

Canada, Japan and Australia: Swing States or Pawns for China?



Image Copyright: Asanka Ratnayake / POOL / AFP

1. Introduction

François Godement

2. Canada-China Relations: Amid Trump Tariffs, Expect a Wary Recalibration, Not a Reset

Michael Kovrig

3. An Inevitable Re-Normalization of Sino-Japanese Relations?

Naoko Eto

4. A Tactical Thaw: China's Strategic Messaging on Australia

Juliette Odolant

5. China is Still Coercing Australia—With Implicit Threats

Justin Bassi

About Institut Montaigne:

Institut Montaigne is a leading independent think tank based in Paris. Our pragmatic research and new ideas aim to help governments, industry and societies adapt to our complex world. Institut Montaigne's publications and events focus on major economic, societal, technological, environmental and geopolitical changes. We aim to serve the public interest through instructive analysis on French and European public policies and by providing an open and safe space for rigorous policy debates.

About China Trends:

China Trends seeks understanding of China from Chinese language sources. In an era where the international news cycle is often about China, having a reality check on Chinese expressions often provides for more in-depth analysis of the logic at work in policies, and needed information about policy debates where they exist. China Trends is a quarterly publication by Institut Montaigne's Asia Program, with each issue focusing on a single theme.



François Godement

Special Advisor and Resident Senior Fellow - Asia and United States at Institut Montaigne

Prof. François Godement is Institut Montaigne's Special Advisor on Asia and the United States. Until the summer of 2024, he was also a Nonresident Senior Fellow at the Carnegie Endowment for International Peace, and an external consultant at the French Ministry for Europe and Foreign Affairs. He graduated from the École normale supérieure de la rue d'Ulm, where he specialized in history, before studying at Harvard University.

Introduction

In anticipation of the late July EU-China summit in Beijing, held at China's insistence, there are so far no visible concessions from the Chinese side. Europe should thereafter consider the recent experience of some middle powers in dealing with the People's Republic of China.

At first glance, there is not much in common between Australia, Canada, Japan and the European Union. **Australia and Canada are middle powers by the virtue of their size**, and both share the peculiarity of being large energy, raw materials and agricultural exporters to China: 74 percent of Australia's sales to China,¹ including LNG, 66 percent in Canada's case.² **Japan is the largest of the so-called "middle powers"**, and still has China as a key industrial partner, especially in the automotive industry and consumer electronics.

As for the **European Union**, which by some counts deserves a seat at the table of the world's great

powers, it **mixes some agricultural exports to China**—often exploited by the Chinese side in current trade tensions—**with a much larger exposure to China's industrial overcapacity**.

Proximity or distance from China also matters. Seen from Beijing, however, all four are considered to be potential swing partners between China and the United States. Nothing new there: this is what Mao Zedong and, later, Deng Xiaoping termed in 1974³ as the "Second World" between the two superpowers—the Soviet Union being one at the time—and a supposedly revolutionary Third World.⁴

Australia, Canada, Japan and the EU are considered to be potential swing partners between China and the United States.

¹ China—Record Imports from Australia, But Economic Headwinds Mount," Export Finance Australia, July 2024, www.exportfinance.gov.au/resources/world-risk-developments/2024/july/china-record-imports-from-australia-but-economic-headwinds-mount/?utm.

² "Trade Partner Profile: China," The Conference Board of Canada, April 22, 2025, <https://www.conferenceboard.ca/insights/trade-partner-profile-china/?utm>.

³ "外交史上的今天—中华人民共和国外交部" [Today in Diplomatic History – Ministry of Foreign Affairs of the People's Republic of China], Ministry of Foreign Affairs of the People's Republic of China, Chinese Ministry of Foreign Affairs, www.mfa.gov.cn/ziliao_674904/historytoday_674971/200302/t20030222_9284515.shtml.

⁴ "Excerpts from Chinese Address to U.N. Session on Raw Materials," The New York Times, April 12, 1974, <https://www.nytimes.com/1974/04/12/archives/excerpts-from-chinese-address-to-u-n-session-on-raw-materials.html>.

In the past two decades, a chain of events has reinforced the perception that a swing was indeed possible to achieve. Chief among them, of course, is the added **economic leverage that China now holds over all four, through economic interdependence or outright dependence**, as the rare earths issue now shows, and China's willingness to practice coercion and link trade with security postures. Ironically, the Chinese op-eds do not hesitate to condemn such "economic bullying"—solely when it comes from others.⁵

But skepticism regarding the reliability of the United States has also built up in Australia, Canada, Japan and the European Union. There was the failure of a Trans-Pacific Partnership (TPP) with the United States under President Barack Obama's watch,⁶ a tighter Transatlantic Trade and Investment Partnership (TIPP) which never took off the ground between the United States and Europe;⁷ asymmetries between US hard power or willingness to go into conflict and Europe's uncompleted common defense.

With Asia, the US alliance as a "hub-and-spoke" relationship endured. The term, often attributed to John Foster Dulles in the making of the 1951 San Francisco Treaty,⁸ is being given worldwide relevance by Donald Trump: America now prefers bilateral deals to multilateralist interaction. The net result, now compounded by a strong reengagement of Russia by the United States, leads every one of its partners to deeper doubts about the latter's reliability. Not even the so-called "prioritizers" in the Trump administration can fully reassure some of them.⁹

This, and the vigor and unpredictability of Donald Trump's trade bargaining since the April 2nd "Liberation Day", naturally leads to examining the case for re-engaging China—or for accepting to be re-engaged. It is, after all, the world's first trading nation and one that might perhaps concede better terms if it fears an "encirclement" led by the United States.

A look at the diplomacy of Japan, Australia, and Canada shows that reengagement has indeed happened. These three countries all started from a high point in trade and mutual linkages with China, only to go through a protracted period of trade tensions and in some cases acute political and diplomatic crises. Today, **without apologizing for downturns that were largely due to China's own behavior, they seek to normalize the relationship, and perhaps to upgrade it.** This is the case of Australia's recently re-elected Labor government, even if it still endorses its predecessors' Indo-Pacific strategy, Canada's Liberal government embroiled in acrimonious debates with the United States, and Japan's Liberal Democrats clinging to their traditional relationship with Washington but seeking a form of normalization with Beijing.

An exploration of Chinese views on this **shift and the relative détente reveals that it is highly conditional on China's part:** the main concession being a fall in aggressive rhetoric, except when the United States or supposed local "hawks" are castigated as the culprits for previously souring relations. That military issues are paramount, whether China's offensive or defensive positions, is well demonstrated in Australia's case.

⁵ "经济霸凌损人害己，这是历史结论" [Economic Bullying Harms Both Others and Oneself; This Is a Historical Conclusion], *Global Times*, April 4, 2025, <https://opinion.huanqiu.com/article/4M8xxE0IY95>.

⁶ "Overview of TPP," Office of the United States Trade Representative, <https://ustr.gov/tpp/overview-of-the-TPP>. Accessed on July 6, 2025.

⁷ "Transatlantic Trade and Investment Partnership (TTIP) – Documents," European Commission, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/united-states/eu-negotiating-texts-ttip_en. Accessed on July 6, 2025.

⁸ Kent Calder, "Securing Security through Prosperity: The San Francisco System in Comparative Perspective," *The Pacific Review*, March 2004, <https://www.tandfonline.com/doi/abs/10.1080/0951274042000182447>.

⁹ Céline Belin, Majda Ruge and Jeremy Shapiro, "Imagining Trump 2.0: Six Scary Policy Scenarios For A Second Term," *European Council on Foreign Relations*, June 12, 2024, <https://ecfr.eu/publication/imagining-trump-2-0-six-scary-policy-scenarios-for-a-second-term/>.

The relative *détente* reveals that it is highly conditional on China's part.

Rarely do Chinese commentators criticize their own country in matters of foreign policy. They now do so vis-à-vis Australia, blaming China's coercive tactics for a change of posture that has created, among other developments, the Quad and AUKUS. Australian pushback, such as practiced by ASPI, Australia's well-known security think tank, demonstrates that it may indeed hit a raw nerve in Beijing. This is a rare (and unofficial) walk back by China.

In other cases, **what China rescinds is sanctions it had imposed in the first place**, usually, but not always, in retaliation to measures it disliked. The hostage-taking of two Canadians in response to the proceedings against Huawei CFO Meng Wanzhou, the trade sanctions and duties on canola against Canada after it imposed a large tariff on Chinese-made electric vehicles, the tariffs and non-tariff barriers on Australian beef, barley, copper, coal, timber, wine (and lobsters) but not iron ore, which China needed, are as many examples of removable sanctions put in place.

Small countries such as Lithuania and middle powers, starting with South Korea, have been the first on the receiving end of these tactics. These tactics are also meant to have a chilling effect on others. **A "normalization of relations" expressed with much fanfare and rhetorical good will from Chinese officials does not include concessions on previous demands from their international**

partners. Thus, the ban against fish from Japan was lifted—but not for Fukushima and Tokyo although there are no more sanitary reasons.¹⁰ The European Union received a lifting of sanctions on sitting EU Parliament members but not on other personalities or institutions.¹¹ The diagnosis from relations with Australia, Canada and Japan matches the trend with Europe.

To whom does China hint at a real willingness to negotiate, implying not just words, but actual concessions on both sides? Well, to its nemesis, the United States. In an authoritative albeit anonymous commentary published on July 8, the People's Daily exhorts Washington to "continue to meet China half-way,"¹² which obviously implies China will also walk half of the path to a compromise. You would not find that kind of language with any other nation.

There is now more frankness from Beijing in acknowledging hyperrealism.

In a nutshell, this explains Beijing's strategy toward all but the number one global power: talk the walk rather than walk the talk. **There is now more frankness in acknowledging hyperrealism.** Thus, Minister of Foreign Affairs Wang Yi admitted to Kaja Kallas, the EU High Representative for Foreign Affairs and Security Policy, that China cannot accept Russia's defeat.¹³ This follows years of pretended "neutrality" on an issue that Europeans placed on top of their agenda with Beijing. Lambasting Vietnam for accepting US additional duties on reexports from

¹⁰ 海关总署公告2025年第140号 (关于有条件恢复日本部分地区水产品进口的公告) [General Administration of Customs of the People's Republic of China Announcement No. 140 of 2025 (Announcement on the Conditional Resumption of Imports of Aquatic Products from Certain Regions of Japan)], General Administration of Customs of the People's Republic of China, June 29, 2025, <http://www.customs.gov.cn/customs/302249/2480148/6600884/index.html>.

¹¹ "China Lifts Sanctions Against MEPs," European Parliament, April 30, 2025, <https://www.europarl.europa.eu/news/en/press-room/20250430IPR28167/china-lifts-sanctions-against-meps>.

¹² Zhong Sheng, "第017版, "共同营造开放、包容的国际贸易环境" [Issue 017, "Working Together to Create an Open and Inclusive International Trade Environment"], People's Daily, July 8, 2025, https://paper.people.com.cn/rmrb/pc/content/202507/08/content_30085690.html.

¹³ Finbarr Bermingham, "Exclusive | China Tells EU It Does not Want to See Russia Lose its War in Ukraine: Sources," South China Morning Post, July 4, 2025, <https://www.scmp.com/news/china/diplomacy/article/3316875/china-tells-eu-it-cannot-afford-russian-loss-ukraine-war-sources-say>.

China is also a broad recognition that China uses all available detours in its international trade.

This could be one of the factors that has **pushed the new Trump administration to tactics that often mirror China's own actions**. While China is usually more polite about it, both countries now favor bilateral and issue by issue negotiations and, in principle or in practice, shun multilateral agreements. Both use extraterritorial means,¹⁴ and both impose duties or other coercive measures as bargaining tools.

