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BEYOND DE-RISKING: CHINA AND CANADA'S TRADE RESILIENCE



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Charting pathways for Canada-China relations in a changing world

BEYOND DE-RISKING: CHINA AND CANADA'S TRADE RESILIENCE

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PREFACE

Prime Minister Mark Carney's January 2026 visit to Beijing reopened debate in Canada over whether a stronger trade relationship with China can deliver economic gains without generating new political or strategic vulnerabilities. In this context, a central policy question that deserves deeper consideration is not whether Canada should trade with China, but rather which forms of economic integration best strengthen national capacity. The evidence presented in this in-depth study shows that Canada's current trade relationship with China is not one of one-sided dependence: it also gives Canada considerable standing through its upstream role in Chinese production, via production linkages that are not easily replaced, and via the scale of diversification opportunities flowing through China within the Asia-Pacific. The oft-cited dichotomy between de-risking and deeper value-chain integration is inadequate; in practice, resilience depends less on

reducing interdependence than on understanding and shaping its structure. This does not mean discounting China's demonstrated willingness to use market access, regulatory tools, and supply-chain position for political leverage. **It means treating those risks as product- and function-specific rather than assuming that all China-linked trade creates the same vulnerability.**

The task, therefore, is not simply to reduce risk or expand trade, but to distinguish between prosperity-enhancing interdependence and forms of integration that create new vulnerabilities. From this perspective, reducing trade with China in a way that undermines Canadian productivity, export capacity, and industrial competitiveness can actually erode the very foundations of national security and prosperity it aims to protect.

EXECUTIVE SUMMARY

Canada's aim to diversify and grow its exports will inevitably mean a significant focus on building deeper and more beneficial linkages with the Asia-Pacific. In this report, we show that Canada's diversification challenge cannot be fully solved by merely substituting one large market with many small ones, nor by assuming that supply chains can quickly or easily be re-wired. To assess Canada–China trade as an interconnected production system, we deploy a diagnostic of global trade flows and Canadian industrial linkages. By processing thousands of product lines at the granular Harmonized System (HS) 6-digit level, filtering for economic end-use,

applying macro-materiality thresholds, and stress-testing Canadian supply networks against statistical counterfactuals, we pinpoint where risks are real, where leverage exists, and where diversification is achievable at scale. This approach aims to help Canada pursue growth and resilience simultaneously through targeted management rather than blanket assumptions of either dependence or decoupling. The following three takeaways from the data stand out:

1. Canada's exports to China are often structurally tied to Chinese industrial value creation and hold genuine relevancy in China's import profile.

More than 30% of Canadian goods exports to China are used as inputs in Chinese industrial production. These include softwood pulp for packaging and tissue, canola oil for food manufacturing and processing, copper for electronics and batteries, and potash for agricultural output—far higher input shares than for Japan (11%) or South Korea (18%). More importantly, despite asymmetry in aggregate trade volumes, which largely reflects the relative size and structure of the Canadian and Chinese economies, Canada holds notable agency in its trade with China in forms of revealed agency, investable diversification enablers, and strategic-risk replacement, in approximately 42.9% of its total exports to China. Such agency should not be understood as an ability to dominate or control, but rather as influence flowing from commercially meaningful supply attributes—quality, scale, reliability, scarcity, or alternative-market access—that give Canada more room for maneuver than headline trade shares imply.

2. Canada's imports from China often significantly support Canadian domestic industrial production, but without systematic capture.

Chinese origin inputs could appear in up to 44% of Canada's product-industry linkages under our upper-bound allocation assumption. The import composition has shifted from consumer-goods dominance to capital- and intermediate-goods dominance. Crucially, empirical data confirms that Chinese supply acts as a diversification wedge that buffers Canada against single-source concentration risk. The vast majority of these imported inputs reside in low-capture-risk markets with viable global alternatives, supporting domestic production without evidence of monopolistic dependence or systematic capture.

3. China offers the greatest diversification potential in the Asia-Pacific.

The International Trade Centre has estimated that China offers Canada the greatest upside potential for its regional exports. Meeting Canada's goal of doubling non-U.S. exports would require capturing just 0.52% more of China's total imports—the smallest increment needed among major Asia-Pacific markets. Canada's exports to China are also the least concentrated in the region, spreading across dozens of industries instead of being dependent on a few sectors, implying a broader base for durable growth with less sector-specific risk. Since 2021, Canada's trade complementarity with China has surpassed that with the United States—suggesting what Canada sells increasingly matches what China buys, indicating a closer product-level match between Canadian export capacity and Chinese import demand.

Overall, our findings underscore the need for targeted and dynamically managed interdependence: capturing value where Canada holds embedded advantages, rather than risk-proofing through isolation.

INTRODUCTION

No credible path to Canadian export diversification avoids the Asia-Pacific. The region is not only a strategic aspiration—it is also a source of both established production linkages and high projected future growth. And China, not only as a function of its own market size but also given the regionally-integrated nature of its trade and supply chains, needs to be a key area of focus. Yet debates over Canada–China trade often continue to be considered through a security-versus-prosperity lens that can be misleading—or that does not offer a full or accurate picture. Security concerns are of course real, particularly where or when China has the ability and incentive to restrict access to critical inputs, disrupt market access, or impose informal costs on politically sensitive sectors. This paper demonstrates how such concerns are best managed through granular analysis rather than broad-brush assumptions.

With a view to offering some additional perspective, this report applies an input–output and value-chain (production-network) lens to Canada–China trade. Instead of treating bilateral flows as simple “imports versus exports,” it tracks how Chinese inputs support Canadian production, how Canadian exports feed into Chinese value creation, and where genuine upside exists for trade expansion and diversification. By moving beyond headline indicators (trade deficits, import volumes, and market shares) that can obscure underlying industrial realities, the report provides a clearer diagnosis of the Canada–China economic relationship and an empirical foundation for pragmatic strategic decisions calibrated to Canada’s real position—and areas of leverage.

This report builds on a granular analysis of the thousands of distinct goods Canada trades with China, read systematically against both the production system they feed and the global supplier landscape they sit within. On the import side, it maps Canada’s imports from China against how widely

those products are used across Canadian industrial production, and against the wider supplier landscape that determines how readily Canada could source them elsewhere. On the export side, it identifies where Canada’s role is hard to replace, and where Canada has the capacity to diversify China’s supplier mix, especially away from geopolitically riskier ones. This systematic and globally-anchored view brings into focus what volume and balance figures cannot: where Canada’s reliance on China is critical rather than merely large, where its leverage runs deeper than its modest export share implies, and where diversification is realistically achievable at scale. At the regional level, the report situates Canada–China trade within the Asia-Pacific landscape Canada aims to grow into, and identifies pragmatic and effective cornerstones for Canada’s regional footprint expansion. The analysis reveals three unconventional realities in the Canada–China trade and investment relationship:

First, **imports from China are more than just a consumption story**. They function as widely used inputs into Canadian value-added industrial activity across many sectors, appearing in up to 44% of all product-industry linkages in Canada’s economy. The composition of these imports has shifted steadily toward intermediate and capital goods (e.g., industrial machinery, electrical and electronic components), suggesting Canadian manufacturers are increasingly sourcing from China the inputs that feed Canadian production rather than the finished goods that compete with it. The persistence of this shift, despite volatile geopolitical tensions, plausibly reflects Canadian producers’ own cost-driven and diversification-motivated sourcing decisions rather than a passive outcome of structural displacement.

Second, **Canada’s exports matter more to China than commonly assumed**. Many Canadian exports are structurally embedded in Chinese production as

essential inputs that are not readily substitutable. For example, as the [third-largest supplier of softwood lumber to China](#), Canada provides materials primarily used in Chinese construction—including structural framing, concrete formwork, and low-rise building—as well as in furniture manufacturing and wood products like crates and pallets. Also, [canola seeds](#) are crushed in China to produce cooking oil, while the resulting canola meal is used as a high-protein ingredient in livestock and aquaculture feed; Canadian long-fibre softwood pulp provides strength for Chinese tissue and packaging paper that domestic hardwood and recycled fibre cannot replicate; and Canadian potash, where Canada's dominant share of global reserves and export capacity makes large-scale substitution technically and geologically constrained.

Canada's export profile therefore aligns with Chinese demand in ways that can generate desirability rather than dependence. Notably, when mapping Canada's exports into China's import demand, Canada holds structural agency in a conservative set of 20 export product lines, where Canada exported C\$16.8 billion to China in 2024, accounting for 42.9% of its total annual exports to China. Canada's increasing importance to China as a crude oil and LNG supplier will only serve to further underscore this dynamic.

Third, **trade diversification, even in the context of strategic rivalry between China and the West, cannot easily be envisaged as “China-optional.”** China is a central node in regional demand and supply chains. Durable diversification is therefore more plausible when it understands the nature of China's role in the system—allowing for an expansion into other Asia-Pacific markets while recognizing that many of the region's largest opportunities and value chains remain China-linked, even if not China-bound.

Our analysis is organized in two parts. Part I examines Canada–China trade as an interconnected production system embedded in global supply chains where China acts as a central node. It traces how Chinese inputs and Canadian exports support each other's production, and how Canada's distinct continental

position shapes the right policy response. Part II places this bilateral picture within the Asia-Pacific landscape Canada aims to grow into, comparing China's scale, complementarity, and growth potential against Canada's other major regional partners, to diagnose China's role in Canada's regional diversification. We close with policy implications for a recalibrated trade strategy—one that moves from broad exposure reduction toward targeted exposure, grounded in commercial realities and calibrated to Canada's structural advantages.

