.²³ Such partnerships with China (in these and other areas) that abide by the new Guidelines on the National Security Review of Investments would also help Canada develop new industries at a time when its traditional manufacturing (e.g., automotive, wood products, apparel, etc.) are increasingly threatened by the intensifying trade war initiated by the U.S.

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Labour Shortages	Shortage of skilled tradespeople (welders, engineers) delays major infrastructure ²⁴	Spring 2026 Economic Update launched \$6 billion "Team Canada Strong Plan" over five years. Includes C\$2 billion in wage subsidies to recruit young people, C\$3.4 billion for direct training grants, and more. The government also launched the In-Canada Worker PR Pathway, which is a one-time fast-track for up to 33,000 temporary foreign workers over 2026-2027	Foreign Exchange Worker Program, Student Visas have been significantly curtailed; other policies are currently "shutting out" Chinese industry experts	Targeted, timely, and temporary skilled labour exchanges dedicated to frontier economic and heavy industry projects. Chinese experts in mining, metallurgy, geology, and advanced machinery serve as a pathway to build domestic critical knowledge base, ²⁵ introducing competitive equipment and techniques
Healthcare Modernization & Pharma	Higher immigration and an aging population push health budgets to the breaking point; surgery wait times hit record highs and millions of Canadians without a family physician	Recent fiscal frameworks from the federal government—Budget 2025 and the subsequent Spring Economic Update 2026—introduced significant capital investments and targeted systemic reforms within health care sector. Focus on expanding infrastructure, addressing labour shortages, and securing long-term funding for provinces and territories	Limited trade, investment and research cooperation resulting from data privacy concerns, the Sensitive Technology List, the new Guidelines on the National Security Review of Investments, and prohibitive tariffs on certain Chinese-made medical equipment and devices, etc.	Canada needs faster deployment of high-volume, cost-effective molecular diagnostics to clear wait time backlogs. China has advanced precision health devices like portable ultrasound, CT, and MRI technology. ²⁶ Edge diagnostics machines are available for off-grid testing on bloodwork, hepatitis, HPV, and tuberculosis. These tools can be deployed in clinics, modular medical sites, and remote communities to diagnose patients quickly. Drones can also be incorporated for first responder services. ²⁷ Collaborate on biomanufacturing precursor sourcing to build out Canada's vaccine

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Healthcare Modernization & Pharma (cont.)		• Health Infrastructure Fund (C\$5 billion / 3 years) • Canada Health Transfer (C\$55 billion over 5 years) • Foreign Credential Recognition Action Fund • Health Research and International Talent search	Health care and wider medical trade currently outside of the margins of the Strategic Partnership	industry. Accelerate Canadian drug development by engaging with China's high-volume, low-cost clinical trial infrastructure.²⁸ China now contributes approximately 3 per cent of all experimental medicines currently in trial, and global pharmaceutical companies have spent over 40 per cent of their 2025 acquisitions on Chinese assets.²⁹ Local Canadian pharmaceutical companies should be encouraged to partner more closely with Chinese firms on licensing deals as to stay competitive in next-generation medicines. Additional commercial joint ventures highlighting unique strengths of both countries include nuclear medicine/ radiopharmaceuticals, regeneration medicine, CAR-T and cell therapies, bispecific antibodies. Chinese robotic surgery platforms offer standardized long-distance surgery.³⁰ Canada could partner with Chinese experts to build robotic surgery platforms in remote hubs, expanding access to life-saving care for patients with limited mobility.