The United States does walk back measures, sometimes very quickly, while China remains more predictable, mostly on the side of rigidity.

This paradox should not be pushed too far as we are in front of unfolding events: The United States does walk back measures, sometimes very quickly, while China remains more predictable, mostly on the side of rigidity. What this demonstrates is that, seen from Beijing, **small or middle nations have no agency, unless they have an irreplaceable asset and no vulnerability to trade or security threats**. Very few cases of agency remain, in a world where the United States and China are the first and second economic and military powers—with the ensuing dependencies from their partners. To counter trade fragmentation and, more broadly, the breakdown of international rules, do these other nations have the wherewithal to form coalitions based on shared interests: what Thucydides would have called a Lacedemonian League or, more aptly, an Achaean League? **This coalition would have to counter Athens (the United States) when needed, while excluding Sparta or Macedonia (China) in principle**. That is a tall order, yet that may be our challenge in the immediate future.

¹⁴ Mathieu Duchâtel and Georgina Wright, "China's Extraterritoriality: A New Stage of Lawfare," Institut Montaigne, December 2024, <https://www.institutmontaigne.org/ressources/pdfs/publications/chinas-extraterritoriality-new-stage-lawfare.pdf>; Georgina Wright and Louise Chetcuti, "US Extraterritoriality: The Trump Card," Institut Montaigne, December 2024, <https://www.institutmontaigne.org/ressources/pdfs/publications/us-extraterritoriality-trump-card.pdf>.



Michael Kovrig

Director of Strategic Effects and Chief Executive of Kovrig Group

Michael Kovrig is a former Canadian diplomat who served in China. A frequent media commentator, his writing has appeared in *Asia Times*, *The Bangkok Post*, *ChinaFile*, *The Diplomat*, *The Globe & Mail*, *The Mail & Guardian*, *Politico*, *The South China Morning Post*, *U.S. News & World Report*, and other publications.

Canada-China Relations: Amid Trump Tariffs, Expect a Wary Recalibration, Not a Reset

In recent articles, Chinese analysts wrote that US President Donald Trump's **aggressive rhetoric and tariffs against Canada should prompt Ottawa to be less judgmental of China**. The underlying implication is that Canada is weakened and should embrace doing more business with the Chinese Communist Party (CCP). They also reckon that new Prime Minister Mark Carney will prioritize resolving disputes with Trump while encouraging Canadian businesses to diversify to other markets. They hope this will include China.¹

Chinese analysts consider that aggressive rhetoric and tariffs against Canada should prompt Ottawa to be less judgmental of China.

Now, **both Canada and China have seized the opportunity of a new leader in Ottawa** to at least explore means of resolving some issues. The two countries' trade ministers spoke on June 3 at a WTO meeting in Paris and agreed to re-activate the Canada-China Joint Economic and Trade Commission (JETC), a bilateral negotiation mechanism.² Carney then put his personal authority behind improving relations with a June 5 phone call with Premier Li Qiang in which the two agreed to "regularize communication channels".³

High-level dialogue is essential, but despite warming tones in the diplomatic mood music, relations remain strained by unresolved grievances and disagreements, a widening divergence in interests and values, and adversarial policies pursued by the CCP. **Growth in trade and investment**, which has long provided ballast and momentum to the relationship, **looks likely to continue to decelerate**. Canadian

¹ Xu Yanzhuo, "如何对抗右翼思潮、弥合社会分裂: 来自加拿大选举的经验教训" [How to Fight Back Against Right-Wing Ideas and Bridge Social Divisions: Lessons from the Canadian Election], *The Paper*, April 30, 2025, https://www.thepaper.cn/newsDetail_forward_30745792.

² "China, Canada Should Deepen Pragmatic Cooperation to Get Bilateral Trade Ties Back on Right Track: Chinese Commerce Minister," *Global Times*, June 4, 2025, <https://www.globaltimes.cn/page/202506/1335372.shtml>; "王文涛部长会见加拿大国际贸易部长西杜" [Minister Wang Wentao Meets with Canadian Minister of International Trade Sidhu], Ministry of Commerce of the People's Republic of China, June 4, 2025, https://www.mofcom.gov.cn/xwfb/bldhd/art/2025/art_6524f99646ce4ab0acff01ebc87996de.html.

³ "Prime Minister Carney Speaks with Premier of China Li Qiang," Prime Minister of Canada's Office, June 5, 2025, <https://www.pm.gc.ca/en/news/readouts/2025/06/05/prime-minister-carney-speaks-premier-china-li-qiang>; "China Willing to Work with Canada to Promote Steady Improvement of Bilateral Ties: Premier Li," *People's Daily*, June 7, 2025, <https://en.people.cn/n3/2025/0607/c90000-20324616.html>.

officials insist that a full reset is not possible, and that this is rather a recalibration.⁴ Indeed, just 12 days later, Carney, as chair of the G7, called on Beijing to “refrain from market distortions and harmful overcapacity”, prompting China’s Foreign Ministry to accuse him of “slandering and smearing” (污蔑抹黑).⁵

New Canadian Leadership, New China Policy?

Carney should refrain from his predecessor’s “anti-China” rhetoric, advises Liu Dan, a Canada specialist at Guangdong University of Foreign Studies. “The problem,” she says, “is that Canada has long prioritized ideological and values-based diplomacy” (长期以来加拿大比较重视意识形态外交和价值观外交).⁶ Conversely, a recent public opinion survey in China indicates most Chinese rank values below power and politics in terms of effects on relations.⁷

“The problem is that Canada has long prioritized ideological and values-based diplomacy” (长期以来加拿大比较重视意识形态外交和价值观外交).

Liu’s **transactional perspective fails to appreciate that Canada’s government considers values a core interest** because they define a common national identity that binds together a geographically, ethnically and culturally diverse population.

Internationally, those values are actualized through liberal norms, laws and institutions that help protect smaller countries like Canada from aggression and coercion by larger powers, such as China.⁸

Liu and other commentators such as Xu Yanzhuo of the Chinese Academy of Social Sciences also elide the reality that the **hardening of Canadian policy has been driven primarily by public opinion and government assessments that the CCP’s agenda and actions are harmful to Canada’s interests**, rather than by ideology or American pressure. During the Canadian election campaign debate in April, Carney encapsulated that perception when he named China as his country’s “biggest threat from a geopolitical sense.”⁹ The Prime Minister’s watershed announcement on June 9 that Canada would raise defence spending to 2 percent of GDP this year underlines those concerns.¹⁰

Canada’s growing threat perception is due to China’s support for Russia’s invasion of Ukraine, regional aggression, cyberattacks, espionage, transnational repression, mercantilist economic policies, and “wolf warrior” diplomacy (战狼外交). Even Canadians who do not follow international affairs have noticed the Party-state’s subversive interference in their politics (including influencing election results), illegal overseas police stations, sanctions on Canadian human rights advocates, executions of some imprisoned Canadian citizens and refusals to grant consular access to others, and harassment of members of the Chinese diaspora, most visibly politicians Michael Chong and Joe Tay.¹¹ This foreign interference sparked a series

⁴ Author discussions with Canadian officials, June 2025.

⁵ “2025年6月18日外交部发言人郭嘉昆主持例行记者会” [On June 18, 2025, Foreign Ministry Spokesperson Guo Jiajun Hosted a Regular Press Conference], Ministry of Foreign Affairs of China, June 18, 2025, https://www.fmprc.gov.cn/fyrbt_673021/202506/t20250618_11652470.shtml.

⁶ Liu Dan, “特朗普送助攻，卡尼赢大选，加拿大的‘反抗’会有更多行动吗？” [Trump Lends a ‘Helping Hand’, Carney Wins the Election—Will Canada’s ‘Pushback’ Escalate?], Jiefang Daily, April 29, 2025, <https://www.shobserver.com/statics/res/html/web/newsDetail.html?id=902362&sid=300>.

⁷ Reza Hasmath, “How China Sees the World in 2025,” Edmonton: The China Institute at the University of Alberta, <https://www.howchinaseestheworld.com/>.

⁸ Pitman B. Potter, “Integrating Values and Interests in Canada-China Relations: Complementarity & Policy Resilience,” Asia-Pacific Foundation of Canada, January 30, 2025, <https://www.asiapacific.ca/publication/pitman-potter-integrating-values-and-interests-canada-china-relations>.

⁹ “Carney Says China Is a Foreign Interference Threat,” CTV News, April 18, 2025, <https://www.ctvnews.ca/politics/article/carney-says-china-is-a-foreign-interference-geopolitical-threat-for-canada/>.

¹⁰ “Canada’s New Government is Rebuilding, Rearming, and Reinvesting in the Canadian Armed Forces,” Prime Minister of Canada’s Office, June 9, 2025, <https://www.pm.gc.ca/en/news/news-releases/2025/06/09/canadas-new-government-rebuilding-rearming-and-reinvesting-canadian>.

of formal Canadian investigations, heavy media attention and the expulsion of a Chinese diplomat.¹² But all that passed unmentioned in recent Chinese commentary.

Foreign interference passes unmentioned in recent Chinese commentary.

Economic Optimism Meets Political Complexity

CCP efforts to influence Canadian policy through elite capture have a long history, but until recent years they drew little attention because the focus was on the opportunities brought by China's rapid economic growth.¹³

From US\$3.7 billion (€4 billion at the 2000 average exchange rate) in 2000, Canadian exports to China swelled nearly sevenfold by 2013 to US\$25.4 billion (€19 billion at the 2013 average exchange rate). China's exports to Canada grew more than ninefold

in the same period, from US\$3.5 billion in 2000 (€3.8 billion at the 2000 average exchange rate) to US\$33.1 billion in 2013 (€24.93 billion at the 2013 average exchange rate).¹⁴ China's share of total trade grew to about 5 percent over the same period, making it Canada's second-largest trading partner.¹⁵

The composition of trade is a more complex story: **Canada's natural resources and commodity producers prospered, but its manufacturers struggled to compete with cheaper Chinese products both at home and abroad.** This has manifested in a widening trade deficit. Canada's trade balance with China went from a small surplus in 2000 to a peak deficit in 2022 of US\$29 billion (€27.6 billion at the 2022 average exchange rate).¹⁶

Meanwhile, two-way foreign direct investment (FDI) grew rapidly from a low base. Initially, Canadian firms had more investment in China than vice-versa, but in 2007 Chinese FDI in Canada began to surge in line with a global trend and Beijing's "going out" (走出去) policy. It has since far exceeded Canada's more modest and slow-growing investments in the People's Republic of China.

¹¹ Jonathan Manthorpe, "Claws of the Panda," *Open Canada*, August 6, 2024, <https://opencanada.org/claws-of-the-panda/>; Jessica Murphy, "Foreign Meddling a 'Stain' on Canada's Elections, Public Inquiry Report Says," *BBC News*, May 3, 2024, <https://www.bbc.com/news/world-us-canada-68931295>; James Joseph, "China Imposes Retaliatory Sanctions on Canada Human Rights Groups," *JURIST*, December 23, 2024, <https://www.jurist.org/news/2024/12/china-imposes-retaliation-sanctions-on-canadian-human-rights-groups>; Stanley Tromp, "Chinese in Canada at Risk of Surveillance and Detention due to 'Internet Battlefield': CSIS," *The Bureau*, March 12, 2025, <https://thebureau.news/p/chinese-in-canada-at-risk-of-surveillance>; and Hillary Leung, "Hong Kong Police Take in Relatives of Wanted Activist Joe Tay for Questioning," *Hong Kong Free Press*, May 8, 2025, <https://hongkongfp.com/2025/05/08/hong-kong-police-take-in-relatives-of-wanted-activist-joe-tay-for-questioning>.