PART I

CANADA'S SUPPLY-CHAIN REALITIES: EMBEDDED INTERDEPENDENCE WITH CHINA

Supply chain data make it clear that China's significance extends beyond Canada's regional trade: any effort to enhance Canada's supply-chain resilience must account for China's position in regional and global production networks, and Canada's own structural position within them.

1.1 CHINA AS A HUB IN GLOBAL & REGIONAL SUPPLY & VALUE CHAINS

Canada's supply-chain options are shaped by global production geography, where China occupies a central position—not as one supplier among many, but as a key hub whose inputs, technology, and production capacity influence the organization of multiple industries across the Asia-Pacific and beyond.

China's importance to global supply chains is underscored by its broad range of manufactured goods and its significant share in the global supply chain. [Recent research](#) finds that China holds more than half of the global export share in 448 product categories at the detailed HS-6 level, compared with 101 for the United States, and accounts for at least 10% of world exports in roughly half of all traded goods.¹ According to the ITC Trade Competitiveness Map (2024), China ranks:

- No.1 in share in global exports of IT and Consumer electronics, electronic components, basic manufacturing goods, and non-electronic machinery;
- No. 2 in the world's exports of chemicals;

- And **contributed [around one-third](#) of the global manufacturing value added.**

This scale and breadth give China an unparalleled ability to influence upstream inputs, component availability, and pricing across value chains. This becomes even more visible in the Asia-Pacific, where supply chains—much like their North American counterparts—operate as a single, deeply integrated production ecosystem, not a set of discrete national systems. China is the top trading partner of the Association of Southeast Asian Nations (ASEAN), with total trade of more than US\$900 billion in 2023. And regional firms expect their interdependence with China to deepen: a 2023 HSBC report found more than 85% of surveyed firms in Indonesia (92%), the Philippines (87%), and Vietnam (89%) expected their China-linked supply chains to grow over the next three years.²

Chinese investment was also associated with value-chain upgrading for several Asia-Pacific economies. Examples include:

¹ Scarffe, C. (2020, September). *The Canada–China global commerce picture and supply chain links*. Global Affairs Canada, Office of the Chief Economist.

² HSBC. (2023). *Connecting to China: Digitalisation & sustainability drives future growth*.

- Chinese investments in Malaysia and Vietnam have transformed these countries into major exporters of PV products, accounting for around 10% and 5% respectively of their trade surpluses since 2017.³
- Meanwhile, major Chinese EV makers such as BYD, MG, SAIC Motor, and Great Wall Motor have invested heavily in localization efforts in Thailand⁴.
- Even advanced economies such as South Korea remain deeply integrated into China-centric global value chains.⁵

China's supply-chain heft extends beyond manufactured goods into critical minerals—an area that has moved to the centre of global trade and geopolitical strategy in recent years. According to the IEA's [Global Critical Minerals Outlook 2025](#), China is the dominant refiner for 19 of the 20 minerals analyzed by the IEA, accounting for more than 70% of global refining capacity in 12 of them, including lithium, cobalt, and silicon metal, with shares exceeding 90% for gallium, graphite, manganese, and

rare earths in 2024. In practice, raw minerals mined around the world, including in Canada, typically pass through Chinese refining capacity before reaching downstream manufacturers. For Canada, this growing processing dominance—built on decades of accumulated industrial know-how and sustained state investment—can operate either as an enabler or as a constraint for mining scale-up and industrial development: a platform to plug into selectively while building domestic capacity, or a bottleneck to circumvent at significant cost and delay.

More broadly, the critical-minerals story reflects a wider regional pattern: across the Asia-Pacific, the past decade of value-chain reconfiguration and upgrading in manufacturing and critical minerals has been deeply shaped by Chinese technology, capital, and material inputs. For Canada, this means that steering Canadian firms into regional supply chains while deliberately avoiding the region's central hub would limit access to the very technologies and production systems that drive competitiveness.

1.2 CHINA'S EMBEDDED ROLE IN CANADA'S PRODUCTION SYSTEM: NOT A SIMPLE CASE OF TRADE DEPENDENCE

China's role in Canada's supply chains is structurally broad but shallow, delivering industrial utility across hundreds of product lines without conferring the concentrated leverage that would enable strategic capture, with the exception of a narrow set of upstream strategic minerals that warrant targeted policy attention. This should not be read to mean that China-linked supply-chain vulnerabilities are immaterial. Rather, it suggests that they are uneven:

acute in a narrower set of bottleneck inputs, but more manageable across the wider range of low-concentration, substitutable imports.

China's centrality in global supply chains extends directly into Canada's domestic production—not as a recent development, but as a feature of how Canadian industry operates. Drawing on Canada's 2020 supply-use analysis,⁶ we see that China supplies 131 out

3 International Energy Agency. (2022). *Solar PV global supply chains*. <https://www.iea.org/reports/solar-pv-global-supply-chains>

4 Seth, N. (2025, January 9). *Charged up: China driving Thailand's EV industry*. New Security Beat. <https://www.newsecuritybeat.org/2025/01/charged-up-china-driving-thailands-ev-industry/>

5 Nicolas, F. (2023, April 14). *Reshuffling value chains – South Korea as a case study*. French Institute of International Relations (Ifri). <https://www.ifri.org/en/papers/reshuffling-value-chains-south-korea-case-study>

6 This analysis involves examining Canada's Supply and Use Table (SUT). The table shows how hundreds of products flow into the industries that make up the national economy. The 2020 SUT documents 38,888 distinct product-industry links, representing different

of 243 key intermediate products and accounts for more than 10% of intermediate use in 78 of them by volume. Import composition has also shifted toward production inputs: consumer goods fell from 57% of Canadian imports from China in 2000 to 41% by 2019, while capital and intermediate goods rose to 26% and 32% respectively. The persistence of this shift through periods of political tension suggests sourcing decisions are driven by cost and reliability rather than passive displacement.

The substantive question is whether that breadth amounts to strategic capture. For a middle-power economy like Canada seeking pragmatic solutions to enhance trade resilience, vulnerability is a matter of the structure and configuration of supplier dependence rather than mere volume. There is a fundamental difference between broad industrial utility, where Chinese inputs flow through many channels at modest depth with accessible substitutes, and true strategic capture, where a few thick channels leave entire sectors exposed to a single supplier bottleneck.

The empirical evidence supports the first pattern. **Canada's import basket from China is structurally broad but thin**, and the product Herfindahl–Hirschman Index (HHI) of Canada's imports from China has remained consistently low since 2014, even as imports rose 22.8% over the same period.

Canada's basket is among the most diversified of peer middle-power economies (see Appendix, Figure A2). Chinese supply enters Canadian production through many thin channels rather than a few thick ones: broad in reach, but thin in any single product line. No individual category dominates the aggregate value of Canada's imports from China. This reduces the likelihood of broad economy-wide disruption, but does not rule out low-value, high-criticality bottlenecks within particular sectors. Chinese supply also primarily diversifies Canada's supplier mix rather than concentrating it: across HS-6 product categories in 2024, Chinese supply reduces Canada's source concentration in product lines representing 87.4% of imports from China by product count, a share that has remained stable since 2013 (see Appendix, Figure A3). This diversifying effect has been consistently demonstrated in intermediate goods specifically—the category that physically fuels Canadian industrial production (see Appendix, Figure A1).

To ensure this broad utility does not mask isolated dependencies, we deploy a diagnostic matrix to identify systemic vulnerabilities. Focusing exclusively on material imports (exceeding US\$10 million annually), we apply a three-tier taxonomy that measures how feasible non-Chinese suppliers are, based on global supplier concentration and China's global market share (Table 1).⁷

ways goods enter Canadian production processes. Of the 466 product categories listed, 239 involve imports from China. If we assume that Chinese-origin inputs for a given product appear in all industries using that product as input to some extent, then up to 44.3% of all product-industry relationships in Canada may contain goods imported from China. This analytical approach, adapted from a method developed by Colin Scarffe during his tenure at Global Affairs, provides an upper bound estimate of how widely Chinese goods are used across Canadian industries.

⁷ HHI here measures the concentration in the global supplier base for each HS-6 product, and lower scores indicate a more dispersed set of potential suppliers, although scores alone do not establish technical substitutability, spare capacity, or commercial availability. We use the 1,500 threshold as an interpretable structural screen of country-level supply risk: an HHI of 1,500 is equivalent to roughly 6.7 equal-sized supplier countries for a specific product, and an HHI below 1,500 mathematically implies that no single exporting country accounts for more than approximately 38.7% of world exports of that product. This threshold ensures that no product in which China holds a significant share of global exports is included in Tier 1. Results are qualitatively unchanged under a stricter 1,000 cutoff. Our analytical cutoff is more conservative than the 1,800 concentration-index level used in the [Canadian Competition Act's merger framework](#), though we invoke that benchmark only by analogy, as a supply-risk screen rather than a legal competition test. The lower cutoff flags more products as concentrated and reduces the risk of underestimating supply-side concentration. A separate HHI criterion is unnecessary for Tier 3 because a 50% Chinese global export share alone implies an HHI above 2,500. The taxonomy is a screening framework, not a precise measure of vulnerability: export data do not capture domestic production, inventories, technical substitutability, or export-control risk. The US\$10 million materiality threshold is likewise designed to capture macro-material exposure rather than every operationally

RISK LEVEL	DESIGNATION	THRESHOLD	STRATEGIC IMPLICATION
Tier 1	Low Capture Risk	HHI < 1,500 OR China Share < 30%	Supply is broadly dispersed or non-Chinese dominated. China-specific bottleneck risk is low.
Tier 2	Moderate Capture Risk	HHI ≥ 1,500 AND 30% ≤ China Share < 50%	China is a significant supplier in a moderately concentrated global market. Substitution is possible but may involve cost, timing, or quality trade-offs.
Tier 3	High Capture Risk	China Share ≥ 50%	China holds dominant global share; alternative suppliers are limited, costly, or slow to scale. Product-specific safeguards, redundancy planning, and monitoring are warranted.

