

# Canada-China Trade: Q2 2020

CHINA INSTITUTE, UNIVERSITY OF ALBERTA

Tom Alton, Policy Research Assistant

This report outlines Canada-China trade over the second quarter of 2020, a period marked by social and economic disruption arising from the COVID-19 pandemic. The analysis, now encompassing the first half of 2020, notes prominent trends and topics in global trade in order to contextualize the Canadian trade picture. Data is gathered from Statistics Canada for goods (merchandise) trade with China, presented on an unadjusted **customs basis** in Canadian dollars.

## CANADA-CHINA TRADE: 2020 YTD

Source: Trade Data Online (Statistics Canada – Customs Data)

Canadian exports to China in the first six months of 2020 fell by less than 1% when compared with the same period in 2019. Imports fell by just over 10%. Both figures are well below the overall decrease in year-on-year global exports and imports for Canada, both being down by roughly 17%. Exports and imports with China have largely rebounded from the COVID-19 pandemic-induced decrease in January and February of this year.

Trade (Exports)	Jan-June 2019	Jan-June 2020	% Change
China	\$12.1B	\$12.0B	-0.63
Others	\$284.6B	\$235.2B	-17.35
Total All Countries	\$296.7B	\$247.2B	-16.67

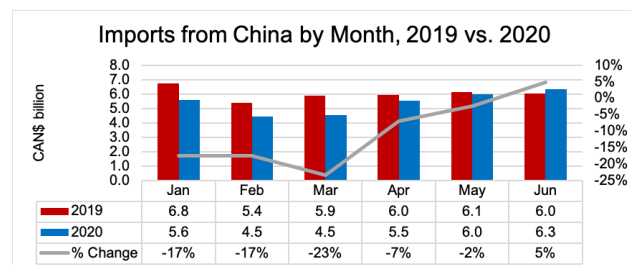
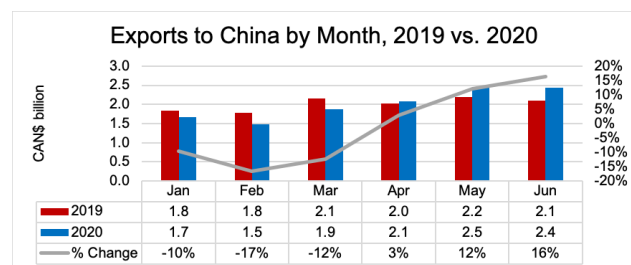
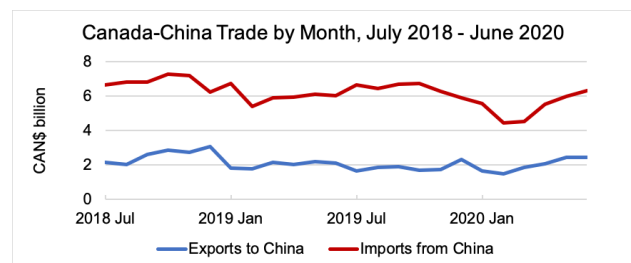
Non-agglomerated Iron Ores and Concentrates were the top export product to China in terms of value, rising by 82.4% (to \$965 million) in the first six months of 2020 when compared with the same period in 2019. Stimulus measures in China [targeting infrastructure and construction projects](#) have boosted demand for the product, which is a key ingredient in steel. This was followed by exports of Chemical Woodpulp (down 23.5% to \$881 million), Canola seeds (up 29.9% to \$653 million), Swine/Pork (up 89% to \$609 million), and Canola Oil (up 9.9% to \$501 million).

Trade (Imports)	Jan-June 2019	Jan-June 2020	% Change
China	\$36.2B	\$32.5B	-10.38
Others	\$268.5B	\$221.3B	-17.59
Total All Countries	\$304.8B	\$253.8B	-16.74

Laptop computers were Canada's top import category over the first six months of 2020, totalling \$2.7 billion (up 14.5% when compared with the same time period in 2020). The import value of cell phones fell by 35% to \$1.6 billion, perhaps illustrating a downtick in consumer demand. There was, however, a sharp increase in the import value of Made Up Articles of Textile Materials, a product category including face masks. This category rose by 1,339% to \$1.3 billion in total import value. Switching machines (down 8.4% to \$937 million) and toys (down 19.9% to \$418 million) rounded out the top five products.