¹² Darren Major, "Johnston Delivers Classified Final Report on Foreign Interference, Officially Steps Down," *CBC News*, June 26, 2023, <https://www.cbc.ca/news/politics/david-johnston-delivers-final-report-steps-down-1.6889325>; "Special Report on Foreign Interference in Canada's Democratic Processes and Institutions," *National Security and Intelligence Committee of Parliamentarians*, March 22, 2024, <https://nsicop-cpsnr.ca/reports/rp-2024-06-03/special-report-foreign-interference.pdf>; "Commission Releases Final Report on Foreign Interference," *Public Inquiry into Foreign Interference in Federal Electoral Processes and Democratic Institutions*, January 28, 2025, <https://foreigninterferencecommission.ca/news/article/commission-releases-final-report-on-foreign-interference>; Darren Major, "Canada Expelling Diplomat Accused of Targeting MP Michael Chong's Family," *CBC News*, May 8, 2023, <https://www.cbc.ca/news/politics/canada-expelling-chinese-diplomat-1.6836336>.

¹³ Jonathan Manthorpe, *Claws of the Panda: Beijing's Campaign of Influence and Intimidation in Canada*, Cormorant Books, 2024; Dennis Molinaro, *Under Siege: Interference and Espionage in China's Secret War Against Canada*, Penguin Random House, 2025.

¹⁴ "Balance of International Payments, Current Account, Trade in Services by Principal Trading Partners, Quarterly (x 1,000,000)," *Statistics Canada*, Table 12-10-0157-01, <https://www150.statcan.gc.ca/t1/tbl1/en/cv/recreate.action?pid=1210015701&selectedNodeIds=2D1,2D2,3D2,4D4&checkedLevels=0D1&refPeriods=20000101,20241001&dimensionLayouts=layout2,layout3,layout2,layout3,layout2&vectorDisplay=false>; "International Merchandise Trade For All Countries and By Principal Trading Partners, Monthly (x 1,000,000)," *Statistics Canada*, Table 12-10-0011-01, <https://www150.statcan.gc.ca/t1/tbl1/en/cv/recreate.action?pid=1210001101&selectedNodeIds=3D2,4D2,5D11&checkedLevels=0D1,1D1&refPeriods=20000101,20241201&dimensionLayouts=layout2,layout3,layout2,layout2,layout3,layout2&vectorDisplay=false>.

¹⁵ "International Merchandise Trade for All Countries and by Principal Trading Partners, Monthly (x 1,000,000)," *Statistics Canada*, Table 12-10-0011-01, <https://www150.statcan.gc.ca/t1/tbl1/en/cv/recreate.action?pid=1210001101&selectedNodeIds=3D2,4D2,5D11&checkedLevels=0D1,1D1,4D1&refPeriods=20000101,20241201&dimensionLayouts=layout2,layout3,layout2,layout2,layout3,layout2&vectorDisplay=false>.

¹⁶ *Ibid.*

Total Canadian FDI in China went from €412.5 million in 2000 to €4.42 billion in 2013, while Chinese FDI rose from €140.2 million to €10 billion.¹⁷

The composition of FDI in each market is quite different: **Chinese money is concentrated in extractive and agricultural sectors**, while Canadian investments have focused on China's banking, insurance and services sectors. The strategic purchase of Nexen by state-owned China National Offshore Oil Corporation (CNOOC) for €14.2 billion in 2012-2013 epitomized the enthusiasm of this period, but also prompted Canada's government to apply tighter foreign investment screening going forward.¹⁸

In the years after Xi Jinping became CCP General Secretary in 2012, Canadian diplomats and analysts began expressing mounting concerns about the Party's increasingly authoritarian and statist measures, such as reversion to tighter political control, a comprehensive national security outlook, far-reaching industrial, technology and civil-military fusion policies, and a massive military expansion.

But **most Canadian political and business elites turned a blind eye**. They preferred to point to positive signals such as a 2012 bilateral investment treaty, surging numbers of Chinese students seeking to study in Canada (paying fees that replenished university budgets), scientific cooperation, and the rising quantity and quality of reciprocal high-level visits.¹⁹

Prime Minister Justin Trudeau's Liberal government took office in 2015 flush with hopes of doing even

more business. Those aspirations were mirrored by Chinese counterparts who had found his Conservative predecessor **Stephen Harper difficult to deal with because of "his notorious anti-China stance"** (哈珀的反华立场是众所周知的) according to a People's Daily article that called him a "stubborn donkey" (犟驴子).²⁰

Instead, Canada's exports dipped one year into Trudeau's term to US\$16.6 billion (€18.4 billion at the 2021 average exchange rate) and early hopes of a high-standard free trade agreement foundered in 2017 over progressive elements such as human rights, labour and environmental standards that were non-starters for Beijing's conservative mandarins.

Diplomatic relations suffered a complete rupture in December 2018 when Canadian authorities arrested Huawei Technologies Chief Financial Officer Meng Wanzhou as she transited Vancouver Airport.²¹ The daughter of Huawei chairman Ren Zhengfei, Meng, was the subject of a US extradition warrant on charges of violating American sanctions on Iran and financial fraud. The Party-state retaliated by taking hostage two Canadians (this writer and Michael Spavor) and blocked imports of Canadian canola worth US\$1.75 billion (€1.54 billion at the 2020 average exchange rate) between March 2019 and August 2020. After 1,019 days, the crisis was resolved when the telecom executive and the two hostages were simultaneously released in September 2021. But **relations remained frigid**.²²

Beijing lifted the canola ban in 2022, but any prospects for an early thaw dimmed when **Canada drew**

¹⁷ *International Investment Position, Canadian Direct Investment Abroad and Foreign Direct Investment in Canada, By Country, Annual (x 1,000,000)*, "Statistics Canada, Table 36-10-0008-01, <https://www150.statcan.gc.ca/t1/tbl1/en/cv!recreate.action?pid=3610000801&selectedNodeIds=3D164&checkLevels=0D1,1D1&refPeriods=20000101,20240101&dimensionLayouts=layout2,layout3,layout3,layout2&vectorDisplay=false> (<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610000801>).

¹⁸ Debra Steger and Erica Alini, "CNOOC-Nexen Review Explained: 'Net Benefit' Might not Even Be the Point," *Maclean's/CIGI*, December 7, 2012, <https://www.cigionline.org/articles/cnooc-nexen-review-explained-net-benefit-might-not-even-be-point/>.

¹⁹ "Agreement between the Government of Canada and the Government of the People's Republic of China for the Promotion and Reciprocal Protection of Investments," September 9, 2012, <https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/8460/download>.

²⁰ "犟驴子加拿大总理哈珀会变得聪明吗?" [Will the Stubborn Donkey Canadian Prime Minister Harper Ever Grow Smart?], *People.Cn*, October 21, 2008, <https://news.sohu.com/20081021/n260162164.shtml>.

²¹ Mike Blanchfield and Fen Osler Hampson, *The Two Michaels: Innocent Canadian Captives and High Stakes Espionage in the US-China Cyber War*, Penguin Random House Canada, 2021.

²² "Trade with China," *Canola Council of Canada*, <https://www.canolacouncil.org/china-update/>.

further Chinese ire by excluding Huawei and fellow telecom giant ZTE from bidding on building its 5G networks due to concerns that their technology could be used for espionage or weaponized.²³ Meanwhile, China's refusal to lift barriers to Canadian beef and restore approved destination status—which would allow tour groups to visit—are just two of many remaining irritants for Canada.²⁴

As of 2025, the growing realization that China poses a major threat to Canada's national and economic security has remolded the relationship into one characterized by caution, distrust and recalibration for Canadians. In late June, Ottawa ordered Chinese surveillance camera manufacturer Hikvision to cease operations in Canada over national security concerns.²⁵ By contrast, the "How China Sees the World in 2025" opinion survey indicates that 75% of Chinese respondents favor strengthening bilateral economic relations.²⁶

Growing realization that China poses a major threat has remolded the relationship

Evidently concerned that a Conservative Party of Canada victory in the April 2025 elections would lead to an even more adverse policy line, **Chinese voices**

supported Carney through messaging in the press and Chinese-language social media in Canada. Commentators praised "his quick and effective" response to the 2008 financial crisis; and repeated honorifics the British media gave him such as "rock star economist" and "the only adult in the room" (卡尼应对金融危机迅速得力和协助英国度过脱欧后的动荡时而受到赞誉, 英国媒体称他为"摇滚明星经济学家", "房间里唯一的成年人").²⁷ Chinese writers hope the new Prime Minister will be easier to roll than the predecessor they dubbed "Little Potato" (小土豆) turned out to be.²⁸

Electric Vehicles Spark New Trade Tensions

China's efforts to enter the Canadian car market, most recently with electrical vehicles (EVs), illustrate the challenges weighing on the relationship. China has long sought to become a global automotive manufacturing powerhouse. In addition to fostering the domestic industry with an extensive web of state support and advantages, government policies encourage vehicle manufacturers to expand abroad.²⁹

In 2017, the Party-state further set goals to increase the global influence of Chinese automotive brands, begin mass exports to developed markets by 2020 and sharply increase their global market share by 2025.³⁰ Speaking of exports more generally, General

²³ Annabelle Liang, "Canada to Ban China's Huawei and ZTE from its 5G Networks," BBC News, May 20, 2022, <https://www.bbc.com/news/business-61517729>.

²⁴ "China Snubs Canada on its List of Approved Travel Spots, Setting Back Tourism's Post-COVID Recovery," CBC, August 16, 2023, <https://www.cbc.ca/news/politics/china-canada-tourism-impact-1.6936627>; "From Carney to Poilievre: How Leadership Changes May Shape China-Canada Trade and Business," China Briefing, March 17, 2025, <https://www.china-briefing.com/news/china-canada-relations-trade-business-leadership-change/>.

²⁵ "Canada orders China's Hikvision to close Canadian operations over security concerns," CBC News, June 28, 2025, <https://www.cbc.ca/news/politics/hikvision-ordered-cease-canadian-operations-security-concerns-1.7573584>.

²⁶ "How China Sees the World in 2025," *ibid*.

²⁷ Douglas Todd, "Election Interference: China Switches Tactics to Promote Mark Carney, Says B.C. Target," Vancouver Sun, April 10, 2025, <https://vancouversun.com/>.

²⁸ "Justin Trudeau Earns Nickname 'Little Potato' During Trip to China," Global News, September 6, 2016, <https://globalnews.ca/news/2923202/justin-trudeau-earns-nickname-little-potato-during-trip-to-china/>.

²⁹ Since at least 2004, several policy documents have set out China's automotive industrial development and trade policies and overall techno-industrial strategy, including: "中华人民共和国国家发展和改革委员会令" [Order of the National Development and Reform Commission of the People's Republic of China (No. 8)], State Council Gazette, No. 7 of 2005, National Development and Reform Commission, May 21, 2004, http://www.gov.cn/gongbao/content/2005/content_63336.htm; "中华人民共和国商务部令" [Order of the Ministry of Commerce of the People's Republic of China No. 16 of 2005], State Council Gazette, No. 23 of 2006, Ministry of Commerce, August 10, 2005, http://www.gov.cn/gongbao/content/2006/content_363679.htm; "国务院关于印发《中国制造2025》的通知" [Notice of the State Council on Issuing "Made in China 2025"], State Council of the People's Republic of China, May 8, 2015, http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm.