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Agri-Food	Investment growth in Canadian agri-food is lower than it was a decade ago, with values down 32 per cent and deals down by 29 per cent ³¹	Government of Canada investing \$30 million in not-for-profit organizations to help accelerate clean technology innovation across Canadian agriculture ³⁴	Slowly moving away from transactional relationship, marked by the signing of the Economic and Trade Cooperation Roadmap, and reactivation of bilateral mechanisms like the China-Canada Joint Committee on Agriculture	Procure modular containers and other goods, such as clay and polyolefin plastic, to scale cost-effective passive-solar greenhouses that withstand extreme cold conditions ³⁵ in remote hubs and common spaces
	Agri-tech is dominated by small firms, and innovation is geographically imbalanced. ³² Digital Agriculture Technology shows promise, but Canadian field crops remain limited ³³	The government provides financial support for clean technology adoption, assurance systems, and agri-tech innovation		Partner with China on space seed breeding missions for climate-resistant crops,³⁶ which have already produced a high commercialization rate in the Chinese³⁷ market Increased drone use for product sterilization, fertilizer application, and yield estimation.³⁸ Increased domestic adoption of food processing machinery, motors, and control systems Canada has an import vulnerability for urea, nitrogen, and phosphate.³⁹ Chinese firms can assist with fertilizer infrastructure development Collaborate with Chinese experts on agriculture tech and AI models for high-standard soil monitoring⁴⁰ as well as complex produce-picking robots⁴¹

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Urban Mobility & Transport	Gridlock costs Ontario \$11 billion annually. Canada's physical infrastructure (rail, roads, air, and marine ports) is aged and inadequate Trade barriers between provinces cost the economy an estimated \$80 billion annually, acting as a 4 per cent tariff on the national economy	Executing largest transit build-outs in history (e.g., subway and rail expansion, arctic transportation, bridges, ports) backed by multiple funds Harmonizing regulations, removing CFTA exemptions, and pushing Federal "Pan-Canadian" market efforts	Blocked by procurement rules; the new partnership would allow strategic procurement Deterred by security reviews; the new partnership creates a "Safe Harbor" for capital	China remains the leader of advanced transportation, operating more high-speed rail lines than the rest of the world combined. Experts should be invited to provide assistance in designing and developing high speed rail systems and trade ports intended for automation and mass volume. The Shanghai Yangshan Port has the largest automated terminal and its blueprint has replicated in 14 terminals worldwide⁴² Import Chinese HSR rolling stock and Tunnel Boring Machines (TBMs) to slash the construction costs on the Quebec-Windsor corridor
Waste Management	Domestic plastic recycling decreased to 7 per cent, and 97 per cent of garbage is thrown into landfills⁴³ China's 2018 National Sword policy (banning foreign waste imports) heavily impacted Canada's recycling export market,	Reimagining emergency response via Federal aerial firefighting aircraft and Nova Scotia EMO modernization. Moving toward a "circular economy" Currently focused on Federal Plastics Registry for data transparency and expanding Extended Producer	Ongoing exploratory activities with China around trade and investment promotion activities University joint research programs	Partner with Chinese experts on setting up more nature-based solutions like "Sponge Cities" with permeable pavements to manage high flood risk⁴⁵ zones, alongside expanding large engineered structures like embankments, floodgates, and channelized rivers Deploy more drones for de-icing and firefighting.⁴⁶ They can also be used for remote

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Waste Management (cont.)	a challenge that European G7 nations had already adapted to decades earlier. ⁴⁴ Inequal infrastructure access in Canada to address plastics recycling rate and waste diversion rate	Responsibility programs across the country		power line inspections, bridge audits, pipeline monitoring, and sewage drainage ⁴⁷ Modern waste-to-energy incinerator plants that cogenerate energy and emit emissions at only one-tenth of the EU limit ⁴⁸
Arctic Sovereignty & Northern Connectivity	The digital divide in the North limits participation; Northern broadband speeds are 1/10th the average but cost 10 times as much. Managing immense northern territories is a major challenge	Strategic investments in transport and connectivity projects, as well as deepening strategic alliances with allies	Partnership with China blocked by security concerns, with cautions that scientific diplomacy serves a dual purpose. Cooperation in most of these areas would be subject to rigorous scrutiny – and likely be blocked entirely – under sections 9 viii and x (at a minimum) of the updated Guidelines on the National Security Review of Investments.	In late 2025, China completed the first manned scientific exploration on the eastern Gakkel Ridge, demonstrating breakthroughs in seabed mapping, under-ice navigation, and coordinated polar expedition capability ⁴⁹ of previously inaccessible areas. China also has plans to develop its own fleet of nuclear-powered icebreakers ⁵⁰ Under the appropriate circumstances and under the auspices of both governments, Canada could benefit from a partnership with China to improve Canada’s navigational coverage. Canada currently lacks several components of modern geodetic infrastructure needed to ensure reliable