## CANADA-CHINA TRADE: MONTHLY

Source: Trade Data Online (Statistics Canada – Customs Data)



## CANADA-CHINA TRADE - BY PROVINCE/TERRITORY

Source: Trade Data Online (Statistics Canada – Customs Data)

### Canadian Exports to China, January to June 2020, by Province/Territory

Province (Exports)	Jan-June 2019	Jan-June 2020	% Change
British Columbia	\$3.6B	\$3.1B	-14.25
Alberta	\$2.3B	\$2.2B	-2.05
Quebec	\$1.8B	\$2.0B	11.65
Saskatchewan	\$1.8B	\$1.9B	10.25
Ontario	\$1.4B	\$1.3B	-11.9
Newfoundland and Labrador	\$253.3M	\$552.4M	118.08
Manitoba	\$354.2M	\$502.5M	41.86
Nova Scotia	\$504.2M	\$338.5M	-32.87
New Brunswick	\$59.0M	\$44.9M	-23.8
Prince Edward Island	\$20.0M	\$19.3M	-3.38
Yukon Territory	N/A	\$298K	N/A
Northwest Territories	\$233K	N/A	N/A
Nunavut	\$72K	N/A	N/A
<b>Total</b>	<b>\$12.1B</b>	<b>\$12.0B</b>	<b>-0.63</b>

### Canadian Imports from China, January to June 2020, by Province/Territory

Province (Imports)	Jan-June 2019	Jan-June 2020	% Change
Ontario	\$21.3B	\$19.1B	-10.34
British Columbia	\$5.9B	\$5.5B	-6.74
Quebec	\$6.0B	\$5.0B	-16.49
Alberta	\$1.7B	\$1.6B	-8.6
Manitoba	\$652.8M	\$605.8M	-7.19
Nova Scotia	\$266.9M	\$263.5M	-1.3
Saskatchewan	\$228.6M	\$202.5M	-11.43
New Brunswick	\$69.7M	\$102.8M	47.52
Newfoundland and Labrador	\$1.5M	\$33.4M	2135.38
Prince Edward Island	\$797K	\$259K	-67.5
Yukon Territory	\$6K	\$65K	911.91
Nunavut	N/A	\$2K	N/A
Northwest Territories	N/A	N/A	N/A
<b>Total</b>	<b>\$36.2B</b>	<b>\$32.5B</b>	<b>-10.38</b>

## TRENDS AND TOPICS IN CANADA/GLOBAL TRADE

### Poll: Canadian Opinions on Trade with China

There is new evidence to suggest that Canadians have grown wary of the current state of trade relations with China. A July 21, 2020 [Ipsos poll for Global News](#) found that 82% of respondents favoured a reduction in reliance on trade with China. And 38% of those polled agreed (12% strongly, 26% somewhat) when asked if Canada should “completely sever economic ties with China.”

This poll follows others that suggest Canadian positive public opinion of China has plummeted. A May 2020 [Angus Reid poll](#) found that only “11% of Canadians say Canada should focus its trade efforts on China, down from

40% in 2015.” The same poll found just that just 14% of Canadians held a “favourable” view of China, down from 38% in 2018. These findings are perhaps not surprising, given the current freeze in Canada-China diplomatic relations. However, sharp political tensions between Ottawa and Beijing notwithstanding, the trade relationship has been relatively stable, even in the face of public hostility.

It is impractical to pursue the complete severance of economic ties with China as some poll respondents have suggested. However, providing the *means* to reduce reliance on China trade and reshaping trade patterns has merit. The aforementioned survey results can be interpreted as an endorsement of Canadian efforts to promote broad trade diversification. The CPTPP and exploratory discussions surrounding a possible ASEAN-Canada free trade agreement are promising tools. But the huge and lucrative China market is the only viable option for certain Canadian businesses. While well directed efforts to promote alternative market opportunities should be encouraged, an elimination of trade with China would not serve the interests of either economy,

### Canada-China Agricultural Trade: A Mixed Bag

Canadian agricultural trade with China remains a key consideration in the broader trade relationship. The China export licenses of two major Canadian canola traders, Richardson and Viterra, remain blocked although some seed trade is still flowing to China at roughly [30% of normal volume](#) according to the Canola Council of Canada. A [slight downtick](#) in Canola acreage demonstrates that Canadian farmers could be moving away from canola despite current strong pricing.

Reports indicate optimism in some areas, however. Canadian canola exporters are [finding new ways](#) to sell into the Chinese market via intermediaries, such as the UAE. This shift in demand, wherein [third party](#) producers process the seed and subsequently sell the oil on to China has boosted prices for Canadian sellers. Canola oil and meal exports also remain unaffected under the current restrictions and have increased in 2020. Canadian barley producers are also [expecting](#) a windfall in exports due to increased global demand, especially from Chinese buyers. Chinese tariffs on Australian barley have led Canadian farmers to pick up the slack. Opportunities have also been noted for pulse (legume) trade, where Canada is [recognized](#) as a world leader.

