

# Canada-China Trade: Q1 2020

CHINA INSTITUTE, UNIVERSITY OF ALBERTA

Tom Alton, Policy Research Assistant

As a follow-up to the [CIUA's Canada-China Trade: 2019 Year in Review](#), this report outlines Canada-China trade over the first quarter of 2020 and further examines larger trends and topics in global trade. It uses data from Statistics Canada for **goods** (merchandise) trade with China, presented on an unadjusted customs basis in Canadian dollars.

## CANADA-CHINA TRADE: Q1 IMPORTS & EXPORTS

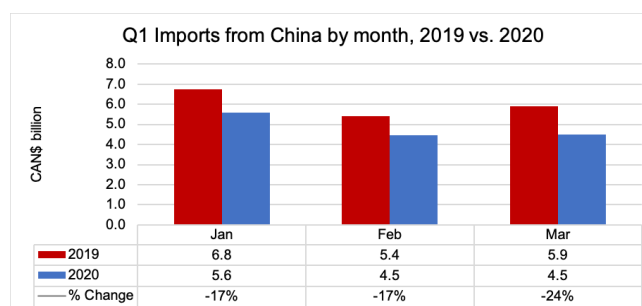
Source: [Trade Data Online](#) (Statistics Canada – Customs Data)

Over the first three months of 2020, Canada's exports to China decreased by 13.85% compared with the same period in the previous year. Chemical wood pulp was the most valuable product by export value over this period (\$418 million) but was still down 31.5% compared to the year prior. First quarter exports of swine (frozen & boneless) rose by 141.7% (vs. Q1 2019) to \$335 million. This first quarter value already exceeds the total value of swine exports to China in 2018 (\$328 million). This category also appears poised to surpass its export value (\$419 million) from 2019, which was hindered by the Chinese ban on Canadian meat exports that lasted from late June to November 2019. These products were followed by Canola seed (\$334 million, down 15.9%), iron ores (\$262 million, up 9.5%), and canola oil (\$249 million, up 3.4%) when ranked by total export value.



Canada also purchased fewer Chinese goods in the first quarter of 2020, decreasing by 20% compared with Q1 2019. Laptops (\$1.5 billion, down 8.7%), cellphones (\$689 billion, down 40.9% vs. 2019), switching machines (\$412 million, down 16.4%), toys (\$215 million, down 23.4%),

and headphones (\$160 million, up 64.3%) were the top five import categories by dollar value. It's too early to tell if this decrease in consumer goods imports is due to the initial stages of COVID-19-related lockdowns or reflects a trend in the purchasing habits of Canadian consumers.



## CANADA-CHINA TRADE – BY PROVINCE/TERRITORY

Source: [Trade Data Online](#) (Statistics Canada – Customs Data)

### Canadian Exports to China, Q1, by Province/Territory

Province	Jan-Mar 2019	Jan-Mar 2020	% Change
British Columbia	\$1.73B	\$1.31B	-24.62
Alberta	\$1.12B	\$959.8M	-14.49
Saskatchewan	\$879.7M	\$837.1M	-4.84
Quebec	\$819.3M	\$786.0M	-4.06
Ontario	\$695.4M	\$520.4M	-25.16
Manitoba	\$177.9M	\$230.6M	29.62
Nova Scotia	\$226.7M	\$164.6M	-27.39
Newfoundland and Labrador	\$80.8M	\$141.6M	75.32
New Brunswick	\$19.1M	\$10.1M	-47.15
Prince Edward Island	\$3.0M	\$3.9M	28.02
Northwest Territories	\$160K	N/A	N/A
Yukon Territory	N/A	N/A	N/A
Nunavut	N/A	N/A	N/A
<b>Total</b>	<b>\$5.76B</b>	<b>\$4.96B</b>	<b>-13.85</b>

### Canadian Imports from China, Q1, by Province/Territory

Province	Jan-Mar 2019	Jan-Mar 2020	% Change
Ontario	\$10.56B	\$8.66B	-18.05
Quebec	\$3.09B	\$2.40B	-22.21
British Columbia	\$2.98B	\$2.26B	-23.9
Alberta	\$862.1M	\$657.2M	-23.77
Manitoba	\$324.1M	\$287.7M	-11.24
Nova Scotia	\$130.1M	\$117.3M	-9.83
Saskatchewan	\$92.4M	\$81.5M	-11.76
New Brunswick	\$28.2M	\$64.5M	128.95
Newfoundland and Labrador	\$823K	\$1.9M	135.93
Prince Edward Island	\$758K	\$120K	-84.14
Yukon Territory	N/A	\$47K	N/A
Nunavut	N/A	\$2K	N/A
Northwest Territories	N/A	N/A	N/A
<b>Total</b>	<b>\$18.07B</b>	<b>\$14.53B</b>	<b>-19.55</b>

## TRENDS AND TOPICS IN CANADA/GLOBAL TRADE

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### Canadian Canola: Still Facing Restrictions

March 1, 2020 marked one year since China blocked canola seed exports from two major Canadian producers – Richardson and Viterra. According to the Canola Council of Canada, canola seed exports to China fell by approximately 70% in 2019 (or roughly \$1 billion). As previously stated in the CIUA Canada-China Trade: 2019 Year in Review report, the situation is no closer to being resolved. And with the May 27, 2020, B.C. Supreme Court decision to continue on with Meng Wanzhou's extradition trial, there is little chance that both sides will reach a diplomatic resolution to the issue.