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Arctic Sovereignty & Northern Connectivity (cont.)			Advanced Sensing and Surveillance technologies, including Positioning, Navigation and Timing (PNT) Technologies, are on the Sensitive Technology List. Robotics and Autonomous Systems are on the Sensitive Technology List	positioning, navigation, and timing (PNT)⁵¹ in the arctic region Canadian Arctic operations rely on fly-in diesel. Incorporating SMR models from China could help reduce emissions and provide an added layer of system robustness Chinese modular containers could also su fast scaling of research stations The Drone Innovation Hub⁵² could, under certain circumstances considered “safe” from a more discerning national security point of view, collaborate on R&D and commercialization of designs with Chinese companies that have already deployed High-Altitude Long-Endurance (HALE) drone fleets in Arctic missions. Canada is currently dependent on imported drones for arctic exploration⁵³ Establish drone training centers across northern territories so that Indigenous and remote communities can receive shipments of food and goods more efficiently, creating new jobs via the low-altitude economy Supply all-purpose modular spaces for residential, recreational, and hospitality in the

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
(cont.)				Northwest Territories. Work with Chinese builders on expending civilian and industrial mining projects with green technology
Scientific Research Cooperation across universities and institutes	Historically wide-ranging Canada-China research collaboration that began in the 1980s and 1990s, when the Government of Canada and Canadian universities worked in unison to support “the modernization and transformation” of Chinese universities as China opened up to the world.¹⁷ Wide-ranging research collaboration and increasingly close linkages between both countries’ universities	The Guidelines on the National Security Review of Investments (March 4, 2021, revised March 5, 2025), and the Policy on Sensitive Technology Research and Affiliations of Concern (2024). These new policies, which mirror similar changes toward China in the U.S., were aimed at reframing the country as a hostile actor – thus justifying stringent research security measures across Canadian universities and research institutes. The new Canada-China Strategic Partnership signed	As with similar de-risking frameworks implemented in the UK, the EU, Australia and other Western countries, China vociferously opposed Canada’s new policies on Sensitive Technology Research and Affiliations of Concern, arguing that they politicized pure scientific research.¹⁸ China remains open to greater university and scientific research collaboration with Canada and other countries.¹⁹ The revised Guidelines on the National Security Review of	China is a global leader in internationally-recognized universities and scientific research output. As of 2026, China had the world’s largest number of top universities in the Academic Ranking of World Universities (ARWU), the US News and World Report Best Global University Ranking, the Center for World University Rankings (CWUR), the University Ranking by Academic Performance, and other internationally-recognized rankings. According to the Nature Index Research Leaders, China dominates global scientific output. The Chinese Academy of Sciences (CAS) is ranked by <i>Nature</i> as the world’s leading overall research institution, followed by top domestic universities like Zhejiang

¹⁷ For further details, see Qiang Zha and Ya Xuan Wang, “Science and geopolitics: The interesting case of Canada”, *University World News*, January 21, 2026.

¹⁸ See, for example, [Remarks of the Spokesperson of the Chinese Embassy in Canada Embassy of the People's Republic of China in Canada](#)

¹⁹ See, for example, Chinese Ambassador to Canada Wang Di published a byline article titled "Promoting International Collaboration Through Open Sharing of China's Major Scientific Facilities" on the Ottawa Life Magazine_Embassy of the People's Republic of China in Canada