A short-term resolution to current Canola export restrictions appears unlikely and geopolitical risk considerations

could increasingly factor into the sector moving forward. But while direct export channels could be disrupted, it appears that indirect selling via intermediaries is a short term “fix.”

### **Coronavirus Seafood Concerns for Canadian Exporters**

A short-lived COVID-19 panic emerged in Beijing and Tianjin in mid-June after a number of cases were linked to imported salmon at a wholesale food market. While experts soon [stated](#) that transmission of the virus via food was improbable, the incident created a scare for suppliers and consumers alike. The New York Times [reported](#) that restaurants serving salmon in China saw an immediate decline in customers and suppliers as far away as the Faroe Islands saw orders plummet. Chinese officials began expansive testing of food imports and subsequently [reported](#) that positive COVID-19 tests had been recorded from the outside packaging of imported shrimp from Ecuador.

Strict COVID-19 testing of seafood imports in China created [issues](#) for Canadian lobster exporters. Industry officials reported that many large shipments to China had been delayed until test results came back negative, leading to “mortality issues” and associated cost obligations. There were also subsequent demands from Chinese importers for Canadian exporters to [guarantee](#) that shipments were free of COVID-19. Some exporters have refused to sign, fearing the liability could lead to exposure in the Chinese court system.

An article in the Chinese tabloid Global Times even went so far as to link the dispute with Meng Wanzhou’s ongoing extradition proceedings. The article [states](#) that “the Canadian side should be fully aware that its attitude in Meng’s case is the only roadblock between the two countries. If the Canadian side does not remove it, a disruption in the lobster trade might be just the tip of the iceberg in bilateral trade, as fraught ties have already undermined confidence in business communities on both sides.” While this incident may simply be a hiccup in the greater trade relationship, it speaks to the sensitivity of the current bilateral relations and the disrupting influence of COVID-19 on regular trade flows.

### **Global Trade & China’s Recovery**

According to [statistics](#) from the World Trade Organization (WTO), the volume of global trade declined steeply over the first six months of 2020. After a 3% decline in year-on-year trade in the first quarter, initial estimates show a decline of 18.5% in the second quarter. While these numbers

paint a grim picture of the impact on COVID-19 on global trade flows, the WTO notes that it “could have been much worse.” Pessimistic projections from April predicted a potential decline of 32% in yearly trade, a dire outcome that now appears unlikely.

Chinese data indicates that the country is trending towards trade recovery. The General Administration of Customs [reported](#) a 8.4% jump from May to June in terms of U.S. dollar-denominated total trade. June exports and imports rose 0.5% and 2.7%, respectively, on a year-on-year basis. This beat projections from a [Reuters poll](#) completed prior to the customs data, which had predicted a contractions in both categories.

July data continued this upward trend. Exports and Imports increased 11.3% and 4.9%, respectively, from June to July. On a year-on-year basis, dollar-denominated exports increased by 7.2% and imports slightly contracted by 1.4%. Economists [suggest](#) a rebound in imports over the coming months could be facilitated by China’s “stimulus-led recovery.”

### **U.S.-China Trade War Update**

While tensions between the U.S. and China have recently elevated over issues surrounding Hong Kong, Chinese app bans, and consulate closures, trade engagement appears to be a relative bright spot. July exports from China to the United States jumped sharply [due to](#) increased demand and “[u]nderpinned by strong shipments of protective gear for the pandemic and electronic products to fulfill work-from-home demand.” While China’s purchases of U.S. products covered under the terms of the Phase One trade agreement currently sit at [under 50%](#) of their year-to-date targets, there are still positive signs relative to the broader bilateral relationship.

U.S. and Chinese officials were originally set to [meet](#) on August 15th to “assess” the agreement. This, however, was [postponed](#) due to what Reuters reported as “scheduling conflicts and the need to allow time for more Chinese purchases of U.S. exports.” If a rescheduled meeting occurs, it presents an opportunity for U.S. Trade Representatives Robert Lighthizer to engage with his counterpart, Chinese Vice Premier Liu He, on the circumstances surrounding China’s purchase shortcomings in addition to some broader topics, including the recent U.S. actions against Chinese tech firms - TikTok and WeChat.

As the Wall Street Journal notes, “[t]he [trade](#) pact has emerged as one of the few remaining avenues for the

two countries to engage on matters of mutual concern.” Chinese officials, including the head of the People’s Bank of China, have [stated](#) that honouring the trade deal, in addition to engaging in financial sector reform, remains a priority. Because of the economic ripple effects of the COVID-19 pandemic have disrupted trade flows, the second half of 2020 may paint a more accurate picture of the U.S.-China trade relationship.