Table 1: The three-tier China-Specific Capture Risk Taxonomy

The results confirm that the baseline of Canadian trade with China is driven by embedded optionality. Nearly 64% of material import value sits in Tiers 1 and 2 (figure 1, panel 1), where alternative suppliers are accessible. For intermediate goods specifically, 71.4% sit in Tier 1 (panel 2), where global supply is broadly dispersed or concentrated among non-Chinese partners. Where genuine concentration does appear (Tier 3), it is overwhelmingly in final consumer goods rather than industrial inputs (compare panels 2 and 4)—meaning disruptions would transmit through retail price effects and availability constraints rather than paralysis of production capacity.

critical input.

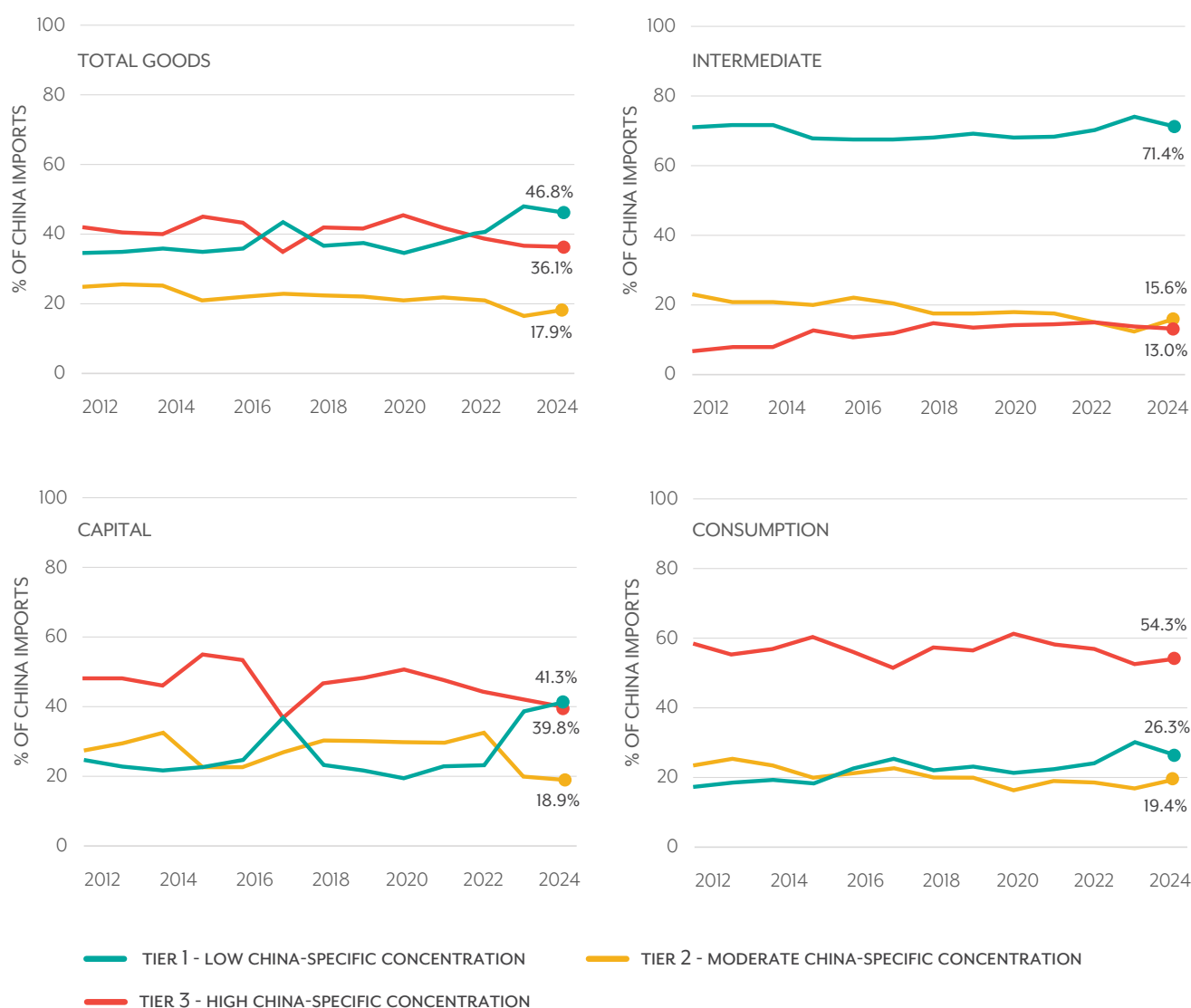


Figure 1: Tier breakdown of China import value by goods type
Source: BACI HS-12 V202601 (CEPII, 2026 release), authors' calculations.⁸

Aggregate stability does not eliminate specific risks. China maintains absolute global dominance in several refined and semi-processed strategic minerals that sit upstream of Canada's battery manufacturing, EV assembly, and defence-industrial priorities. Because these inputs lack viable alternative suppliers, delayed shipments or strategically elevated costs could severely disrupt Canada's industrial upgrading ambitions. Securing these precise bottlenecks warrants forward-looking industrial policy beyond blunt trade measures.

For a Canada seeking to rebuild industrial resilience, broad-but-shallow integration with China delivers two benefits simultaneously: reliable access to diverse, cost-effective inputs, and concerted diversification away from other supplier concentrations. Both contribute to resilience; neither shows up in headline trade balances. Managed with appropriate safeguards in the narrow set of genuinely concentrated categories, this integration contributes to—rather than drains—Canada's industrial base.

⁸ BEC Rev. 4 concordance applied via the BEC enrichment step for mapping HS-6 to BEC classification.

1.3 CANADA’S SYSTEMIC RELEVANCE FOR IN CHINESE PRODUCTION

Chinese inputs offer Canadian manufacturers a diversification lever to raise supply-chain efficiency, support the industrial base, and pursue competitiveness in markets beyond North America. The reverse channel—Canada’s importance to Chinese production—is often underweighted by relative economic size, geographic distance, and Canada’s lock-in to North American supply networks. However, a considerable share of what Canada sells to China consists of inputs critical to Chinese factories, given their distinctive features and limited substitutes. Moreover, Canada possesses the resources, supply routes, and infrastructure to reliably supply China with its essential strategic goods, including energy and agricultural products. Canada’s systemic significance in the Canada–China trade relationship is often overshadowed by Canada’s modest share of Chinese imports—an organic outcome of size and geography

rather than evidence of weakness, suggesting that Canada’s leverage in its economic relationship with China lies not in volumetric dominance but in supply attributes that are slow or costly to replace at comparable quality, scale, and reliability.

World Integrated Trade Solution (WITS) data show that **30% of Canada’s goods exports to China are integrated into Chinese industrial production as inputs**, far exceeding their share in Japan (11%) and South Korea (18%), as shown in Figure 2, and the average share of 24% globally. In the case of Hong Kong—a key entry to south China—this share rises to 75%, suggesting that up to three-quarters of Canadian exports routed through Hong Kong are ultimately embedded in Chinese value chains.