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Scientific Research Cooperation across universities and institutes (cont.)	continued until the onset of geopolitical tensions circa 2017-2018. While ethnic Chinese make up less than 5 per cent of the Canadian population, they account for 6 per cent of Canada Research Chairs, 10 per cent of Natural Sciences and Engineering Research Council Chairs, 16 per cent of IEEE-Canada Fellows and 17 per cent of Canadian Academy Engineering Fellows. “Chinese-origin scholars have thus contributed disproportionately to Canada’s innovation ecosystem and are arguably central to Canada’s scientific	in January of 2026 did not include any movement back towards closer research and development cooperation between the two countries’ universities and research institutes.	Investments and the Policy on Sensitive Technology Research and Affiliations of Concern have led to a significant decline in scientific research collaboration between Canada and China, and Canadian scholars of Chinese origin have been disproportionately affected by this “strategic disengagement” with China. See footnote 16 for source.	University, Tsinghua University, and Peking University. The benefits for Canada from greater research collaboration – that would be afforded by a policy approach that maintains the highest security standards while being more discerning with respect to technologies, industries, universities and research institutes – are clear. According to the Australian Strategic Policy Institute’s (ASPI’s) Critical Technology Tracker, China now leads the world in 69 of 74 critical and emerging technology fields. See footnote 20 and pages 22-23.

ISSUE	INDICATORS	POLICY RESPONSE	STATUS WITH CHINA	CHINA OPPORTUNITY
Scientific Research Cooperation across universities and institutes (cont.)	engagement with China.” (See footnote 16 for source.)			
Tourism & Cultural Exchange	Tourism contributes roughly 1.7% to Canada's GDP and remains small in scale. U.S. travel is down 7.5% year on year ⁵⁴	Government promoting tourism through the Canada 365 strategy ⁵⁵ which includes reduced park and museum fees and additional funding for convention activity and local attractions.	Transactional; boosted recently by Approved Destination Status and visa-free travel to act as a "Strategic Bridge"	Mainland China modernized its tourism industry with national strategies such as the “Beautiful China” initiative and rural revitalization,⁵⁶ allowing travellers to easily navigate natural heritage Canada can follow and mimic China's convenient sleeper high-speed rail system,⁵⁷ and also expand the marathon economy across more natural settings (e.g., TCS Toronto Waterfront Marathon,⁵⁸ Gobi Desert Marathon⁵⁹) Promote Canadian strengths like agritourism, astro-tourism in the Northern territories, and tundra tourism. Adopt a cultural and media-friendly ritual similar to China’s 盖章 (Stamp Passport) system⁶⁰ to promote traveller engagement with the country

V. The Case for Comprehensive Engagement with China

The Direct Costs of a Narrowly Circumscribed Relationship

The evidence presented in Section III, while only a sample of the much broader range of possibilities, serves as a demonstration of what Canada can stand to gain by moving beyond the often-exaggerated (and sometimes-non-sensical) fears associated with China to a more comprehensive economic relationship. Polemics surrounding "dumping," EVs as "spy machines on wheels," and China's desire for "world domination," have been continuously used to prevent a broader relationship and block access to – in a growing number of cases – superior technologies that could help Canada address a wide range of challenges and structural rigidities.

When Canada rules out Chinese critical minerals expertise, high-speed rail procurement, tunnel boring machines (TBMs), or advanced EV ambulances – among other things – due to vague fears of "data espionage" or "surrendering the country to China", it is Canadian families who suffer through ongoing urban gridlock, inflated municipal taxes, worsening emergency-response wait times, and higher (often oligopoly) prices. Prohibitive tariffs on Chinese solar panels, wind turbines, or ultra-high-voltage transmission lines aimed at, for example, "protecting Western values", undermine Canada's ability to achieve net-zero transition, energy security, higher economic growth, and other key longer-term objectives and savings. U.S.-aligned tariffs on the steel and other components of modular buildings make it harder and more expensive for Canadians to find and afford homes²⁰. More generally, mischaracterizing China as only a malicious adversary to be avoided keeps Canada and Canadians mired in sometimes outdated and often U.S.-dependent (or U.S.-dominated) commodity-based value chains, not to mention lost export opportunities for Canada that result from a bounded relationship.