Secretary Xi said in 2020 that "We should increase the dependence of international supply chains on China and establish powerful retaliatory and deterrent capabilities against foreign powers that would try to cut supplies" (拉紧国际产业链对我国的依存关系, 形成对外方人为断供的强有力反制和威慑能力).³¹

At least for cars, the strategies are succeeding: half of the world's electric vehicles are now made in China—far more than the domestic market can absorb. Chinese producers now ship millions of electric vehicles abroad annually, and millions more are sure to follow as the CCP persists with policies that drive overcapacity and overproduction.³²

Canada is one of the world's top 20 markets for automobiles.³³ The sector remains important to the overall economy, accounting for 10 percent of manufacturing GDP and 21 percent of manufacturing trade.³⁴ It helps sustain a critical ecosystem of research and development, parts suppliers and small and medium-sized enterprises that in turn help maintain what remains of Canada's defense industrial capacity. The North American industry is also highly integrated, with the **main Canadian plants run by major American and Japanese automakers with the US market absorbing the majority of production.** Components and partially assembled vehicles cross the border multiple times before a car is completed.³⁵

Until recently, **Canada's transition to zero-emission vehicles seemed to offer a golden opportunity for Chinese producers** such as BYD to crack the market. Electric vehicles sales in Canada are projected to reach 30 percent of new vehicle purchases by 2030, and the government has lined up the equivalent of roughly US\$38 billion (€35.34 billion) to support a nascent domestic industry.³⁶ To date, Canadian government incentives to purchase electric vehicles have not had restrictions on the vehicles' origins,³⁷ leading one Chinese scribe to wonder if Canada was making a "wedding dress" for Chinese electric vehicles (加快零排放节奏, 加拿大给中国电动汽车做"嫁衣"?).³⁸

Canada's transition to zero-emission vehicles seemed to offer a golden opportunity for Chinese producers.

Scholars Zhang Xiaolan from the National Development and Reform Commission's Economic Forecasting Department and Hu Zixiao from Peking University examined Canada's potential as a strategic stepping stone to the US market. **With the US-Mexico-Canada Agreement (USMCA) constraining Canada's economic relations, China should seize**

³⁰ "工业和信息化部 发展改革委 科技部关于印发《汽车产业中长期发展规划》的通知" [Notice on the Medium- and Long-Term Development Plan for the Automobile Industry], State Council Gazette, No. 28 of 2017, Ministry of Industry and Information Technology, April 6, 2017, http://www.gov.cn/gongbao/content/2017/content_5230289.htm.

³¹ Xi Jinping, "国家中长期经济社会发展战略若干重大问题" [Several Major Issues Concerning the National Medium- and Long-Term Economic and Social Development Strategy], Qiushi, October 31, 2020, http://www.qstheory.cn/dukan/qs/2020-10/31/c_1126680390.htm.

³² Yanmei Xie, "Why China Is Reluctant to Make a Much-Needed Shift," Financial Times, May 21, 2024 <https://www.ft.com/content/a1bd39d8-bcf9-4521-bcfe-3575c6fab913>; Interview with Michael Dunne, CEO, Dunne Insights LLC, May 2025.

³³ "Canada Electric Vehicle Market 2024-2030," Mobility Insights, April 25, 2025, <https://mobilityforesights.com/product/canada-electric-vehicle-market>.

³⁴ "Sector Competitiveness Frameworks: Automotive Industry, Part 1—Overview and Prospects," Industry Canada, 1996.

³⁵ Scott Lincicome and Alfredo Carrillo Obregon, "Seven Charts Showing How Canada/Mexico Tariffs Would Harm the US Auto Industry (and American Car Buyers)," CATO Institute, January 29, 2025, <https://www.cato.org/blog/seven-charts-show-how-us-tariffs-would-harm-american-auto-industry>.

³⁶ Jill Giswold, "Tallying Government Support for EV Investment in Canada," Office of the Parliamentary Budget Officer, June 18, 2024, <https://www.pbo-dpb.ca/en/additional-analyses--analyses-complementaires/BLOG-2425-004--tallying-government-support-ev-investment-in-canada--bilan-aide-gouvernementale-investissement-dans-ve-canada>.

³⁷ "Eligible Vehicles," Transport Canada, June 12, 2025, <https://tc.canada.ca/en/road-transportation/innovative-technologies/zero-emission-vehicles/incentives-zero-emission-vehicles/eligible-vehicles>.

³⁸ "加快零排放节奏, 加拿大给中国电动汽车做'嫁衣'?" [Accelerating the Zero-Emission Pace: Is Canada Making a "Wedding Dress" for Chinese EVs?], New Business Tech, December 21, 2023, <https://nev.ofweek.com/2023-12/ART-71008-8420-30620656.html>.

every trade opportunity, urged Hu (USMCA 协定对于加拿大来说, 使其经贸往来过于受制于美国, 因此中国要抓住一切机会主动维护与加拿大的贸易关系).³⁹

Zhang likewise argued that Chinese electric vehicles makers should leverage their advanced technology and extensive state support, plus Canadian consumer subsidies, to expand their market share. Setting up factories as well would avoid limits on imports (加拿大相关政策优惠也主要面向成型新能源汽车品牌的销售而非本土新能源技术的研发 [...] 我国新能源汽车的对加出口享受较大政策优惠, 在价格补贴和技术专利等方面优势较大 [...] 我国在此方面计划发展在加的海外产能, 利用技术优势保持市场占有率 中有升).⁴⁰

Based on past Chinese practice, this looks like an **effort to lock Canada into a dependent role as a supplier of energy and commodities and absorber of some of China's structural manufacturing overcapacity**.

Indeed, sales of imported Chinese electric vehicles in Canada accelerated rapidly from 2022-2024 until Ottawa matched Washington's tariffs (and exceeded those imposed by Mexico and the European Union), raising existing duties of 6.1 percent by a further 100 percent in response to what it termed an "extraordinary threat". That effectively killed Chinese trade. Canada simultaneously imposed 25 percent duties on subsidized Chinese steel and aluminum.⁴¹

China's state-supported electric vehicles exports create complex dilemmas: they offer consumers cheaper vehicles and policymakers a means to reach net zero emissions and other green transition goals more quickly and affordably. But they also threaten to decimate Canada's legacy automotive sector and stymie efforts to foster an infant domestic electric vehicle industry. Hence **the tariffs are not only a signal of North American solidarity, but also a necessary policy alignment** to prevent cut-price Chinese electric vehicles diverted from the United States being dumped in Canada.⁴² Canadian national security officials also share American cybersecurity concerns about connected vehicles running Chinese software.⁴³

Broader security concerns about China also have led to an **updated Investment Canada Act** that tightens regulation on foreign investment, **specifically targeting Chinese state-owned enterprises**, including those involved in electric vehicles, their batteries, and the minerals used to make them.⁴⁴ Canada's "Policy on Sensitive Technology Research and Affiliations of Concern" strengthens safeguards on scientific cooperation and intellectual property,⁴⁵ while new legislation seeks to combat foreign interference through better dissemination of intelligence.⁴⁶

China's Ministry of Commerce (MOFCOM) retaliated against the electric vehicles tariffs in March 2025 with

³⁹ Hu Zixiao, "Analysis and Policy Suggestions on China-Canada Auto Trade," Heilongjiang Finance, February 28, 2021.

⁴⁰ Zhang Xiaolan, "Research on Accelerating the Globalization Path of China's New Energy Vehicle Industry," National Development and Reform Commission, August 2024, https://www.ndrc.gov.cn/wsdwhfz/202408/t20240823_1392548.html.

⁴¹ "Canada Imposes 100 Percent Tariff on Chinese-Made Electric Vehicles, Matching the U.S. Measure Against Imports," Associated Press, August 26, 2024, <https://www.pbs.org/newshour/world/canada-imposes-100-percent-tariff-on-chinese-made-electric-vehicles-matching-the-u-s-measure-against-imports>; "Canada Taking Further Action to Protect Workers and Critical Industries Against Unfair Chinese Competition," Department of Finance of Canada, October 1, 2024, <https://www.canada.ca/en/department-finance/news/2024/10/canada-taking-further-action-to-protect-workers-and-critical-industries-against-unfair-chinese-competition.html>.

⁴² Discussions with Canadian officials and automotive experts, May-June 2025; Camille Boullenois and Jeremy Smith, "Trade Diversion: Blessing or Curse?," Rhodium Group, May 7, 2025, <https://rhg.com/research/trade-diversion-blessing-or-curse/>.

⁴³ "Connected Vehicles," Bureau of Industry and Security of the U.S. Department of Commerce, January 14, 2025, <https://www.bis.gov/connected-vehicles>.

⁴⁴ Andy Home, "Canada Slams the Door on China in Critical Minerals Race," Reuters, November 7, 2022, <https://www.reuters.com/markets/commodities/canada-slams-door-china-critical-minerals-race-2022-11-07/>.

⁴⁵ "Policy on Sensitive Technology Research and Affiliations of Concern," Government of Canada, 2023, <https://science.gc.ca/site/science/en/safeguarding-your-research/guidelines-and-tools-implement-research-security/sensitive-technology-research-and-affiliations-concern/policy-sensitive-technology-research-and-affiliations-concern>.

hefty duties on agri-food products for which China is one of Canada's top markets: 100 percent tariffs on canola oil and meal, and 25 percent on seafood and pork. Keeping some powder dry, it spared the much larger trade in canola seeds—for now.⁴⁷

Subsequently, Trump's trade tempest applied 25 percent tariffs to vehicles assembled in Canada that fail to certify their parts are compliant with USMCA and derive at least 75 percent of their value from labour paid at least US\$16 (€14.08) an hour.⁴⁸ This would bar cars from Canada that have too many components made with cheaper labour in third countries.⁴⁹ Chinese officials and commentators see Trump's moves as an **opportunity to persuade Carney to walk back Canada's tariffs**—or at least reduce them in response to reciprocal Chinese steps.

Smiles Without Substance

Since the Liberal Party's return to power under Carney, Ambassador Wang Di and other Chinese diplomats have been re-engaging Canadian media and thought leaders with conciliatory messages that are jarringly at odds with Beijing's actual behaviour. In a February *Globe & Mail* interview, **Wang conveyed a series of gaslighting statements such as "China has always regarded Canada as a friend and partner"** (中国一直把加拿大当做朋友和伙伴), "China

is willing to look forward" (中方愿意向前看), and the two countries should "contribute more positive energy to regional and global peace and prosperity" (为世界和地区的繁荣 定注入更多正能量).⁵⁰

"China has always regarded Canada as a friend and partner" (中国一直把加拿大当做朋友和伙伴).

"Whether it is the tariffs imposed on Canada by other countries or the tariffs Canada imposes on China, they are all unfair" (不管是别国对加征收的关税, 还是加拿大对中国的关税, 都是不公平的), Wang reasoned. "Let business be business" (在商言商), he urged—apparently imagining a world in which politics has no influence on Chinese firms and Canada welcomes further deindustrialization.⁵¹

Speaking Mandarin in a May CTV interview, Ambassador Wang added that "China and Canada should have a correct perception of each other" (中加双方应有正确认知), and "seek common ground while reserving differences in a constructive way" (要建设性求同存异).⁵² These classic Chinese diplomatic phrases recalled Xi Jinping's November 2022 reproach for Trudeau to "first create the conditions" (先创造条件) for moving forward—which Trudeau ultimately did by resigning.⁵³ The message is that **shared interests**

⁴⁶ "Bill C-70: An Act Respecting Countering Foreign Interference," Parliament of Canada, June 20, 2024, <https://www.parl.ca/documentviewer/en/44-1/bill/C-70/royal-assent>.