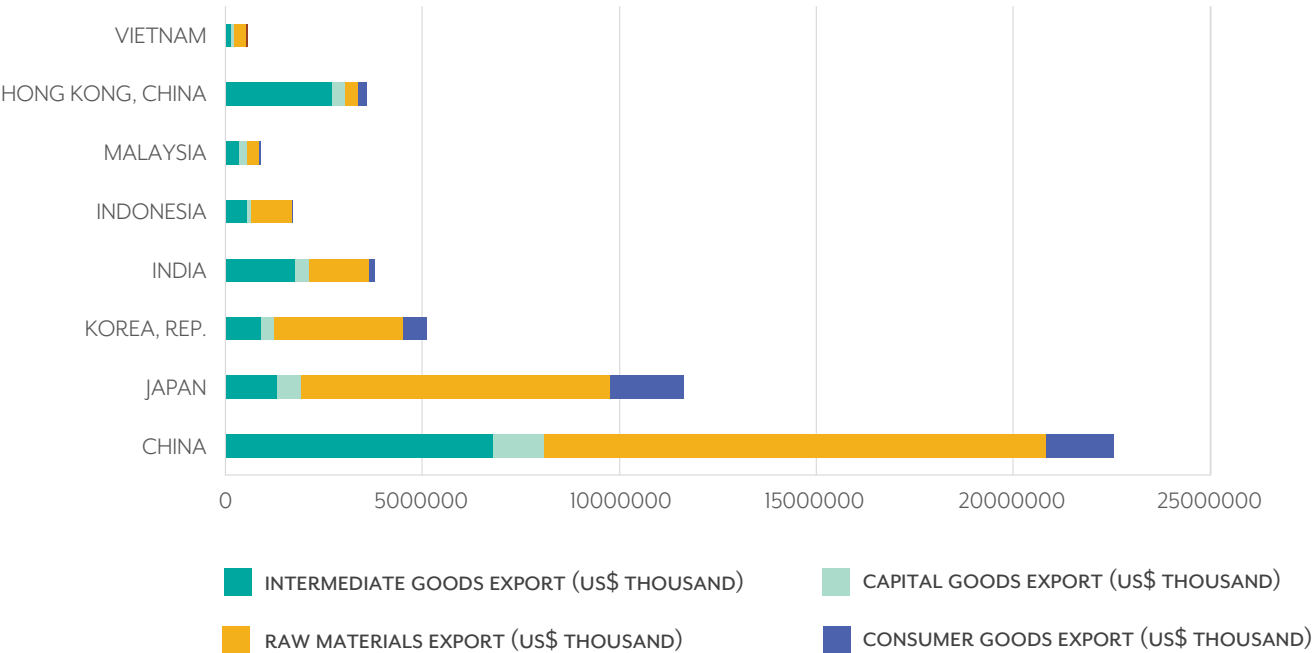


Figure 2: Canada’s Exports to Its Top Asia-Pacific Trade Partners by Production Stage (2023)
Source: WITS

Moreover, since 2021, Canada's trade complementarity with China has surpassed that with the United States (Figure 3 in the next section), indicating that what Canada sells increasingly matches what China needs—especially in upstream value-adding segments (e.g., long-fibre softwood used in pulp and packaging, potash as a key input into fertilizer production, metallurgical coal for steelmaking, and critical minerals such as nickel and cobalt feeding battery and advanced manufacturing supply chains). This may in fact explain why, even at the nadir of Canada-China political relations circa 2019-2022, bilateral trade continued to grow.

Some of these Canadian goods are difficult for China to substitute at a comparable quality and reliability. For example, Canada's forestry industry supplies [long-fibre softwood](#) that China's vast pulp and packaging sector cannot produce domestically at the same quality and scale, making Canadian fibre an essential ingredient in a wide range of Chinese consumer and industrial goods. Similar patterns appear in natural resources and certain agri-food products, where Canada provides reliable, high-standard supplies that are not easily replicated by alternative exporters. For instance, China relies on Canadian coal to secure high-quality metallurgical inputs for its steel industry and is the largest export destination, accounting for [33%](#) of shipments. This limited substitutability, [together with Canada's access to alternative markets](#) for upstream supplies, enhances Canada's capacity to absorb any restrictive trade policy implemented by China, as testified by the fact that Canada's exports to China steadily grew from C\$23.3 billion in 2019 to C\$30.5 billion in 2023, a 30.1% increase, despite the political strains. Even under China's retaliatory tariffs in 2025, [Canadian canola exporters redirected C\\$1.86 billion of exports](#), roughly 35% of the annual total, to alternative markets. Diversion was not costless, and prices compressed. But it indicates that concentration

in the Chinese market is at least partly a commercial choice rather than an unavoidable dependence.

Increasingly significant exports of Canadian energy to China, thanks to new export-enabling infrastructure for crude oil and LNG, further point to the resilience and optionality of Canada's exports to China in the aggregate, even as specific sectors remain exposed to policy risk. Energy is arguably in a category of its own when it comes to Chinese market exposure. Canada's optionality in its trade relationship with China takes three forms: **revealed agency, investable diversification enabler, and strategic-risk replacement.**

Revealed Agency: Canada has revealed agency in products where it already occupies a meaningful position in China's import basket. For instance, within products where China's imports from Canada are greater than C\$10 million in 2024, Canada supplied nearly all of China's low-erucic canola seed imports, 76% of its mechanically and chemically processed wood pulp imports, and 86% of selected slag, ash and residue imports. These products represent existing, revealed channels of Canadian influence. However, revealed agency should be understood as a bargaining condition with limitations, rather than a shield.⁹ It does not prevent restrictive trade measures, but it identifies where such measures are costlier for China and where Canada's response should emphasize Chinese downstream dependence, substitution costs, and the credibility of Canada's alternative markets.

Canada as Diversification Enabler: Canada has scalable production and export capacity that could help China diversify its concentrated imports if capital and infrastructure are mobilized. Importantly, these areas have the potential to attract Chinese capital to help meet Canada's capital requirements for scaling production. Liquefied propane (LPG) is the clearest case. In 2024, the United States supplied

9 For example, Canada may occupy a dominant supplier position in certain canola categories, but that does not make the product immune to coercive or restrictive trade measures, particularly where end-users can partially substitute other seeds, oils, or feed inputs over time. Revealed agency is therefore strongest where supplier concentration is combined with low technical substitutability, high downstream dependence, and meaningful switching costs.

nearly 60% of China's LPG imports, while Canada's global exports are equivalent to 18% of China's import demand, making Canada a credible diversification partner for China. [The 2025 surge in Canadian LPG exports to China](#) confirms that this potential is beginning to materialize. With PetroChina as one of the project partners, LNG Canada's first exports in 2025 also helped demonstrate how selected Chinese capital and long-term offtake can support Canadian export-oriented infrastructure; China's LNG imports from Canada rose from a negligible base in 2024 to US\$257.4 million in 2025.¹⁰

Strategic risk substitution: **Canada's latent strategic significance is most visible where Canada can dilute China's exposure to geopolitically risky suppliers.** For

example, China's potash import exposure to Russia and Belarus is substantial, while Canada is the world's leading supplier and already sells heavily into China. In unwrought nickel and aluminum, China's dependence on Russia also creates a strategic opening for Canada, where Canada already holds globally significant export positions. Canada's structural agency appears in a conservative set of 20 HS6 products (Table A1),¹¹ and it is relevant to approximately C\$745.3 billion of China's 2024 import demand. Canada already supplies about C\$16.8 billion of these products to China, accounting for 42.9% of Canada's total annual exports to China, while its global capacity in these product lines is approximately C\$ 222.5 billion.¹²

1.4 CANADA'S DISTINCT CONTINENTAL TRADE POSITION

The recent volatility in Canada-US trade and the upcoming CUSMA review have generated a climate that emphasizes risk and continuity within North America. North American integration is foundational to the Canadian economy and CUSMA preferential access remains a central asset, but exclusive focus on preserving that position can underweight the cost of foregone agency with other partners in areas where Canada has systemic advantages.

In December 2025, Mexico approved wide-ranging tariff hikes—up to 50% on 1,400+ products from

China and other Asian economies—widely seen as strengthening Mexico's position ahead of the next CUSMA review. However, Mexico's policy choice reflects its own different underlying industrial structure, and CUSMA positioning. As illustrated in Figure 3, over the past decade, **Mexico's trade complementarity with the United States has remained strong**, while its complementarity with China has weakened steadily, indicating Mexico's industrial structure is increasingly oriented toward US demand. In contrast, Canada's pattern is closer to the

10 According to ITC calculations based on General Customs Administration of China statistics, accessed via [TradeMap-Canada](#), China imported US\$257.35 million LNG from Canada in 2025, surging from US\$233 thousand in 2024.

11 The three forms of identified agency are based on trade-profile analysis, each demonstrating specific value to China's import profile. Coercive trade measures, however, are often driven by factors beyond trade considerations. Our identified forms of agency should therefore be seen as opportunity costs that China cannot avoid, rather than as barriers that prevent China from pursuing non-trade goals. For instance, it is more difficult and costlier for China to put at risk a stable supply of strategically important imports, or to sacrifice 50% of its imports of a good that feeds into its production rather than 5%. This adds weight against restrictive trade measures and reduces the likelihood of adverse outcomes, without eliminating the underlying intentions, which are normally unrelated to trade. For Canada's trade resilience, however, it is the outcome that matters, not the intention.

12 Estimates are calculated based on BACI HS12 2024 bilateral trade data at the HS6-product level. China-side exposure (relevant China's import demand) measures how much China imported, from all suppliers, in the selected HS6 products. The realized Canada-China channel (value that Canada already supplies) measures how much of those same products Canada already exported to China. Canada's capacity signal (Canada's relevant global capacity) measures Canada's total global exports of those products, indicating the scale Canada supplies to world markets. BACI reports values in current U.S. dollars; Canadian-dollar estimates convert USD values at US\$1 = C\$1.37. Figures should be interpreted as exposure and capacity indicators, not realized bargaining power or guaranteed substitutable supply.

reverse: **Canada's trade complementarity with China has surpassed that with the United States since 2021**, reflecting alignment between Canadian supply capacity and Chinese industrial demand beyond what aggregate trade volumes alone suggest. Mexico's tariff stance fits its own structure, while the same posture would foreclose options for Canada that Mexico does not have.



Figure 3: Trade Complementarity Index¹³ of Canada (L) and Mexico (R) with China and the U.S.

Source: World Integrated Trade Solution (WITS), accessed 2025-10-22 via UN Comtrade.