Demythologizing the China Fear Narrative and forming a new China narrative

The counter-argument to a comprehensive reset of the Canada-China relationship is inevitably: "Shouldn't we be afraid of China?" The empirical reply that follows from Section III is: *on what basis?* The fear that China simply subsidizes industries to "dump" goods on international markets is not only (mostly) an inaccurate anachronism but willfully ignores the reality that Chinese markets are fiercely competitive because of their massive economies of scale, domestic innovation and large number of players. China's EV industry alone has over 100 manufacturers. The notion that China is merely a low-cost assembler appropriating Western IP and dumping cheap wares on global markets is not a serious one. Today, China is a global technological leader. This is increasingly recognized across the West, from the *Economist* magazine and *Financial Times* to international scientific journals (e.g., *Nature*) to the World Economic Forum (WEF) to the Australian Strategic Policy Institute (ASPI).²¹

²⁰ China's modular building units have applications that go far beyond housing to include police stations, post offices, library outlets, scientific research stations, tourist kiosks (among other uses) in remote areas.

²¹ See, for example, [ASPI's Critical Technology Tracker: 2025 updates and 10 new technologies | The Strategist](#)

The reason that China has emerged as a technological and renewable energy leader is equally compelling. China has maintained a national savings rate of over 40 per cent since the 1980s²². These savings are ploughed back into productive investment and public goods. China allocates over two-thirds of total government spending (all levels of government) towards 21st Century transportation and clean energy infrastructure, education, health care, climate change mitigation and adaptation, research and development, and other (public) goods. Within a quarter of a century, it has become dominant not only in all stages of manufacturing but also in the full range of clean technology and energy. China has also reached the global technological frontier in education and health care, including pharmaceuticals. According to the *Global Infrastructure Hub*, China spends 6.1 per cent of its GDP per year on infrastructure, compared to an average across high-income (OECD) countries of 2.7 per cent and 1.6 per cent in the U.S.²³

The following two paragraphs provide a brief comparison of how the world's two leading superpowers allocate resources to defence and health care. China operates one overseas military base (in Djibouti).²⁴ As of mid-2024, the U.S. operated 128 military bases across 80 foreign countries and territories in Europe, the Middle East, Africa, and Asia.²⁵ Total U.S. military spending absorbs one-quarter of the federal government's budget and early 3.5 per cent of GDP. China's military spending amounts to 1.7 per cent of GDP - *a GDP that is 40 per cent smaller than the U.S.'s at market exchange rates*. In current U.S. dollar terms in 2025, U.S. military spending amounted to nearly three times China's, according to the Stockholm International Peace Research Institute (SIPRI). Another way to state this is that the U.S. accounts for 33 per cent of total global military spending, while China accounts for 12 per cent. It is important to keep in mind that China's population of 1.425 billion is over four times the size of the American population (341 million). Yet another way to state it is that the U.S. military spending amounts US\$3,000 per person compared to China's US\$236, which is an order of magnitude greater than 12. Even when measured in PPP terms, the U.S. spends approximately six times as much per capita on defence and the military as China.

At the same time, U.S. health care, a mixed private-public system, absorbs an estimated 17.2 per cent of GDP, while leaving some 25-30 million citizens (approximately 8 per cent of the population) without coverage. Health care spending as a share of GDP averaged 9.3 per cent in OECD countries taken together in 2025.²⁶ Defence and health care spending in the U.S. clearly "crowd out" other forms of spending and investment, for example in public transportation and other critical infrastructure. China's health care spending reached six per cent of GDP in 2025 and covers 95 per cent of the population with at least basic health insurance.²⁷

²² See China's latest IMF Article IV Consultation: IMF China Article IV Report 2025-26

²³ You can find cross-country comparisons on infrastructure spending here: www.gihub.org.

²⁴ See Blanchard, Lauren Plosch, "China's Engagement in Djibouti", Congressional Research Service (CRS), Product Number IF11304, July 6, 2025.