⁴⁷ James Bickerton, "Canada Hit With Major New Retaliatory Tariffs From China," *Newsweek*, March 8, 2025, <https://www.newsweek.com/canada-hit-major-new-retaliatory-tariffs-china-2041600>; Kevin Maimann, "Should Canada Ease its 100% Tariff on Electric Vehicles from China Amid Trade War with U.S.?", *CBC News*, March 20, 2025, <https://www.cbc.ca/news/canada/canada-china-electric-vehicles-1.7486204>; Lisa Xing, "New Liberal Government Should Scrap EV Tariffs on China to Help Trade, Climate Goals, Say Critics," *CBC News*, May 6, 2025, <https://www.cbc.ca/news/canada/china-trump-ev-electric-vehicle-tariffs-canada-carney-1.7526835>.

⁴⁸ "US Tariffs on Mexico and Canada Unaffected by 90-day Pause, White House Official Says," *Reuters*, April 9, 2025, <https://www.reuters.com/world/americas/us-tariffs-mexico-canada-unaffected-by-90-day-pause-white-house-official-says-2025-04-09/>; "Fact Sheet: President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States," *The White House*, March 26, 2025, <https://www.whitehouse.gov/fact-sheets/2025/03/fact-sheet-president-donald-j-trump-adjusts-imports-of-automobiles-and-automobile-parts-into-the-united-states/>.

⁴⁹ "USMCA Auto Report," U.S. Department of Commerce, <https://www.trade.gov/usmca-auto-report>.

⁵⁰ "驻加拿大大使王镔接受加首都地区媒体《渥太华生活》志主编专访实录 [Transcript of the Exclusive Interview with Chinese Ambassador to Canada Wang Di by the Editor-in-Chief of Ottawa Life Magazine]," Embassy of the People's Republic of China in Canada, March 24, 2025, http://ca.china-embassy.gov.cn/xw/202503/t20250325_11581849.htm; "Full Transcript of The Globe and Mail's Exclusive Interview with Chinese Ambassador Wang Di," *Globe & Mail*, March 21, 2025, <https://www.theglobeandmail.com/politics/article-chinas-ambassador-to-canada-on-trade-and-rebuilding-mutual-trust/>.

⁵¹ *Ibid.*

and economic opportunities can be discovered through “pragmatic” interactions that develop personal relationships, but only if Canadians refrain from criticizing the CCP, defer to its preferences and decline to align with the United States against it.⁵⁴

Classic Chinese diplomatic phrases requested Trudeau to “first create the conditions” (先创造条件) for moving forward.

Guancha columnist Sun Bo writes that experts “believe that both sides should set aside their prejudices, engage in constructive dialogue, and resume normal trade relations as soon as possible in order to achieve mutual benefit and win-win outcomes” (加中双方应该放下成见, 进行富有建设性的对话, 尽快恢复正常贸易往来, 达到互利共赢).⁵⁵ But normal trade is unfeasible because **China’s economic policies are far from normal**, and “win-win” (双赢) has long been a joke that China wins twice.⁵⁶

Others propose that Chinese firms could establish electric vehicles manufacturing or kit assembly plants in Canada as a means of swerving around import duties.⁵⁷ **Some Canadian analysts also imagine that Chinese firms might agree to joint ventures and transfer technology**, just as China has done for decades with foreign firms in its market.⁵⁸

But in July 2024, MOFCOM officials reportedly urged Chinese carmakers to keep their cutting-edge electric vehicles technology at home and only export kits for assembly in overseas plants.⁵⁹ That would do little for dreams of a Canadian electric vehicle industrial ecosystem driven by technology transfers, and it is **questionable whether Canada has the leverage to negotiate a better result**. Ambassador Wang recently warned that Canada’s tariffs had deterred Chinese electric vehicle companies from investing—indicating that they likely planned only to import knock-down kits, which duties would affect.⁶⁰ The Spanish venture involving Chery faces similar limitations.⁶¹

In any case, Chinese efforts are likely to collide with American determination to keep its market closed to drive industrial reshoring and strengthen cybersecurity. With USMCA up for renewal in 2026, **Trump has enormous leverage to penalize Canada if it takes a divergent course**.

⁵² Stephanie Ha, “‘Ready to Move On:’ Chinese Ambassador Insists China, Canada Can Move Past ‘Normal’ Differences,” CTV News, May 11, 2025, <https://www.ctvnews.ca/politics/article/ready-to-move-on-chinese-ambassador-insists-china-canada-can-move-past-normal-differences/>.

⁵³ Xi Jinping, “Working Together to Build a Better World,” China’s Diplomacy in the New Era, December 1, 2018, http://en.chinadiplomacy.org.cn/2022-05/24/content_78233466.shtml.

⁵⁴ Marina Rudyak, “Cooperation / 合作,” Decoding China, <https://decodingchina.eu/cooperation/>.

⁵⁵ Sun Bo, Su Dongliang and Lin Hao, “加拿大梦游般地陷入与中国的贸易战, 这没有必要” [Canada Is Sleepwalking into an Unnecessary Trade War with China], Guancha, March 16, 2025, https://www.guancha.cn/SunBo/2025_03_16_768614.shtml.

⁵⁶ Camille Boullenois, Agatha Kratz and Daniel H. Rosen, “Far From Normal: An Augmented Assessment of China’s State Support,” Rhodium Group, March 17, 2025, <https://rhg.com/wp-content/uploads/2025/03/Far-From-Normal-An-Augmented-Assessment-of-Chinas-State-Support.pdf>; Rana Mitter and Elsbeth Johnson, “What the West Gets Wrong About China,” Harvard Business Review, May-June 2021, <https://hbr.org/2021/05/what-the-west-gets-wrong-about-china>.

⁵⁷ “渝车出海”驶入快车道” [The “Chongqing-Made Vehicles Going Global” Initiative Is Shifting into Fast Track], Chongqing Municipal People’s Government, May 17, 2025, https://www.cq.gov.cn/ywdt/jrcq/202505/t20250517_14628910.html.

⁵⁸ L. Philippe Rheault and Anton Malkin, “If Canada Chooses to Engage in Activist Trade Policy, it Should Make Sure it Does so Strategically,” The China Institute of the University of Alberta, August 27, 2024, https://www.ualberta.ca/en/china-institute/research/analysis-briefs/2024/ev_tariffs.html.

⁵⁹ “China Asks Its Carmakers to Keep Key EV Technology at Home,” Bloomberg, September 12, 2024, <https://www.bloomberg.com/news/articles/2024-09-12/china-asks-its-carmakers-to-keep-key-ev-technology-at-home>.

⁶⁰ “Beijing Envoy Urges Ottawa to End Tariffs on Chinese EVs and Warns Against ‘Cold War’ Mentality,” The Globe and Mail, June 4, 2025, <https://www.theglobeandmail.com/politics/article-beijing-envoy-urges-ottawa-to-end-tariffs-on-chinese-evs-and-warns/>.

⁶¹ “Chery Prevé que la Planta de Zona Franca Llegue a 1.200 Empleados en 2027 y Traer el Ensamblaje de Baterías el Año que Viene” [Chery Expects the Zona Franca Plant to Reach 1,200 Employees in 2027 and to Bring Battery Assembly to the Site Next Year], El País, May 9, 2025, <https://cincodias.elpais.com/companias/2025-05-09/chery-preve-que-la-planta-de-zona-franca-llegue-a-1200-empleados-en-2027-y-traer-el-ensamblaje-de-baterias-el-ano-que-viene.html>.

Returning to overall economic relations, **the story of the past decade is of slowing growth.** From 2000-2013, Canadian exports to China grew an average 12 percent annually, while Chinese exports to Canada grew 16 percent annually; the corresponding rates for 2014-2024 are about 4.6 percent and 6 percent.⁶² Canada's trade deficit with China has narrowed, but in 2024 was still a hefty US\$19.8 billion (€18.3 billion at the 2024 average exchange rate).⁶³

Similarly, from 2000 to 2013, Canadian FDI in China had a compound annual growth rate of 20 percent, and Chinese FDI to Canada soared by nearly 39 percent. The average growth rates for 2014-2024 were 9.6 percent and 7.6 percent, respectively—still enough to bring Canadian FDI in China to €11.1 billion and Chinese FDI in Canada to €20.6 billion last year.⁶⁴ Likely reasons for the slackening pace include slower growth overall in both economies, tighter Chinese capital controls and Canadian national security reviews, COVID-19, and geopolitical tensions.

Expect the deceleration trend to continue due to China's stalling economy, aging population, worsening business climate for foreign enterprises, and intensifying geopolitical rivalry between the CCP and the West. **Canada's Indo-Pacific Strategy is also incentivizing Canadian firms to diversify away from China toward the rest of the region.**⁶⁵

In this context, it's not surprising that Chinese voices are also venting frustration and criticism. Ambassador Wang himself uses classic slogans to malign Canadian objections to unacceptable activities as "smearing, attacking and hyping" (抹黑、攻击和炒作) that "hurts the feelings of the ordinary Chinese people" (伤害中国老百姓的感情).⁶⁶

Others go further. A CCTV News editorial titled "Canada, Repeatedly Humiliated by the United States, Brazenly Plays the 'China Card' to Beg for Mercy" (被美频频羞辱的加拿大, 恬不知耻地打'中国牌'向美国乞怜) derides **Canada's tariffs and investment restrictions as anti-China attacks (高调反华) and a "pledge of allegiance" (投名状) to America.**⁶⁷ Meanwhile, Huang Zhong, a researcher at Guangdong University of Foreign Studies' Centre for Canadian Studies, reviles Ottawa's decision to impose sanctions on a few of the Chinese companies that supply Russia's war machine as "utterly incomprehensible" (简直匪夷所思) and a "deranged act of 'self-destruction'" (错乱的自毁式表演).⁶⁸

Huang and his colleagues **might find Canada more comprehensible if they recognized that the goal of its foreign policy is not subservience** to great powers, but rather defending its own values, interests and agency.

—With research assistance from Jonathan Landreth, Joseph Widacki and Patricia Xavier.

⁶² "Balance of International Payments, Current Account, Trade in Services by Principal Trading Partners, Quarterly (x 1,000,000)," Statistics Canada, Table 12-10-0157-01, <https://www150.statcan.gc.ca/t1/tbl1/en/cv/recreate.action?pid=1210015701&selectedNodeIds=2D1,2D2,3D2,4D4&checkedLevels=0D1&refPeriods=20000101,20241001&dimensionLayouts=layout2,layout3,layout2,layout3,layout2&vectorDisplay=false>; "International Merchandise Trade for All Countries and by Principal Trading Partners, Monthly (x 1,000,000)," Statistics Canada, Table 12-10-0011-01, <https://www150.statcan.gc.ca/t1/tbl1/en/cv/recreate.action?pid=1210001101&selectedNodeIds=3D2,4D2,5D11&checkedLevels=0D1,1D1&refPeriods=20000101,20241201&dimensionLayouts=layout2,layout3,layout2,layout2,layout3,layout2&vectorDisplay=false>.

⁶³ Ibid.

⁶⁴ Statistics Canada, Table 36-10-0008-01, *ibid.*

⁶⁵ "Canada's Indo-Pacific Strategy," Government of Canada, September, 2024, <https://www.international.gc.ca/transparency-transparence/indo-pacific-indo-pacifique/index.aspx?lang=eng>.