Taken together, Part I establishes three persistent realities. Chinese inputs are broadly used across Canadian industries with rare dominance and viable alternative suppliers in most categories—utility without capture. Canadian supply to China carries qualitative significance — distinctive features, limited

substitutes, and accessible alternative markets — that aggregate share figures fail to capture. And Canada's continental position differs structurally from Mexico's, making borrowed strategies a poor fit for Canadian realities.

These realities point toward a single analytical conclusion: Canadian trade policy is best calibrated to Canadian structural advantages and dependencies, not to the strategies of larger or differently positioned partners. Canada operates as a middle power, with economic size and market influence that differ from both China and the United States. Aggregate trade asymmetry leading to the blanket concern about trade capture can obscure forms of real and actionable Canadian optionality. This agency, however, can only be leveraged to advance Canadian interests by identifying where Canadian supply holds genuine leverage rooted in quality, scale, or endowment rather than aggregate share; where Canadian production faces undue dependencies; and how policy can be aligned with both. Additionally, Canada's trade resilience is contingent on successfully complementing its strong North American integration with proactive engagement in markets outside North America, rather than framing them as competing strategic priorities.

¹³ The [trade complementarity](#) (TC) index provides useful information on prospects for intraregional trade by showing how well the structures of a country's imports and exports match.

PART II: CANADA'S REGIONAL OPPORTUNITIES: RESILIENT AND DEEPENED DIVERSIFICATION THROUGH CHINA

As Canada recalibrates its trade strategy, the success of its updated approach will depend on recognizing the complementarity between supply-chain resilience and trade diversification. Here, we assess what that complementarity implies in practice for policymaking: where deeper Canada–China trade can *reduce* fragility by improving input security, widening market optionality, and leveraging Canada's upstream strengths—while also identifying where targeted safeguards are required. We map China's role within Canada's Asia-Pacific trade dynamics and highlight durable opportunities for resilience-enhancing growth.

2.1 CHINA DRIVES CANADA'S REGIONAL TRADE EXPANSION

Canada's bilateral merchandise trade with the Asia-Pacific region rose from [C\\$226 billion in 2021](#) to [C\\$258.6 billion in 2024](#), a 14.4% increase despite global economic fragmentation.¹⁴ The region now accounts for 16.8% of Canada's total bilateral trade, consolidating its position as [Canada's most important trading](#) area after the United States.

However, this headline growth masks a structural reality—**Canada's trade expansion has occurred largely because of China, not around it**. In 2024, China alone accounted for 47% of Canada's bilateral goods trade with its top Asia-Pacific trading partners, totalling C\$117.5 billion (TradeMap: figure 4),¹⁵ 32% higher than Canada's combined goods trade with

Japan, South Korea, Vietnam, and India. This renders China the de facto cornerstone of Canada's Asia-Pacific trade profile.

Moreover, even modest shifts in trade with China move Canada's regional trade numbers significantly. Between 2021 and 2024, exports to China grew by only about 6%, yet this small increase was responsible for 21% of the rise in Canada's Asia-Pacific exports. In contrast, Canada's higher export growth to South Korea (20%), and Vietnam (53%) translated into far more modest absolute contributions to that regional rise (16% and 4 %, respectively). India is the one Asia-Pacific peer where aggressive growth (77%) produced a comparably large absolute contribution (28%)—

14 For Canada's principal regional partners specifically, listed below, bilateral trade grew by 14.3%, from C\$218.2 billion in 2021 to C\$249.5 billion in 2024, equivalent to a compounded annual growth rate (CAGR) of 4.6%. All analysis focuses on Canadian international merchandise trade, unless otherwise specified. Calculation based on data from TradeMap, accounting for only Canada's top trade partners in the Asia-Pacific region, including China, Japan, South Korea, Vietnam, India, Chinese Taipei, Thailand, Australia, Indonesia, Malaysia, Hong Kong, Singapore, and the Philippines, its bilateral trade with the region grew by 14.3%, from C\$218.2 billion in 2021 to C\$249.5 billion, equivalent to a compounded annual growth rate (CAGR) of 4.6%.

15 Statistics Canada reports bilateral trade with China in 2024 was [C\\$118.7 billion](#). Calculation based on data from TradeMap, which is a credible market analysis tool [endorsed by Statistics Canada](#), shows a bilateral trade value of C\$117.5 billion.

but it required percentage growth more than ten times China's to do so. In short, China is the regional channel where small percentage gains generate the largest absolute effects.

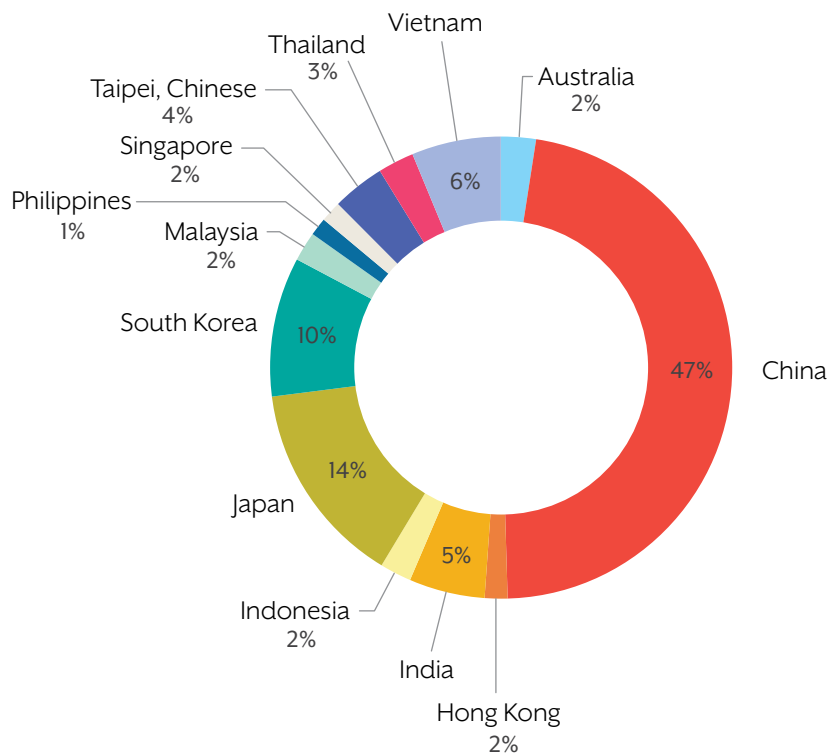


Figure 4: Canada's Bilateral Trade with Top Asia-Pacific Trading Partners (Share, 2024)
Source: TradeMap

DATA HIGHLIGHTS

- **6%** growth in Canada's exports to China accounted for about **21%** of the total increase in Canada's exports to the Asia-Pacific;
- **20%** growth in Canada's exports to Korea accounted for roughly **16%** of the total increase in Canada's exports to the Asia-Pacific;
- **53%** growth to Vietnam contributed only about **4%** of the total increase in Canada's exports to the Asia-Pacific;
- **77%** growth to India contributed about **28%** of the total increase in Canada's exports to the Asia-Pacific.

Table 2: Canada's Export Growth to Major Asia-Pacific Partners: Rate vs. Regional Contribution (2021-2024)

Source: Author's calculations based on data from TradeMap International Trade Centre (ITC). *TradeMap*. Retrieved 2025-10-22, from <https://www.trademap.org>

Despite the two-digit growth in exports to some major regional trading partners, including South Korea, India, and Malaysia (↑ 30%), Canada's overall regional market share has slipped, falling from 0.62% in 2021 to 0.58% in 2024.¹⁶ Had Canada simply maintained its 2021 share in China's import market as its demand expanded, its exports would be roughly US\$1.8 billion higher in 2024—about 3.4% above actual levels, suggesting [Canada's commercial presence in the region remains limited and fragile](#), falling short of the Asia-Pacific Strategy (IPS) ambitions.

The evidence shows that China offers the most effective marginal growth opportunity in the

Asia-Pacific, given its unmatched scale—small percentage gains (or even just holding share) yield outsized absolute value expansion compared with higher-percentage but lower-volume gains in smaller markets. Moreover, it usually takes more effort to pursue and sustain a double-digit growth rate in a small market than to achieve a small percentage increase in a massive market. The missed opportunities from declining share highlight why a more proactive, calibrated engagement with China is essential to realizing Canada's IPS goals of resilient, high-impact diversification.

2.2 CHINA OFFERS MAJOR DIVERSIFICATION POTENTIAL IN THE REGION

China's practical importance for Canada extends beyond its role in past and current trade growth to the significant future opportunities it offers. Achieving the government's objective of growing non-U.S. exports means targeting markets where modest market-share gains can generate the greatest absolute export growth. Canada's goal of [doubling its non-U.S. exports over the next decade](#) translates to an annual increase in goods export value of roughly C\$18.4 billion.¹⁷ This is equivalent to:

- 61.6% of Canada's 2024 annual goods exports to China;
- 122.8% to Japan;
- 241.1% to South Korea;

- 346.3% to India, and
- 586.0% to Australia.

Meeting Canada's target of doubling its non-US exports in goods and services would require Canada to capture roughly 0.5% more of China's annual imports from the world—the smallest share increase needed among major Asia-Pacific partners,¹⁸ assuming China's annual GDP growth rate remains at roughly 5%. Moreover, estimates by the International Trade Centre (ITC) confirm that China offers Canada the largest untapped export growth opportunities in the Asia-Pacific region, as shown in Figure 5.¹⁹ Overall, modest improvements in access or market share in China can deliver far larger absolute export gains than similar improvements in smaller markets,

16 The Asia-Pacific regional market size is calculated as the total merchandise imports of Australia, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, and Canada's market share in the region is the total of Canada's export to these countries relative to the size of the regional market.