²⁵ See Nicastro, Luke A. and Andrew Tilghman, "U.S. Overseas Basing: Background and Issues for Congress", Congressional Research Service (CRS), Product Number R48123, July 10, 2024.

²⁶ See, for example, Health expenditure in relation to GDP: Health at a Glance 2025 | OECD

²⁷ See, for example, WHO China Health Care, according to which 90 per cent of households in China can access a Primary Health Care (PHC) site within 15 minutes of their home.

Global Precedents: Economic Gains Without Compromising Security

To more fully grasp the *opportunity costs* resulting from the anti-China narrative, Canada needs only look to the experiences of other nations. Western allies and G20 economies like Australia, the EU, Turkey, and Brazil—not to mention nearly all of South-East Asia—maintain much larger economic relationships with China without compromising their national security. They have demonstrated that a nation can maintain domestic sovereignty and security while reaping large-scale, quantifiable economic benefits:

- **Australia:** Australia offers the ultimate counterargument to the claim that trading with China compromises Western security. Despite being a core member of the Five Eyes intelligence network and the AUKUS defence pact, Australia actively prioritizes its economic pragmatism. According to the Australian Department of Foreign Affairs and Trade, China accounted for 24 per cent of Australia's total goods and services trade in 2024–2025, reaching A\$309 billion. Australia secures a sizeable flow of national income through these exports while strictly and safely maintaining its defence posture.
 - Since Australia ceased large-scale automobile production and assembly in 2017 (due to a stronger Australian dollar and the termination of major government subsidies), over 20 Chinese EV companies have been selling into that market. Chinese-made EVs accounted for 79 per cent of total EV sales in 2025, with Chinese brands alone accounting for 41 percent. Our back-of-the-envelope calculations show that the Australian government is reaping approximately AUD\$1.2 billion per year from sales of Chinese-made EVs.
 - Sales of EVs between 2020 and 2024, doubled every year and reached over 100,000 in 2025, and have continued to rise sharply in 2026. According to recent reports by GEOTAB and CommBank, affordability driven by aggressive price competition (led by Chinese EV companies), sharp increases in fuel prices and government tax incentives have made Australia one of the world's fastest-growing markets for EVs.²⁸
- **The European Union (Germany):** Germany, the EU's leading economic engine and a key NATO member, continues to integrate its industrial base with China despite intensifying pressure from Washington to "de-risk." According to official Bundesbank data, German foreign direct investment (FDI) in China surged to an historic record high of €11.9 billion in 2023. German automakers are not fleeing the country; rather, they are forming joint ventures with Chinese EV makers to capture economies of scale and innovation in production sourcing, while maintaining design, post-sales, maintenance, and other services in Germany. This is one example that demonstrates that a country's security apparatus can remain uncompromised while its economy directly benefits from China's

²⁸ See "Electric vehicle sales double in Australia: here are three trends in EV adoption", GEOTAB, April 7, 2026. See also "Fuel crisis drives record Aussie electric car sales", April 7 2026, Commbank.

manufacturing and market scale. As of the end of 2025, China became Germany's largest trading partner.

- **Brazil (Sovereign Technology Transfers):** Brazil has actively courted Chinese capital to bypass Western economic bottlenecks. Chinese EV pioneer Build Your Dreams (BYD) has invested heavily to transform its Camaçari complex in Bahia, Brazil, into a 24-hour continuous operation, creating over 1,600 local manufacturing jobs in early 2026 alone. This is not a hollow extraction of resources; it is a direct transfer of 21st-century EV technology that creates local jobs and income, serving the domestic industrial strategy. It is part of an emerging Chinese EV model called “local-for-local” production.
- **Indonesia (solving the infrastructure deficit):** Where much of Western-based capital has been directed toward capturing immediate-to-short-term profits, Chinese partnerships have taken a longer-term approach. Chinese direct investments and partnerships with Indonesian state-owned and private companies are transforming regional connectivity. The Jakarta-Bandung high-speed rail network ("Whoosh") in Indonesia, built through a joint venture with China, has reduced a three-hour commute to just 40 minutes at an operating speed of 350 km/h. Indonesia is in the midst of securing 21st-Century rail infrastructure and technology without compromising its national security.²⁹