⁶⁶ "中国驻加拿大大使王镔接受加最大英文媒体《环球邮报》专访实录" ["Transcript of the Exclusive Interview with Chinese Ambassador to Canada Wang Di by The Globe and Mail"], Embassy of the People's Republic of China in Canada, March 21, 2025, http://ca.china-embassy.gov.cn/xw/202503/t20250322_11580176.htm; "Hurt the Feelings of the Chinese People," China Digital Times, https://chinadigitaltimes.net/space/Hurt_the_feelings_of_the_Chinese_people.

⁶⁷ "被美频频羞辱的加拿大, 恬不知耻地打'中国牌'向美国乞怜" ["Canada, Repeatedly Humiliated by the U.S., Brazenly Plays the 'China Card' to Beg for Mercy"], CCTV News, February 15, 2025, <https://finance.sina.com.cn/jjxw/2025-02-15/doc-inekqqcw5962774.shtml?cref=cj>.

⁶⁸ Huang Zhong, "制裁中国企业, 加拿大错乱的'自毁式'表演" ["Sanctioning Chinese Enterprises: Canada's Deranged Act of 'Self-Destruction'"], *hina.com*, February 28, 2025, http://www.china.com.cn/opinion/2025-02/28/content_117737893.html.



Naoko Eto

Senior Fellow and Head of the China Group at the Institute of Geoeconomics

Dr. Naoko Eto is a Professor at the Department of Political Science at Gakushuin University. Her main research focus includes contemporary Chinese politics, Japan-China relations and East Asian Affairs. She is also Senior Fellow and Head of the China Group at the Institute of Geoeconomics, and was Senior Fellow at the Mercator Institute for China Studies.

An Inevitable Re-Normalization of Sino-Japanese Relations?

There is growing momentum for improved relations between Japan and China. At the ASEAN summit in October 2024, Prime Minister Li Qiang told his Japanese counterpart Shigeru Ishiba he hoped **Japan and China could “meet each other halfway and keep the relationship on the right track.”**¹ Following tensions between the Trump administration and China over tariffs, a report on April 22 indicated that Li Qiang had conveyed a personal letter to Shigeru Ishiba—through Chinese Ambassador Wu Jianghao—emphasizing the need for coordinated action on tariff measures.²

Since last summer, there has been a resumption of politicians and business leaders’ visits, including a series of visits in late April by a delegation from the Komei Party and the Japan-China Friendship Parliamentary League.³ Even more recently, in late June, vice-ministerial consultations were held between

the Ministry of Commerce of China and the Ministry of Economy, Trade and Industry of Japan in Beijing,⁴ and both the second “Japan-China Dialogue on Service Trade Policy” and the second “Japan-China Working Group on Facilitating the Business Environment” are scheduled for 2025 in Tokyo.

Despite these compromises, **relations between the two countries cannot be characterized as “very good.”** On May 28, the two sides agreed on the conditions needed to resume trade in Japanese maritime products,⁵ an issue pending since August 2023. The ban on imports from Japan was lifted, though the ban on imports from ten prefectural-level areas, including Fukushima and Tokyo, remains in place. The lifting of the ban, which had been unilaterally imposed by China,⁶ can be seen as a sign that Japan-China relations have returned to “normal”.

¹ “李强会见日本首相石破茂” [Li Qiang Meets with Japanese Prime Minister Shigeru Ishiba], Government of the People’s Republic of China, October 10, 2024, https://www.gov.cn/yaowen/liebiao/202410/content_6979134.htm.

² “China Urges Japan to Help Fight US Tariffs Together, Kyodo Reports,” Reuters, April 22, 2025, <https://www.reuters.com/markets/emerging/china-urges-japan-help-fight-us-tariffs-together-kyodo-reports-2025-04-22/>.

³ “中日执政党交流机制第九次会议在北京举行” [The 9th Meeting of the China-Japan Ruling Parties Exchange Mechanism Was Held in Beijing], People’s Daily, January 15, 2025, https://paper.people.com.cn/rmrb/pc/content/202501/15/content_30052068.html.

⁴ “第22次中国商务部与日本经济产业省副部级定期磋商在北京举行” [The 22nd Regular Vice-Ministerial Consultation between the Ministry of Commerce of China and the Ministry of Economy, Trade and Industry of Japan Was Held in Beijing], Ministry of Commerce of the People’s Republic of China, June 25, 2025, https://www.mofcom.gov.cn/xwfb/bldhd/art/2025/art_47d2fc9b51d45d8a5e1629f3afee38c.html.

⁵ “中方应约同日方就日本水产品安全问题进行新一轮技术交流” [The Chinese Side Agreed to Hold a New Round of Technical Exchanges with the Japanese Side on the Safety of Japanese Aquatic Products on the Same Day], General Administration of Customs of the People’s Republic of China, May 30, 2025, <http://www.customs.gov.cn/customs/xwfb34/302425/6546563/index.html>.

⁶ “海关总署公告2025年第140号（关于有条件恢复日本部分地区水产品进口的公告）” [General Administration of Customs of the People’s Republic of China Announcement No. 140 of 2025 (Announcement on the Conditional Resumption of Imports of Aquatic Products from Certain Regions of Japan)], General Administration of Customs of the People’s Republic of China, June 29, 2025, <http://www.customs.gov.cn/customs/302249/2480148/6600884/index.html>.

China's White Paper on National Security in the New Era,⁷ published on May 12, lists countries and regions of security concern, including Russia, the United States, Europe, and neighboring countries, but the term "Japan" does not appear in the document. In Japan, there are **growing concerns about whether an accurate understanding of Japan is being shared among Chinese authorities**. Moreover, persisting suspicion can be seen in China's choice to continue naming World War II as the War of resistance against Japanese aggression. It might appear as an anecdotal designation at first sight, but it is also a testimony of China's domestic historical legacy, which also involves the narrative competition with "the West" around the role of peace advocate.⁸

Between Triangular and Bilateral Cooperation

Various perceptions of Japan, mixed with both expectations and caution, are evident in China. These perceptions stem from the belief that Japan is pursuing a diplomatic strategy aimed at "containing China" in cooperation with the United States. In this context, there is a persistent view that China often promotes economic cooperation frameworks such as the Regional Comprehensive Economic Partnership (RCEP), as well as China's affiliation to Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or trilateral free-trade agreement negotiations between Japan, China, and South Korea, to further distance Japan from the United States. Amid efforts to promote a charm offensive toward other countries in response to Trump's tariffs,

more notable calls have emerged for Japan to engage in "regional cooperation in East Asia". The author of this paper has also heard such discussions on multiple occasions during exchanges with Chinese delegations visiting Japan. In that sense, the argument of Pan Wanli, from the Chinese Academy of Social Sciences, that **Japan should abandon "Cold War thinking" is likely to be the main theme of China's policy toward Japan**.⁹

Various perceptions of Japan, mixed with both expectations and caution.

Likewise, Wei Yuling of the Guangdong University of Foreign Studies argues that Japan should reconsider its relationship with the United States and move toward distancing itself from it.¹⁰ In this context, it is interesting to note that the speech given by Japanese Ambassador Kenji Kanesugi at Renmin University of China on June 10 was shortly after translated and published by several Chinese media. In his speech, Kenji Kanesugi clearly stated that "the US tariff measures are not acceptable to us," and added, "both relations with China and with the United States are vitally important to Japan, and there is no 'panacea' for ensuring a smooth relationship with either" (没有"万全之策"能确保与中美双方关系同时顺畅发展).¹¹ **Although this speech did not deviate from Japan's position, it used wording that aligned with China's narrative**. This raised expectations that the Japan-China relations would continue to improve.

⁷ "新时代的中国国家安全白皮书《新时代的中国国家安全》 [White Paper on China's National Security in the New Era | China's National Security in the New Era], Ministry of National Defense of the People's Republic of China, May 12, 2025, <http://www.mod.gov.cn/gfbw/fqwx/bps/16385614.html>.

⁸ "中国隆重纪念抗战胜利传递坚定价值观" [China Solemnly Commemorates Victory in the War of Resistance Against Japan, Conveying Firm Values], Global Times, June 24, 2025, <https://opinion.huanqiu.com/article/4NEDqV1zbXm>.

⁹ Pan Wanli, "美国关税大棒能否打醒日本?" [Can US Tariffs Wake Japan Up?], China.news, April 2, 2025, http://www.china.com.cn/opinion2020/2025-04/02/content_117799291.shtml.

¹⁰ "日本学界近年对中美日关系认识的演变" [The Evolution of Japanese Academic Perceptions of US-China-Japan Relations in Recent Years], Aisixiang, May 16, 2025, <https://www.aisixiang.com/data/162702.html>.

¹¹ Kenji Kanesugi, "两千年来中日始终互相学习, 密宗就是一个最好的例子" [For Two Thousand Years, China and Japan Have Always Learned from Each Other, and Esoteric Buddhism Is the Best Example of This], Guancha, June 16, 2025, https://www.guancha.cn/KanasugiKenji/2025_06_15_779417.shtml.

Challenging Japan's Geostrategic and Regional Posture with Bias...

Along with these expectations for Japan-China relations, there is **frequent concern from the Chinese side about Japan's strategy toward China**. For example, Xu Yongzhi of the China Institute of Contemporary International Relations emphasizes Japan's aggressiveness, stating that Japan clearly positions itself as “a key role in deterring China within the Western camp” and is attempting to counter China alongside the United States by becoming part of rule-makers itself. Xu envisions a Japan that is “exclusive,” claiming that Russia's actions are “shaking the pillars of the international order” (国际秩序的“主干被动摇”) and defining China as an “international order revisionist” to denigrate other countries.¹²

Chinese arguments view Japan's notion of the rules-based order as a counterargument.

Interestingly, **Chinese discourse has begun to openly challenge Japan's emphasis on “the rules-based order”** as a key diplomatic principle, and further engages in debates to undermine Japan's credibility. A typical example is Dong Shunbo of the Tianjin Academy of Social Sciences, who clearly declares that “Japan is promoting the narrative of maintaining the so-called ‘rule-based international order’ within the international community in order to portray China as a ‘violin’ and ‘destroyer’ of international law” (是试图将中国虚构为国际法及现有国际秩序的“违反者”“破坏者”).¹³

Feng Mingzihan and Yang Bojiang, who have conducted a more academic analysis of Japan's legal system support for Southeast Asia, **positively evaluate Japan's Official Development Assistance (ODA)-based legal system support**,¹⁴ highlighting its emphasis on the needs of recipient countries and human resource development as characteristics of the Japanese model. They explain that as a result, Japan has increased the number of “rule-of-law states” based on Western standards in Southeast Asia, accelerating the construction of a “values alliance” and shaping it to its own advantage. Based on this, **Japan should, in their opinion, aim for leadership in rule-making in the Southeast Asian region**, play a role as a “connection point” between ASEAN and the G7, and expand existing aid achievements to other fields—and why not toward the Palestinian issue.¹⁵

All of these arguments view **Japan's notion of the rules-based order as a counterargument to China and do not share the rule of law as a “universal value”**. China's arguments reveal a pattern of thinking that interprets Japan's foreign policy as a “strategy toward China,” resulting in a strategic argument somewhat divorced from reality.

...Defining Japan's Geostrategic and Regional Posture with Objectivity

In contrast to China's perception of Japan, which is composed of both expectations and caution, **Japan's current perception of China is characterized by genuine objectivity** and the coexistence of three vectors going in different directions.

¹² Xu Yongzhi, “日本对外战略转型及对华影响” [Japan's Foreign Policy Shift and Its Impact on China], Aisixiang, March 31, 2025, <https://www.aisixiang.com/data/161044.html>.