17 This estimation assumes that the weights of services and merchandise in Canada's exports remain the same as in 2024. In 2024, based on data from TradeMap, Canada's non-US goods exports were C\$183.6 billion.

18 China's total goods imports from the world were C\$3.54 trillion, according to [TradeMap-Canada](#).

19 The International Trade Centre (ITC) estimates "export growth potential" using its Export Potential Map, which uses global trade data and a gravity-style model to estimate how much more a country could export based on supply capacity, import demand, and market access costs. It compares this predicted level with actual exports, and the gap becomes the "export growth potential."

making China one of the most consequential markets for advancing Canada's diversification objective in a realistic timeframe.

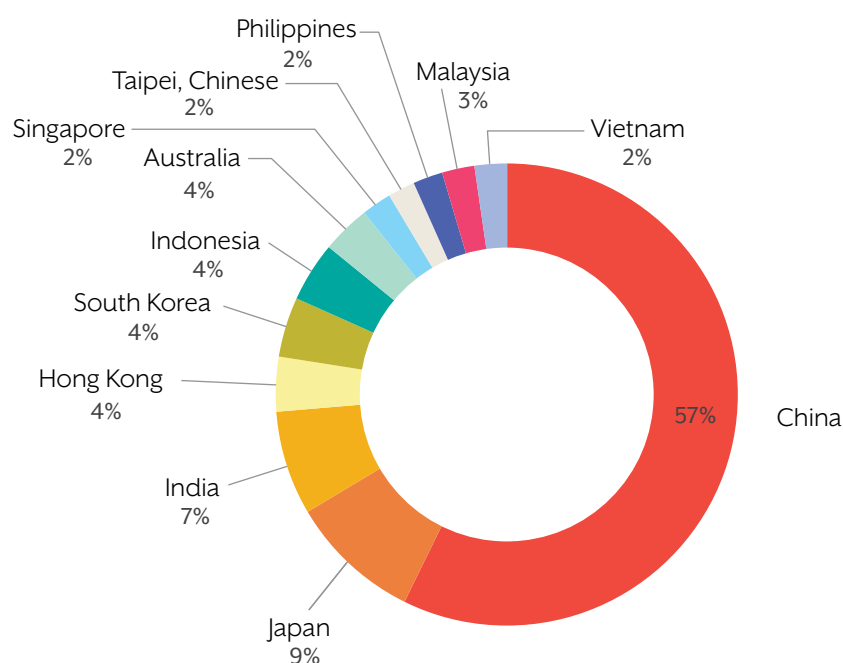


Figure 5. Export growth potential for Canada with top Asia-Pacific Trade partners

Source: International Trade Centre (ITC). *Export Potential Map*. Retrieved on 2025-11-18, from <https://exportpotential.intracen.org/en/markets/gap-chart?fromMarker=i&exporter=124&toMarker=i&whatMarker=a&what=a>.

2.3 CHINA'S DISTINCT BUT BOUNDED REGIONAL ADVANTAGES

China's importance for Canada's Asia-Pacific diversification is not only a function of scale. It also reflects the structure of Canada's export relationship with China. Compared with several other major regional markets, Canada's exports to China are spread across a relatively broad set of sectors, including energy and minerals, agriculture and agri-food, forestry products, chemicals, machinery, and selected industrial inputs. This breadth does not eliminate exposure to sector-specific disruptions, as recent experience with canola makes clear. But it does suggest that the relationship is not dependent on a few narrow channels.

Trade complementarity between Canada and China has also increased over time, reflecting growing alignment between Canadian export strengths and Chinese import demand in upstream and value-adding categories. This matters because durable diversification depends not only on finding new markets, but on identifying markets where Canada can scale exports without forcing a costly mismatch between what Canada produces and what foreign markets require.

China, therefore, offers Canada a distinct regional opportunity, though not an uncomplicated one. The

case for deeper commercial engagement rests on selective fit, scale, and sectoral breadth—not on an assumption that China is a low-risk market. The more useful policy question is where engagement with China can strengthen Canadian production, export capacity, and regional diversification while remaining subject to appropriate safeguards in areas of coercive, strategic, or supply-chain vulnerability.

Taken together, this suggests that Canada's Asia-Pacific strategy should not treat China as either the whole regional opportunity or as a market to be

avoided by default. China should instead be treated as a central but bounded component of a wider regional strategy: engaged where Canadian advantages are real and risks are manageable, balanced by deeper relationships with Japan, South Korea, ASEAN, India, Australia, and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) partners, and supported by product-level monitoring of exposure and substitutability.

POLICY IMPLICATIONS

The evidence above does not support either blanket suspicion or passive commercial optimism. China has shown that it can use trade access, regulatory approvals, and supply-chain position coercively. But the policy implication is not generalized withdrawal. It is granular preparedness: identifying where China-linked exposure is productivity-enhancing, where it is substitutable, and where it creates genuine coercive leverage.

As Canada continues to recalibrate its relationship with China in tandem with a broader strategy of strengthening domestic capacity, diversifying partnerships, and increasing strategic autonomy, it should adopt a balanced, risk-aware, and interest-based posture. This means managing China-linked interdependence pragmatically by product, function, and substitutability, based on a granular understanding of the bilateral trade dynamic and a refined risk-reward calculation, rather than merely relying on aggregate exposure or generalized political assumptions. With that aim in mind, we offer some further suggestions:

1. **Preserve productive imports from China while building safeguards around genuine bottlenecks.**

Many Chinese inputs support Canadian producers by diversifying supplier options and helping firms remain competitive, while China's capacity to use trade coercively remains a real policy concern. Policy should therefore distinguish between low-risk, productivity-enhancing imports and inputs where Canada faces genuine exposure due to limited substitutes, concentrated suppliers, or because the input is central to future industrial capacity. A first step could be a dynamic product-level monitoring system that tracks the substitutability, supplier concentration, and industrial criticality for China-linked inputs. For low-risk inputs, Canada should preserve access while monitoring risk build-up. For high-risk inputs, especially in refined critical minerals and other upstream bottlenecks, Canada should build redundancy through inventories, allied sourcing, domestic or partner-country processing, and emergency supply protocols.

2. Build a product-level export agenda that enhances Canada's trade agency. Canada should use renewed strategic engagement with China to move beyond episodic market-access negotiations toward a standing, product-level export agenda. Priority should go to sectors where Canada already holds a meaningful position in China's import basket, where Canadian supply is difficult to replace at comparable quality or scale, and where Canada can help China diversify away from more concentrated or geopolitically exposed suppliers. The objective should go beyond maximizing exports to China; it should use Chinese demand where it strengthens Canadian production, farm income, resource development, infrastructure utilization, and bargaining resilience to enhance its capacity as a reliable global partner.

3. Treat Asia-Pacific Diversification as China-aware, not China-optional. Canada should deepen ties with Japan, South Korea, ASEAN, India, Australia, and CPTPP partners, but it should not design Asia-Pacific diversification around bypassing China. Given China's role as both a direct market and a regional production hub, avoiding China is more likely to turn direct exposure into indirect, more costly, and less visible exposure through regional value chains than to eliminate exposure altogether. It may also make future shocks harder to interpret and manage by reducing Canada's direct visibility into China-linked ecosystems. Canada therefore needs a two-track regional strategy: direct engagement with China in priority sectors where Canada has agency and manageable risk, and deeper engagement with Japan, South Korea, ASEAN, and other regional mechanisms to diversify channels, build redundancy in sensitive areas, and recognize that many Asia-Pacific supply chains remain China-linked even when they are not China-bound.

4. Build a China strategy that reinforces Canada's trade-agreement network and reputation assets. Canada's extensive rules-based trading relationships and institutional expertise give Canadian firms

market optionality, credibility, and fallback capacity. Properly-managed China engagement can reinforce these assets by helping Canadian firms access cost-effective inputs, scale production, and compete more effectively in lower-friction markets in Europe and the Asia-Pacific, while preserving compliance with rules of origin, security screening, and allied obligations. Canada's reputation as a reliable, high-standard supplier requires a well-structured China strategy to use Chinese demand, inputs, capital, or technology in ways that build Canadian-controlled capacity, strengthen Canada's position in global value chains, and preserve the trust Canada has accumulated with its many partners.

5. Rebuild Canada's China knowledge capacity and institutional dialogue. A credible and practical China policy requires stronger capacity to understand China's policy system, market dynamics, regulatory signals, and implementation incentives. The evidence in this report shows that China-linked exposure is uneven: some linkages strengthen Canadian production and diversification, while others require targeted safeguards. Deeper China expertise is needed across government, business, and research institutions. Policy can then integrate strategic design with issue-specific judgement, rather than relying on generalized assumptions. This capacity requires a broader base of China knowledge, including policy research, supply-chain expertise, business intelligence, academic and professional exchanges, and scholarship that keeps Canadian understanding current, practical, and grounded. Paired with regular institutional dialogue, this knowledge base will help Canada test assumptions, identify concrete opportunities, anticipate frictions, and manage risks before they harden into crises.