Imagining a Comprehensive Economic Partnership under a new facts-based China narrative

Imagining a more comprehensive economic relationship with China requires at least four considerations. First, examining China's seemingly impossible progression over the past nearly-50 years from one of the world's poorest countries to its current position as a technological and sustainable energy leader, the world's largest manufacturer, the world's largest trading nation, and the world's largest economy at PPP. This was achievable only through the sheer industriousness and sacrifices of its people, and the determination of its authorities to maintain an economic model based on investment and production (rather than one dominated by consumption), and a foreign policy aimed at avoiding aggression and war.

Second, to not only explore the immediate economic opportunities of a comprehensive relationship with China (a sample of which is provided in the Table on pages 8-18), but also to analyze the experiences of other countries' relationships with China and ask a basic question: *are countries like Australia, Brazil or Germany worse off from an economic or national security point of view because of their large and growing relationship with China? Are their experiences not applicable to Canada? Would not Canada and Canadians benefit from deeper economic*

²⁹ It is worth noting that countries from Malaysia to Morocco and Saudi Arabia to Turkey – along with East Asia, Europe and the U.S. – have high-speed rail networks. Canada's plans to build its first high-speed rail system, beginning with the Quebec-Windsor, presents major opportunities to procure the latest technologies from China (and other countries), while redeveloping home-grown technology. It is also worth noting that Bombardier was the first multinational foreign train manufacturer to establish a joint venture in China.

relations with all countries, including China, which is an ancient yet hyper-modern civilization that accounts for almost one-fifth of humanity?

Third, an enduring thaw in China-West and Canada-China relations, and a shift to a new China narrative, would require more than simply showcasing the obvious and wide-ranging benefits of broader economic cooperation with China. The current narrative across much of the West, which characterizes China as the greatest national security threat, must be far more nuanced. As a result, while the table on pages 8-18 presents only a modest subset of the wider economic opportunities with China, in most cases such opportunities cannot even be proposed – much less realized – in the current national security environment. This goes far beyond the China narrative to the widespread and far-reaching national security measures in the *Guidelines on the National Security Review of Investments*, the *Sensitive Technology List*, and the *Policy on Sensitive Technology Research and Affiliations of Concern* that were highlighted in the table.

These guidelines and measures on investment reviews, scientific research collaboration and affiliations of concern have not only introduced concrete restrictions (which may well be necessary in many cases), but also a chilling atmosphere for bilateral technological cooperation. This has led many Canadian researchers to either intentionally or unintentionally limit their collaboration with China. This is reflected in significant changes, such as shifting the focus or methods of their ongoing research, sharply reducing contact with Chinese collaborators, or deciding not to include collaborators from China in future projects.³⁰ In other cases, it has led Chinese researchers operating in Canada to return, or contemplate returning, to China or move to other countries (with the U.S. as the target destination). Moreover, these measures have disproportionately affected researchers of ethnic Chinese origin given that they represent a disproportionate share of collaboration with counterparts in China.

The political classes and wider public can never be naïve about national security, espionage and foreign interference (whatever their source), and must respect the expertise and commanding heights of the intelligence community. China, along with the U.S. and Russia, are *Great Powers*, possessing vast military, economic and diplomatic strength that can be leveraged or projected on a regional or global basis. As a result, such countries shape international rules, norms and dynamics, which in turn affect all other nations. Moreover, the world has always been fraught with risks, threats and uncertainty, even with traditional allies. The problem with the current *China narrative* is the way the threat is presented, uniform and ubiquitous, which imparts a profound cooling effect on economic interactions with Mainland Chinese people and China.