¹³ Dong Shunbo “董顺攀: 日本缘何兜售‘基于法治的国际秩序’” [Why Is Japan Peddling a “Rule-of-Law-Based International Order”?], March 19, 2025, Global Times, <https://opinion.huanqiu.com/article/4LvIMZaD51H>.

¹⁴ Feng Mingzihan and Yang Bojiang, “日本对东南亚法制援助外交: 动因与模式分析” [Japan's Legal Aid Diplomacy in Southeast Asia: An Analysis of Motivations and Patterns], Aisixiang, May 23, 2025, <https://www.aisixiang.com/data/162931.html>.

¹⁵ Yao Jixiang, “战后日本巴勒斯坦政策的理念与实践演变” [The Evolution of Postwar Japanese Policy Toward Palestine: Ideology and Practice], June 16, 2025, <https://ciss.tsinghua.edu.cn/info/zlyaq/8413>.

There is first the **recognition that China's importance in economic activities is increasing**. In its China Mission Report released on May 22, the Japan Association of Corporate Executives mentioned “a strong sense of crisis that if Japan stands still in the face of ‘China risk,’ it will be left behind by China and the global business trend”.¹⁶ In Japan, the general understanding is that China's potential strengths are the result of its huge domestic economy. Thanks to its economies of scale in manufacturing and abundant human resources, the domestic market alone is large enough to easily develop new sectors. China is moreover strongly involved in a wide range of supply chains due to its quantitative presence. There are industries in which cooperating with Chinese companies is essential for the supply chain to function. The **argument that Japanese companies can strengthen themselves through competition or collaboration with China is gaining broader support** amid the fluid international landscape and holds persuasive weight.

From the perspective of economic security, the second vector involves a strategic discussion on **how Japan may ensure its strategic indispensability toward China**. On May 30, the Ministry of Economy, Trade and Industry released the revised “Action Plan for Strengthening Industrial and Technological Foundations Related to Economic Security,”¹⁷ which focuses on partially strengthening regulations to prevent technology outflows to countries of concern such as China. It further promotes domestic industries to enhance Japan's strategic autonomy and strategic indispensability.

On June 3, Li Qiang also met Yohei Kono, the former Speaker of the Japanese House of Representatives, who led a delegation from the Japan Association for the Promotion of International Trade to China. The Chinese Prime Minister stated that “China and Japan [had] many unique advantages for deepening cooperation, especially strong industrial complementarity, and each [held] strengths in the field of scientific and technological innovation,” expressing his expectations for more advanced economic cooperation”.¹⁸

Taking a broader view, one of the main reasons for China's significant influence on other countries is the economy's globalization and the blurring of national borders in economic activities. However, the current backlash against globalization has given rise to protectionist policies and a movement toward economic security. This movement involves reestablishing national borders and economic boundaries in response to the weaponization of the economy. Inevitably, **Japan will also need to reestablish its boundaries with China**.

Finally, **from a military and security perspective, the recognition that the ultimate goal is to deter China** has gained ground in Japan. Once China's capabilities surpass a certain threshold, the possibility of the use of force becomes a constant risk. To address it, the Self-Defense Forces are shifting their focus to the southwest, while bases and shelters are being built on remote islands. Furthermore, for the first time, the Japanese government agreed to export used battleships to the Philippines¹⁹—causing both surprise and vigilance from others. This move

¹⁶ “経済同友会 中国委員会 中国ミッション報告書” [Keizai Doyukai China Committee China Mission Report], Keizai Doyukai, May 2025, <https://www.doyukai.or.jp/policyproposals/uploads/docs/20250522china.pdf>.

¹⁷ “Revised Edition of the Action Plan to Strengthen Industrial and Technological Basis for Economic Security Released,” Ministry of Economy, Trade and Industry of Japan, May 30, 2025, https://www.meti.go.jp/english/press/2025/0530_003.html.

¹⁸ “李强会见河野洋平率领的日本国际贸易促进协会访华团” [Li Qiang Meets with Yohei Kono, Head of the Japan International Trade Promotion Association Delegation Visiting China], Government of the People's Republic of China, June 3, 2025, https://www.gov.cn/yaowen/liebiao/202506/content_7026326.htm.

¹⁹ Gabriel Dominguez, “Japan Eyes Used Warship Transfer to Philippines in Bid to Counter China,” *The Japan Times*, July 7, 2025, <https://www.japantimes.co.jp/news/2025/07/07/japan/politics/japan-philippines-used-destroyers-china/>.

is part of an effort to improve interoperability with neighboring countries and strengthen both joint deterrence and response capabilities against China.

Japan should create a framework involving Chinese society as well as economic actors.

Although security risks between Japan and China are increasing, efforts to stabilize relations are continuing. **Rather than uniformly excluding China, Japan should create a framework involving Chinese society as well as economic actors to promote its economic competitiveness.** To achieve this, it is essential to strengthen communication through multi-lateral frameworks, within Japan-China-South Korea dialogues, with RCEP, or with China's accession negotiation to the CPTPP. This multi-layered approach is likely to continue as long as the structural confrontation between the United States and China continues.



Juliette Odolant

Graduate in Chinese Studies from the University of Cambridge

Juliette Odolant is a graduate of the University of Cambridge in Chinese Studies and a current MSc candidate at the London School of Economics. Educated and professionally engaged across Australia, China, the United Kingdom, and France, she works as a foreign policy and trade analyst, with a focus on the Asia-Pacific and the European Union. Her current research explores comparative climate and energy policies in China and the European Union.

A Tactical Thaw: China's Strategic Messaging on Australia

China and Australia's diplomatic dance took a striking turn in 2022, as the newly elected Anthony Albanese's government sought to defuse years of mounting friction. But the fragile *détente* has since been shown to mask a far more complex contest for influence in the Pacific. Throughout 2023 and 2024, both sides gradually lifted economic sanctions and resumed high-level diplomatic dialogue. This thaw has been praised by both governments as a welcome sea change—yet **the mending of ties remains largely confined to commercial and public diplomacy**, with both countries still prioritising their security and military interests. Notably, Canberra has sought to reclaim a strategic port and deepen defence ties with the United States, while Beijing continues to assert power in the Pacific through grey zone tactics.

Though potentially superficial, this *détente* has sparked extensive commentary across Chinese diplomatic, academic and media discourse. **Chinese commentators frame the shift as an opportunity to counter entrenched “anti-China” narratives in Australia and warn the renewed “securitization” of the relationship.** While Chinese commentators

evidently welcome the bilateral *détente*, they appear overwhelmingly concerned with preventing any further relapse in ties with Australia, which they view as a potential partner, if not an ally, in the Pacific region.

Chinese commentators frame the shift as an opportunity to counter entrenched “anti-China” narratives.

Chinese discourse thereafter relies on a combination of heavy-handed emphasis on both economies' interdependence, and implicit threats should Australia's supposedly unfounded “securitization” of the relationship continue. The United States invariably figures as a key player in this dance of swords, viewed by Beijing as both a thorn in its side and a potential point of leverage. Analysing how the *détente* is perceived, framed and instrumentalised in Chinese discourse reveals attempts to reinforce domestic legitimacy and recalibrate China's external relationships, particularly with Australia and the United States.

Framing the Stabilization: Mutual Benefit or Economic Imperative?

Chinese commentators have largely welcomed the stabilization of bilateral relations, framing the “reset” as serving both Chinese and Australian interests. The normalization of relations, an early priority of the Albanese government, followed a period of sharp friction culminating in Beijing's imposition of economic sanctions on key Australian exports after Canberra's call for an independent inquiry into COVID-19 origins. The removal of trade barriers, the resumption of high-level diplomatic dialogue and the release of an Australian journalist detained in China were key developments that reversed the downward spiral and paved the way for recalibration.¹

At the 7th China-Australia Foreign and Strategic Dialogue in March 2024, Chinese Foreign Minister Wang Yi praised “joint efforts” in “breaking the ice”, leading to a “gradual resumption” of “exchanges and cooperation in various fields”.² Similarly, Wang Zhenyu of the China Institute of International Studies described “stabilizing relations with China” and “reversing the former Coalition government's anti-China policies” as among the Labour government's most notable diplomatic achievements (定对华关系显然是工党政府最为亮眼的外交政绩之一).³ These assessments reflect a **consistent effort within Chinese commentary to frame the diplomatic reset not only as a political success**, but as a necessary precondition for deepening economic ties and mutual strategic benefit.

Chinese commentary strongly foregrounds economic interdependence as making the continued

stabilization of relations not just desirable, but necessary—particularly for Australia. In a *Global Times* article marking the 10th anniversary of the China-Australia Free Trade Agreement (ChAFTA), Zhou Mi of the Ministry of Commerce's think tank praised deepening economic ties.⁴ Zhou highlights the significant increase in bilateral trade between China and Australia since the signing of the FTA, with increases of 111.7 percent and 83.1 percent in imports from Australia and exports to Australia, respectively, between 2015 and 2023.

Likewise, Chinese Consul General Wang Yu emphasized China's open market as a key opportunity for Australian businesses.⁵ Both note that **China has remained Australia's top trading partner for 16 consecutive years**. Much is made of the role of trade cooperation in laying the foundation for a regional free trade mechanism arrangement, notably through the Regional Comprehensive Economic Partnership (RCEP). Crucially, these official and academic perspectives underscore that China accounts for roughly one-third of Australia's exports, as well as the fact that Australia's export growth to China has consistently outpaced import growth, implicitly highlighting an asymmetric relationship: **while beneficial to Australia, it also increases Canberra's dependence on Beijing**.⁶

While beneficial to Australia, the current trade relation also increases Canberra's dependence on Beijing.

¹ Ethan Pooley, “The Stabilisation Framework: Managing Australia's Great Power Relationship,” Australian Institute of International Affairs, February 10, 2025, <https://www.internationalaffairs.org.au/australianoutlook/the-stabilisation-framework-managing-australias-great-power-relationship/>.

² “China and Australia Hold the Seventh Foreign and Strategic Dialogue,” Ministry of Foreign Affairs of the People's Republic of China, March 20, 2024, https://www.fmprc.gov.cn/eng/wjrb/zzjg_663340/bmdyys_664814/xwlb_664816/202403/t20240320_11263053.html.

³ Wang Zhenyu, “定对华关系对澳为何重要” [Why Is it Important for Australia to Maintain Stable Relations with China?], China Institute of International Studies, May 19, 2025, https://www.ciiis.org.cn/yjcg/sspl/202505/t20250519_9603.html.

⁴ Zhou Mi, “中澳自贸协定十周年，期待新合作” [On the 10th Anniversary of the China-Australia Free Trade Agreement, We Look Forward to New Cooperation], *Global Times*, April 9, 2025, <https://opinion.huanqiu.com/article/4MDCy81trHP>.

⁵ “Chinese Consul General Wang Yu in Sydney Published an Article,” China International Import Expo, June 17, 2025, <https://www.ciiie.org/zbh/en/speech/envoys/20250617/49257.html>.

⁶ Zhou Mi, *ibid.*; Wang Zhenyu, *ibid.*

Chinese outlets also cite apparent Australian public support for this stabilization. One Global Times piece notes greater voter satisfaction with the Labour Party's approach to dealing with China-Australia relations compared to the previous coalition government, "reflecting that Australian society places greater expectations on healthy and stable China-Australia relations and hopes that China-Australia free trade will help mitigate the impact of economic nationalism on the Australian economy" (体现出澳大利亚社会更加期待健康稳定的澳中关系,更期待澳中自由贸易帮助抵御经济民族主义对澳大利亚经济的冲击).