This is a strategy of disciplined engagement: preserving inputs that support Canadian production and industrial advancement, expanding trade where it strengthens Canadian agency and capacity, using Chinese demand, inputs, capital, and technology where they build Canadian-controlled capacity and

reinforce Canada's accumulated reputation as a trusted partner in its wider trade network, building safeguards where exposure is real, and using renewed dialogue with China to advance Canadian interests from a position of clearer evidence and greater strategic confidence.

The goal is preparedness, not pre-emptive exclusion: Canada should build alternative sourcing plans, critical-input redundancy, export-diversion paths, and sector-specific response playbooks while engaging where it strengthens productivity, resilience, and Canada's long-term position in global value chains.

CONCLUSION

As global trade becomes more fragmented and uncertain, Canada needs to ground its strategy in how commerce actually works: through global and regional production networks, value chains, and the real constraints firms face when substituting suppliers, scaling output, and entering new markets. Looking beyond bilateral trade balances, Canada has an opportunity to move from reactive risk management toward a more strategic approach to economic engagement—one that connects trade policy and diplomacy with domestic development objectives and long-term productivity growth.

Moreover, effective de-risking is not synonymous with reducing exposure wherever possible. It requires a value-chain-aware approach that (1) reinforces Canada's competitive advantages in essential inputs such as forestry, critical minerals, and agri-food, where policy leverage is strongest; (2) builds targeted resilience and redundancy in sectors where Chinese inputs are systemically important; and (3) sequences diversification toward markets and products where Canada can scale without prohibitive substitution costs. If implemented effectively, this approach can preserve access to technology, scale, and growth opportunities while making Canada less vulnerable to sudden disruptions.

Canada's most durable path forward lies neither in broad disengagement from China nor in the passive acceptance of asymmetric trade interdependence,

but in actively managing that interdependence. The central policy challenge is how trade with China can be governed in ways that selectively convert existing production linkages into sources of resilience, leverage, and long-term growth. In a more contested global economic space, these considerations should be central to a credible and effective Canadian strategy.

This report identifies where product-level exposure and structural optionality are most likely to arise, but it does not estimate the full sector-specific adjustment costs of disruption. A next phase of analysis should identify where market concentration coincides with low substitutability, limited diversion capacity, high regional employment, perishability or inventory constraints, and significant downstream dependence on either side of the relationship.

APPENDIX

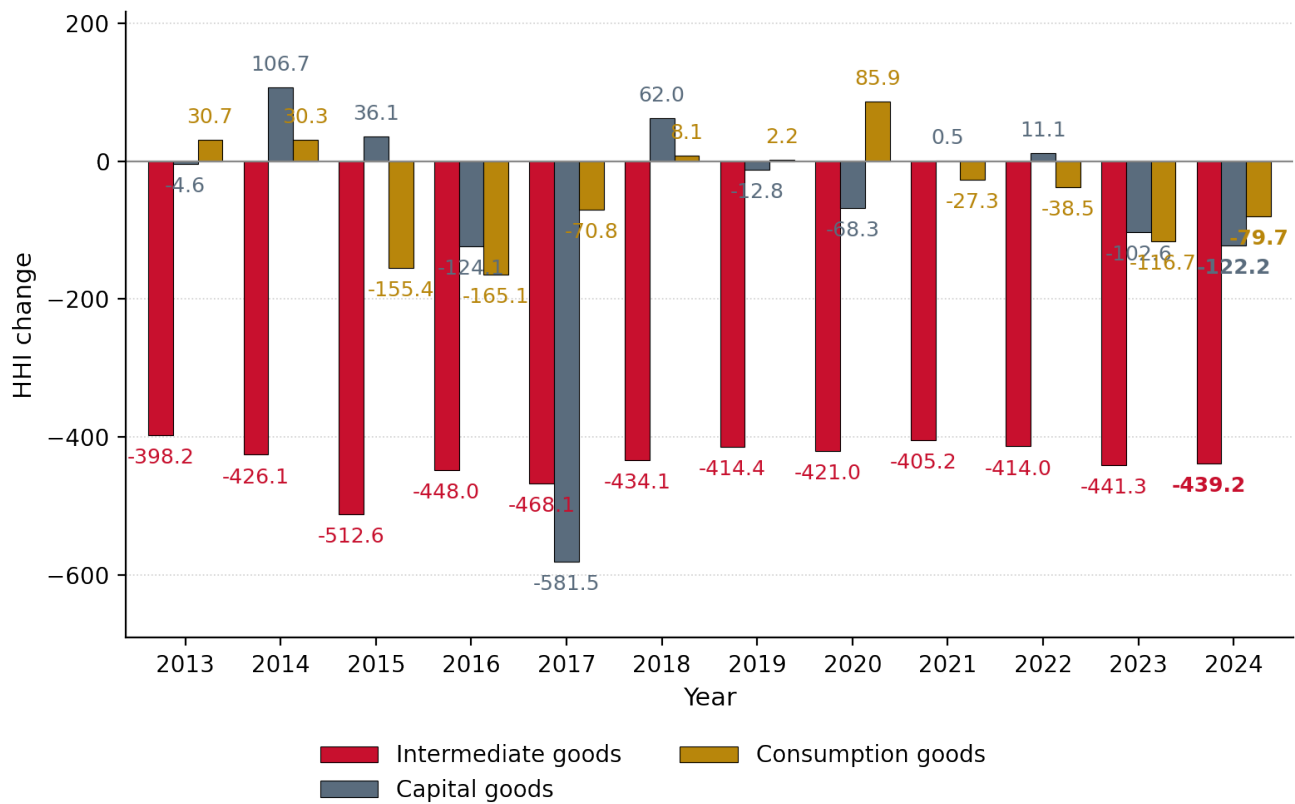


Figure A1: China's net diversifying effect on Canada's supplier concentration, by economic function (HS-6 panel, BEC end-use subsets), 2013-2024. Negative values indicate that China's presence reduces Canada's source concentration relative to the proportional counterfactual.

HS-2

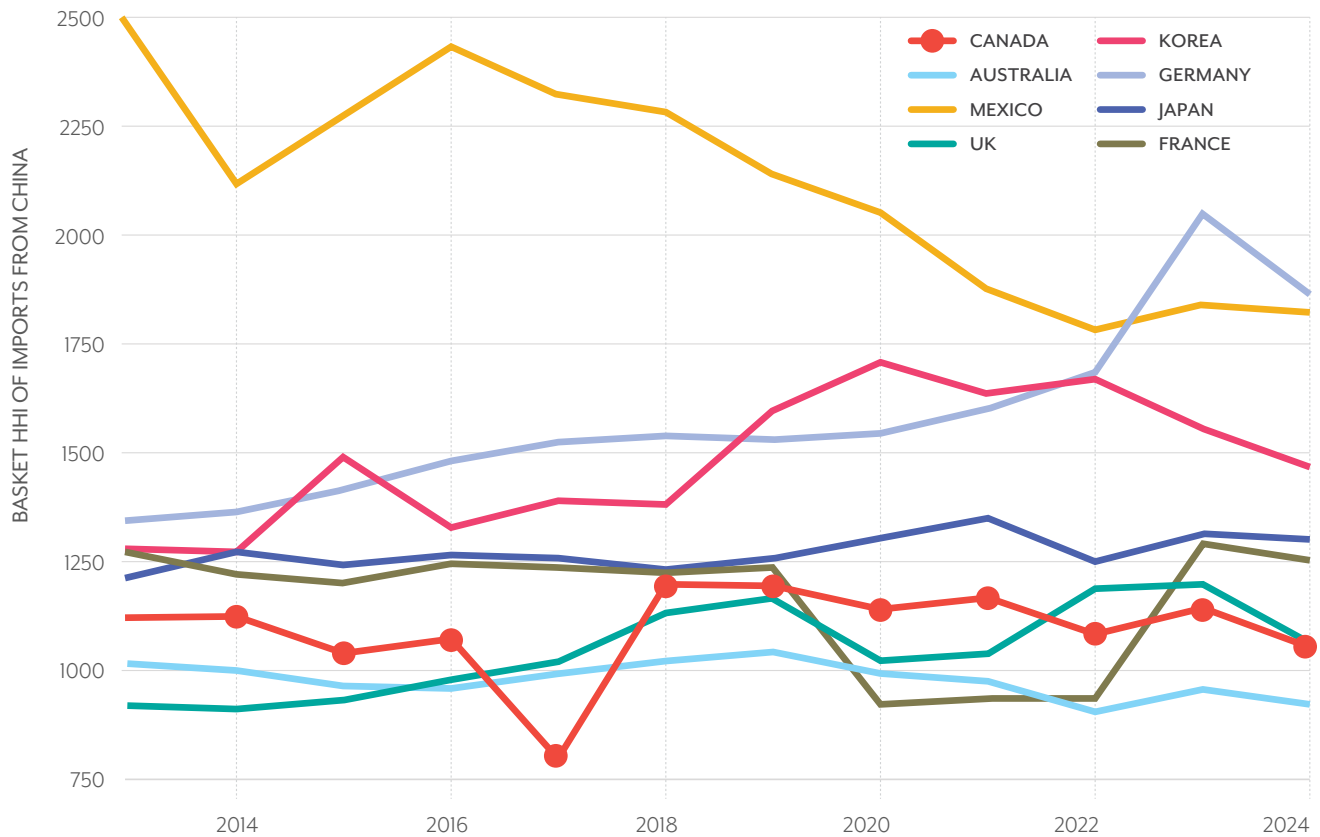


Figure A2 : Product-basket HHI of Imports from China, Canada vs. comparator middle-powers
Source: BACI HS-12 V202601 (CEPII, 2026 release), authors' calculations.