Furthermore, this report is not arguing that there should be no national security screening of foreign investment, trade and scientific research collaboration, or even a dilution of national security standards applied to Canada's involvement with foreign states. On the contrary, the author of this report and the Office of Senator Woo recognize that the survival of the state – any

³⁰ This section draws heavily from Qiang Zha and Ya Xuan Wang, "Science and geopolitics: The interesting case of Canada", *University World News*, January 21, 2026.

state – depends most critically on national security. At the same time, however, the survival of the state – any state – also depends on absolute and relative prosperity, and this is supported not only through internal economic and technological development, but also through international trade, investment, and scientific collaboration.

Consequently, this report is arguing that Canada would benefit from taking a more discerning national security approach with respect to scientific research collaboration with China – as well as in trade and investment – as opposed to a much more monolithic one. In place of a such an approach to national security threats from China, it would be more beneficial to create a new framework that maintains high threat-assessment standards while being less ambiguous about the exact nature of the risks. This would help mitigate threats while allowing a greater range of trade and investment opportunities for Canada. The comparatively high real GDP per capita in countries such as Australia, Singapore, and Switzerland – and the rapid growth of countries such as Malaysia, Mexico, and Poland in recent years – is, in significant part, the result of their diverse international trading relationships, including with China.³¹

Fourth, a new national security narrative and approach necessitate understanding how the West, especially the U.S., has changed since the 1980s. Four decades of relentless deindustrialization and the financialization of the economy, with debt increasingly replacing the incomes of the so-called Blue-Collar classes that populated the Rust Belt and wider Midwest, culminated in the U.S. (and then global) financial crisis. The *Occupy* movement on the Left and the *Tea Party* movement on the Right grew out of the financial crisis and unprecedented government bailouts of Wall Street financial firms.³² This collapse of the U.S. economic and financial model ultimately gave rise to President Trump and the phenomenon of *Trumpism*. However, even prior to the rise of Trump, entrenched special interests began to deflect blame to China rather than taking responsibility for the hollowing out of blue-collar middle-income jobs. This narrative largely worked, as China had emerged as the “factory of the world” and was governed by a centrally controlled “Communist” state. Special interests that had relocated American manufacturing to Asia during the 1980s, 1990s, and 2000s – and profited massively from it – later blamed Chinese “import competition,” “dumping,” and “IP theft” for the American economic decline they themselves helped create.

Although Canadians should acknowledge the very real issues related to IP appropriation, fraud and interference in relation to China, these are clearly not exclusive to China; rather, they are global issues. Vigilance requires addressing these broadly-based challenges equally with respect to all countries, and not to apply them on a selective basis that serves certain entrenched interests.

³¹ It is worth noting that China is Poland's second-largest trading partner after Germany.

³² See, for example, the Financial Crisis Inquiry Report: FCIR January 2011

VI. Next Steps for Strategic Engagement

To transition away from the current restrictive policy environment and fully realize the benefits of a comprehensive economic relationship, a targeted strategy of public and institutional education is required:

1. **Develop an Open-Access Knowledge Portal:** Create a "Wikipedia-like" centralized database and portal where experts in the Chinese economy, technology, and applied sciences can collaborate with Canadian municipal, provincial, and federal policymakers. This platform will allow Canadians seeking to resolve hyper-local problems (e.g., waste-to-energy integration in Ontario, smart farming in Quebec, or rural broadband in Nunavut) to directly access vetted case studies of applied Chinese technologies and investment models.
2. **Disseminate Evidence-Based Media:** Launch a coordinated public awareness campaign across mainstream and independent media channels to present China in an objective, data-driven light. By dismantling the "sweatshop" stereotypes and highlighting China's 66 critical technology monopolies and its advanced environmental engineering (such as "Sponge Cities"), the narrative can shift from fear to pragmatism.
3. **Catalyze the Comprehensive Partnership:** Use this heightened public and corporate awareness to lobby for the removal of arbitrary tariffs and security barriers. By demonstrating that a comprehensive economic relationship does not compromise defence or national security, this initiative will provide the political cover necessary for Canadian leaders to expand the "Carney-Xi" agreement into a fully realized free-trade and technology-sharing framework.

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