Although a March 31, 2020 [report](#) from Reuters indicated that China had lifted the one-year ban on Richardson and Viterra, this was later determined to be inaccurate. There is still no agreement on this front, although there are currently “positive” conversations between Canadian and Chinese officials. Canadian Agriculture Minister Marie-Claude Bibeau [indicated](#) that China would allow some seed exports if they “contained less than 1% foreign material, such as straw or chaff.”

Given the China-related uncertainty, Canadian exporters are actively pursuing other markets for Canola. A Canola Council of Canada update in late April [stated](#) that, on a year-to-date basis, Canadian canola exports are up in Bangladesh, the UAE, Europe, and Pakistan. They are also finding ways to get around regulations using “backdoor” methods. For example, in October, 2019, Bloomberg [reported](#) that Chinese buyers were purchasing crushed Canadian canola through the UAE as a way to circumnavigate direct purchase restrictions.

### Coronavirus and Global Trade Fallout

The Coronavirus pandemic, having disrupted global trade in an unprecedented manner, is creating widespread challenges for business and government. With the global economy expected to [shrink](#) by as much as 3.2%, a return to pre-pandemic trade levels may still be far off.

On April 8, 2020, the World Trade Organization [estimated](#) that global trade would fall between 13-32% in 2020 – exceeding the decrease arising from the 2008 global

financial crisis. Another report published on May 13, 2020 by the U.N. Conference on Trade and Development [indicates](#) that global trade fell by 3% in the first quarter of 2020 and is expected to decline by an additional 27% quarter-on-quarter.

China, the world's largest trading nation, [reported](#) a rebound in April exports after a first quarter drop of 11.4%. However, a stark 14.2% decrease in imports when compared with a year earlier [indicates](#) weak domestic demand and a delayed recovery. Keith Bradsher of the New York Times [reports](#) that while Chinese factories are rapidly resuming production, consumers have not yet resumed pre-COVID-19 spending levels. There is also palpable fear of a “second downturn” in the coming summer months, leading some to believe that Beijing will increase economic stimulus measures. China's recovery experience may serve as a model for other countries as they begin to feel the effects of a prolonged lockdown.

### China/U.S. “Phase One” Trade Deal – Renewed Tension?

The U.S.-China “phase one” trade deal, signed in January, generated optimism that relations between the two nations could improve after months of oscillating tension. Although some critics questioned aspects of the deal, including whether or not the trade targets were [attainable](#), it represented a step towards more open dialogue and collaboration on trade while the U.S.-China relationship was otherwise declining. U.S. government officials and business leaders speculated that “phase two” negotiations on remaining issues could begin. The Global Times, a Chinese government backed tabloid, [stated](#) that the “hard-fought agreement should be cherished by both sides” and that it “is more real than political voices and public opinion, because real trade speaks for itself.”

Any political goodwill generated by the January trade agreement quickly dissipated as the coronavirus pandemic spread onto American soil. There is now doubt that China will have the economic capacity to uphold its purchase commitments, which total an additional US\$200 billion over two years. U.S. officials, most prominently Secretary of State Mike Pompeo, have also [sparred](#) with their Chinese counterparts over China's initial handling of the pandemic, connection to the origin of the virus, and alleged withholding of virus samples needed for vaccine research.

President Trump reflected this deterioration in rapport by [stating](#) that he doesn't want to speak with Chinese President Xi and could "cut of the whole relationship." He further [threatened](#) to rip up the entire agreement if China didn't meet its trade commitments. While China has committed to push ahead with the deal and has [opened its doors](#) to more American imports, hostility from top American officials may subdue any hope for prolonged cooperation.

### **Australia Trade Woes**

In late April 2020, Australia publicly [called](#) for an international inquiry into the handling of the global coronavirus pandemic. Australian Prime Minister Scott Morrison broadly called for a "proper independent assessment of what has occurred here" and asserted that the move was not a targeted attack. While the initiative would eventually garner the support of 137 countries at the most recent World Health Assembly (WHA) meeting, the mere implication of blame placed China on the defensive and kickstarted a diplomatic quarrel.

China's Ambassador to Australia, Cheng Jingye, [questioned](#) whether Chinese citizens would continue to drink Australian wine or eat Australian beef. The outspoken editor of the Global Times, Hu Xijin, [compared](#) Australia to "chewing gum stuck on the sole." And a Global Times [editorial](#) characterized the Morrison administration as having orchestrated a "malicious campaign to frame and incriminate China with groundless conjecture and outlandish fabrications."

Australia soon faced several China-related trade disruptions. Beijing [halted](#) beef imports from four Australian producers on May 11 and [applied](#) an 80% tariff on Australian barley on May 18. There are also unconfirmed [reports](#) that Australian coal faces a China ban. While China has largely claimed there is no connection between these trade issues and the weakened bilateral relationship, ABC News reporter Stephen Dzedzic [notes](#) that "the pattern is strikingly similar across the globe: countries caught in a dispute with Beijing suddenly find their flagship industries hit with obscure regulatory roadblocks."