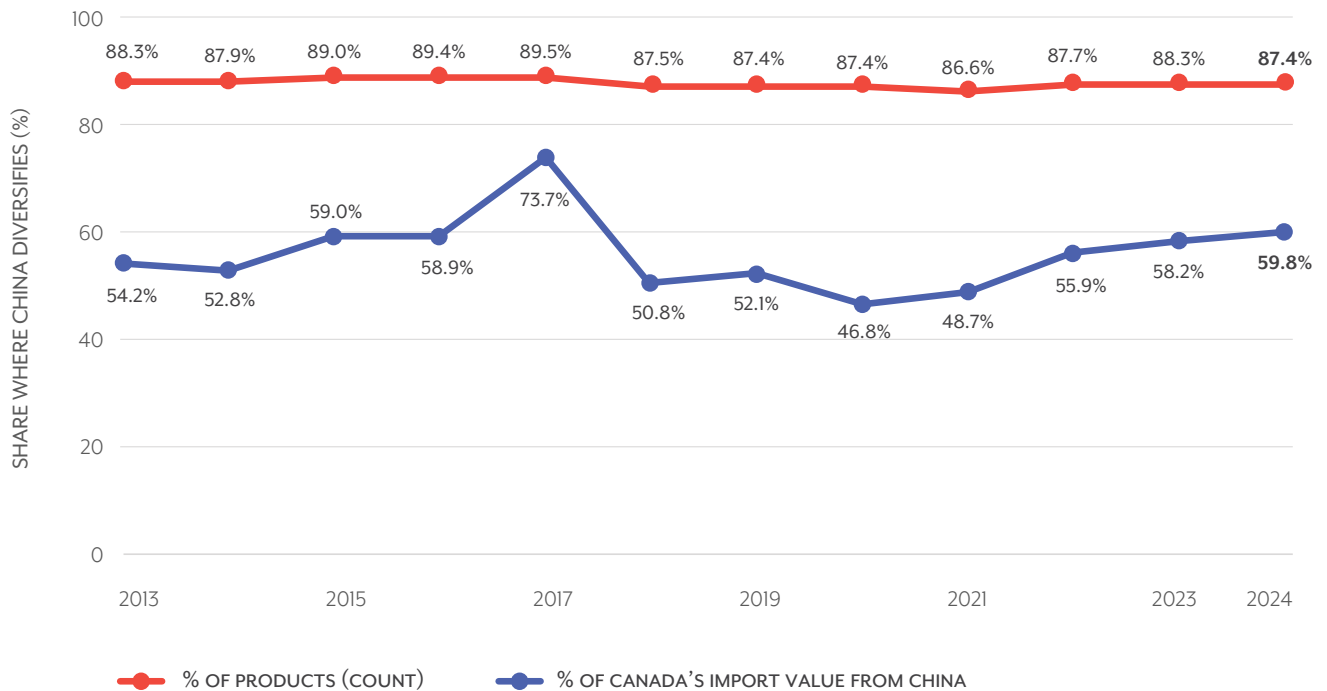


Figure A3 : Count vs. value share of products where China diversifies (HS-6)
Source: BACI HS-12 V202601 (CEPII, 2026 release), authors' calculations.

PRODUCT	FORMS OF STRUCTURAL AGENCY	WHY
Canola seed, low-erucic rape/colza seed	Revealed agency	China imported \$2.95B; Canada supplied 99.97%. This is the cleanest revealed-agency case: China's import dependence is already effectively Canada-centred.
Canola meal / rape or colza oil-cake	Revealed agency	China imported \$927M; Canada supplied 73.9%; Russia supplied 5.4%. Canada exports \$1.97B globally, about 2.1x China's import demand.
Mechanical/chemical wood pulp	Revealed agency	China imported \$598M; Canada supplied 76.0%; Russia supplied 4.7%. Canada holds 47.3% of global exports and has clear existing leverage.
Slag, ash, residues n.e.c.	Revealed agency	China imported \$68M; Canada supplied 86.0%. Smaller market, but very high revealed Canadian position.
Non-frozen lobster	Revealed agency	China imported \$582M; Canada supplied 70.3%; U.S. supplied 27.2%. Canada is already structurally important in a high-value consumption category.
Peas	Revealed agency; strategic-risk replacement	China imported \$526M; Canada supplied 43.5%; Russia supplied 42.2%. Canada is both an existing supplier and a direct hedge against Russian supply exposure.
Coniferous sawn wood	Revealed agency; strategic-risk replacement	China imported \$3.30B; Russia supplied 70.5%, Belarus 6.7%; Canada supplied 5.9% and exported \$6.35B globally. Canada's strategic value is much larger than its current China share.
Unwrought nickel	Revealed agency; strategic-risk replacement	China imported \$1.80B; Russia supplied 43.8%; Canada supplied 7.5%, exported \$1.63B globally, and ranked #1 globally. Strong critical-minerals leverage case.
Non-agglomerated iron ore	Revealed agency; investable diversification enabler	China imported \$114.5B; Australia supplied 65.9%; Canada currently supplied 1.6% but still exported \$1.80B to China. This is in China's most strategic raw-material import basket. Russia 0.7%, Iran 0.5%.

PRODUCT	FORMS OF STRUCTURAL AGENCY	WHY
Crude petroleum / crude bituminous oil	Investable diversification enabler; strategic-risk replacement	China imported \$304.1B; Russia supplied 20.6%, Saudi Arabia 15.8%, Iraq 12.2%, Oman 8.2%, UAE 7.3%. Canada exported \$109.0B of crude globally, but 93.4% went to the U.S.; only \$2.56B went to China. This is a two-sided diversification case: China diversifies from Russia/Middle East concentration, while Canada diversifies crude exports beyond the U.S.
Liquefied propane / LPG	Investable diversification enabler	China imported \$18.7B; U.S. supplied 59.7%; Qatar 7.7%; Russia 0.7%. Canada exported \$3.37B globally, equal to 18% of China's import demand, but 2024 China-bound exports were near zero. This is exactly the "capacity plus infrastructure plus capital" case.
Liquefied butanes	Investable diversification enabler	China imported \$3.83B; UAE supplied 37.2%, Saudi Arabia 15.4%, Oman 15.3%, U.S. 11.0%; Russia 1.2%. Canada exported \$659M globally, about 17% of China's import demand.
LNG	Investable diversification enabler; strategic-risk replacement	China imported \$43.5B; Australia supplied 34.5%, Qatar 24.4%, Russia 11.5%. 2026 Ras Laffan disruption strengthens Canada's relevance. LNG Canada began first large-scale exports in 2025. Moreover, LNG is the scalable ocean-shipped form of gas to help China diversify its concentrated pipeline gas imports (China imported \$21.2B pipeline natural gas ; Turkmenistan supplied 45.1%; Russia supplied 37.9%).
Bituminous coal	Revealed agency; investable diversification enabler; strategic-risk replacement	China imported \$33.8B; Australia supplied 26.7%, Russia 24.6%, Mongolia 24.2%; Canada supplied 5.9%, or \$2.01B. Canada already exports significantly to China, though <u>this is climate- and policy-sensitive</u> .
Potassium chloride / potash	Revealed agency; strategic-risk replacement	China imported \$3.84B; Russia supplied 32.7%, Belarus 21.9%; Canada supplied 19.2%; Canada exported \$7.61B and ranked #1 exporter globally. This is one of the strongest strategic-risk replacement examples.
Unwrought non-alloy aluminum	Strategic-risk replacement	China imported \$5.09B; Russia supplied 69.6%, Iran 3.6%; Canada exported \$5.13B globally and ranked #2, but its current China share is tiny, so the agency is mostly latent strategic replacement.

PRODUCT	FORMS OF STRUCTURAL AGENCY	WHY
Natural uranium	Strategic-risk replacement	China imported \$2.44B; Kazakhstan supplied 71.3%. No adversarial supplier in the defined group, but the supplier concentration is extreme. Canada exported \$3.24B globally and ranked #2; <i>strategically and politically sensitive</i> .
Enriched uranium / plutonium compounds	Strategic-risk replacement	China imported \$993M; Russia supplied 85.5%. Canada exported \$412M globally. This is high strategic salience, though <i>policy constraints are substantial</i> .
High-purity unwrought zinc	Strategic-risk replacement	China imported \$148M; Iran supplied 58.0%; Canada exported \$587M globally and ranked #1. Smaller market but low-hanging fruit given the clean geopolitical-replacement logic.
Low-erucic canola / rape oil	Strategic-risk replacement	China imported \$1.81B; Russia supplied 59.9%, Belarus 13.1%; Canada exported \$1.58B globally but supplied only 0.5% of China imports. This could be a strong latent replacement case.

Table A1 Canada's Structural Optionality in China's Import Profile

This table demonstrates representative examples of the three forms of Canadian optionalities identified based on trade profile in Section 1.3.

Source: BACI HS-12 V202601 (CEPII, 2026 release), authors' calculations based on 2024 data, **dollar values are in USD**. Strategic-risk replacement covers both exposure to adversarial suppliers and cases of extreme supplier concentration irrespective of the supplier's political alignment.