This is partially supported by a 2025 Lowy Institute poll, which found that 51 percent of Australians preferred stable China ties over working with allies to deter Chinese military action.⁷ However, the **link between Australian public sentiment and opposition to "economic nationalism" is more tenuous**, and perhaps more reflective of Chinese commentators' strategic efforts to frame economic interdependence as the bedrock of bilateral stability. This rhetorical move recurs frequently, highlighting how Chinese commentators' often project domestic economic concerns and narrative priorities onto Australian public opinion or diplomatic signals.

Short-Lived Economic Sanctions, Long-Term Strategic Distrust

However, Chinese discourse largely acknowledges that the recent thaw in tensions has occurred through the pragmatic lens of economic opportunity or necessity rather than political reconciliation. Commentators broadly recognise that, despite surface-level improvements, the **relationship continues to rest on longstanding fault lines, with economic security and national sovereignty remaining core priorities for Australia**.

Indeed, there is begrudging recognition that Beijing's trade sanctions may have inadvertently reinforced Canberra's resolve to balance against China. In response to what Australia and the United States viewed as economic coercion, **Australia has continued to maintain a "securitized" approach**, pursuing deterrence through its partnership in the AUKUS alliance—a move uniformly criticised across Chinese diplomatic, academic and media circles. This strategy extends further via the Quad, Five Eyes intelligence-sharing, and domestic initiatives like the Guided Weapons and Explosive Ordnance Enterprise. The Albanese government also upheld China's designation as a strategic challenge in both the 2023 Defence Strategic Review and the 2024 National Defence Strategy.⁸

As academic Ye Xue, a researcher from the University of Alberta's China Institute, observed in a 2023 article, rather than pressuring Australia into accommodation, **China's coercive tactics have "perversely empowered" Canberra**, strengthening its willingness to assert influence in the Indo-Pacific and counterbalance China in both traditional and emerging strategic arenas.⁹ Notably, this trajectory has not been reversed under the Albanese-led Labor government. Rather, it has been overlaid with a diplomatic posture of "stabilization" and strategic messaging framed as "reassurance" toward China, resulting in a dual-track approach. While Australian commentators largely support this dual-track reset as proof that economic engagement and strategic caution can coexist, the Chinese response has been mixed.¹⁰ **The strategy has granted Canberra greater manoeuvrability but left Chinese analysts uncertain**—some even openly critical of what they see as an ambiguous and contradictory China policy.¹¹

⁷ "China: Emphasis on Deterrence or Stability," The Lowy Institute, <https://poll.lowyinstitute.org/charts/managing-the-australia-china-relationship>. Accessed on July 5, 2025.

⁸ Ethan Pooley, *ibid.*

⁹ Ye Xue, "Balancing against China with Confidence: Australia's Foreign Policy toward China in 2020–22," The National Bureau of Asian Research, January 2023, https://www.nbr.org/wp-content/uploads/pdfs/publications/asiapolicy_18-1_xue_jan2023.pdf.

¹⁰ Ethan Pooley, *ibid.*

The AUKUS Deal: A Crystallization of Chinese Concerns over Australia's Security Strategy

Tian Jingling, Associate Research Fellow at the China Institute of Contemporary International Relations, sharply critiques the AUKUS deal as rooted in “misguided security perceptions”, arguing it is not an “antidote” to Australian security concerns but a “poison” trapping Canberra in a “security paradox” (“在错误安全观念驱动下”; “不会成为澳所谓安全困境的“解药”, 只会成为阻碍该国未来发展的“毒药”; “澳政府目前在“奥库斯”核潜艇项目上的努力, 恰恰使自己陷入了“安全悖论”). Like many Chinese commentators, Tian frames AUKUS as a domestic political miscalculation, reflecting Beijing's broader effort to use strategic messaging to sway Australian public opinion. He highlights the Australian public's prioritization of bread-and-butter issues and resulting reluctance to see government funds diverted to inflated defence agendas.

The strategy has granted
Canberra greater
manoeuvrability but left
Chinese analysts uncertain.

Tian also underlines the futility—and even riskiness—of the AUKUS security agreement, given the uncertainty of the Trump administration's commitment to traditional alliances. In particular, emphasis is placed on Washington's potential leveraging of its security support to demand increased defence spending and greater responsibility from Canberra. Chinese commentary often characterizes this dynamic as an asymmetric burden, in which Australia assumes disproportionate costs for a security architecture ultimately shaped by US interests. The narrative further suggests that Australia's deepening entanglement in US-led military frameworks may compromise its ability to pursue an independent foreign policy.

AUKUS, in this view, is a **“geopolitical destabilizer” that undermines the international rules-based order** and serves a singular purpose: “Maintaining US-centered hegemony and power politics, rather than ensuring Australia's development and security.” Canberra is thus cast as a pawn “directly serving the US’ Indo-Pacific Strategy” (“直接目的是服务美国的“印太战略”, 根本目的则是维护以美国为中心的霸权主义和强权政治, 而非确保澳大利亚的发展与安全”). Ultimately, this **dual-track strategy—pairing diplomatic engagement with sustained security deterrence—has left Chinese analysts wary**, viewing Australia's efforts at “stabilization” as strategically inconsistent and still deeply enmeshed in US-led containment efforts.

The dual-track strategy that
pairs diplomatic engagement
with sustained security
deterrence has left Chinese
analysts wary.

Yet Chinese observers also note with some satisfaction that Canberra has not wholly embraced the role the United States has carved out for it in the intensifying US-China Great Power rivalry—that of a reliable balancer aligning with US strategic deterrence. **Several commentators interpret Canberra's decision to relaunch relations with China as a sign that Australia has diverged** from Washington in several of its regional assessments and responses.

This view has seen some validation from Australian perspectives: despite the AUKUS agreement, Australian academics argue that “Australia has not comprehensively abandoned its hedging strategy” and, “similar to Beijing, (...) believes that the era of US primacy has come to an end and the region is now multipolar”.¹² Deeper economic integration with China

¹¹ Philipp Ivanov, “Australia's China Strategy in an Election Year,” *The Lowy Institute*, January 30, 2025, <https://www.loyyinstitute.org/the-interpreter/australia-s-china-strategy-election-year>.

is seen as advancing “domestic and regional prosperity, but also stability and security”. Others stress that Australia's success depends on its ability to “chart a measured course between Washington's forceful volatility and Beijing's defensive confidence”.¹² This discussion has been noted by **Chinese analysts, who highlight Trade Minister Don Farrell's public refusal to “join the United States to exclude China” as signalling a shift toward “geopolitical de-risking”** (“澳贸易部长法雷尔公开拒绝”联美排华”; “地缘政治的”去风险化”).¹⁴ One anonymous commentator notes that the lesson of US firms profiting from Chinese sanctions on Australia helped Canberra realize the importance of “economic sovereignty,” not only from China but also from the US (这种“为美国火中取栗,反被美国摘桃子”的教训,让澳大利亚工党政府深刻认识到“经济主权”的重要性).

Redefining the Triangle: China's Framing of the Canberra-Washington Relationship

Emboldened by this observation, Chinese discourse increasingly seeks to drive a wedge between Canberra and Washington, while dismantling what is cast as an entrenched “anti-China” narrative. **China is repeatedly portrayed as peaceful, stable and rule-abiding, in opposition to a belligerent, erratic United States under the Trump administration.** In *The Australian*, Chinese ambassador to Australia Xiao Qian decried the “China threat” narrative promoted by “some countries”—a thinly veiled reference to the United States.¹⁵

A Global Times opinion piece also points to a problem in the Australian “perception” of China, with

framings of Beijing as a “latent military enemy”, a strategic rival and a serious threat to Australia's internal politics” (“潜在”人”、战略上的“竞争对手”以及澳国内政治的“严重威胁”) outlasting recent diplomatic improvement.¹⁶ This discourse reflects **attempts to deploy sharp power or assertive public diplomacy to sway public and political sentiment** away from US-aligned defense policy, as reflected in the title of Ambassador Xiao's article: “China and Australia are friends, not foes—this should never have been in question.”¹⁷ The piece seeks to recast the threat narrative as unfounded, and further attempts to appeal to Australian interests and national self-perception as independent and peace-oriented, while subtly warning that alignment with Western defense blocs brings instability.

Chinese threat narrative tries to appeal to Australian interests and national self-perception as independent and peace-oriented.

Australia's Position within the Trump Administration's Trade Wars

The Trump administration is perceived by Chinese analysts as both a strategic leverage point and a liability in managing China-Australia relations. Correctly diagnosing Australia's key challenge in “managing the strategic triangle between Washington, Beijing, and Canberra,” commentators seek

¹² James Laurenceson, “Ambiguous alignment: Australia Navigating US–China Rivalry in the Post-AUKUS Era,” *China International Strategy Review*, March 2025, <https://link.springer.com/article/10.1007/s42533-025-00177-w>.

¹³ The Lowy Institute, *ibid*.

¹⁴ “关税战过后，澳大利亚硬刚美国：中国是“钞能力”10倍的优质客户” [After the Tariff War, Australia Stands Firm Against the US: China Is a High-Quality Customer with 10 times the “Cash Power”], *Pine Forest View of the World*, May 18, 2025, <https://baijiahao.baidu.com/s?id=1832383056809088814&wfr=spider&for=pc>.

¹⁵ “Chinese Ambassador Xiao Qian Publishes an Article on an Australian Masthead to Emphasize ‘China and Australia Are Friends Not Foes,’” *Embassy of the People's Republic of China in the Commonwealth of Australia*, June 30, 2025, http://au.china-embassy.gov.cn/eng/dshd/202506/t20250630_11661377.htm.

¹⁶ Ning Tuanhui, “重塑对华认知底层逻辑，对澳大利亚至关重要” [Reshaping the Underlying Logic of Perceptions Toward China Is Crucial for Australia], *Global Times*, May 23, 2025, <https://opinion.huanqiu.com/article/4Mmyf4hTTHy>.

¹⁷ Embassy of the People's Republic of China in the Commonwealth of Australia, *ibid*.

to nudge Canberra closer to China amidst global trade and geopolitical tensions.¹⁸ To that end, China is consistently framed as a reliable trade partner, aligned with “high standard international trade rules” and a stabilizing force capable of helping Australia weather “tariff shocks” and global economic turbulence.¹⁹

Chinese analysts repeatedly suggest that Australia risks being collateral damage in the Trump administration’s unpredictable approach to alliances. US pressure on Australia to decouple from China or Russia by shifting industrial supply chains is depicted as economically unviable—“more a political slogan than economic reality”—and exemplified by the United States purchasing far less Australian LNG than pledged in its attempt to reduce reliance on Russian energy.²⁰ Australian **political discourse is also cited to reinforce these views**. Researcher Zhou Mi references Don Farrell’s observation that Australia faces “global uncertainties caused by protectionist trade measures such as US tariff policies,” while journalist An Zheng attributes Albanese’s electoral win to a firmer stance towards Washington—the so-called “Trump effect”.²¹

By contrast, China is portrayed as the strategic partner best positioned to bolster Australian economic resilience through stabilized bilateral relation and shared commitments to “uphold the international system centred on the United Nations (...) and safeguard the multilateral trade system” (“维护以联合国为核心的国际体系(...)维护多边贸易体系”).²²

Beijing’s growing influence in global trade is framed as offering middle powers a pathway toward

“de-Americanization”, providing an “economic lever of global multi-polarisation” for enhanced strategic autonomy (“全球多极化的“经济杠杆”)”. An anonymous commentator forecasts: “For the United States, if it continues to indulge in the unilateral game of the ‘tariff stick’, it will eventually push its allies to its opponents (...) **As Australia's choice shows: when economic interests conflict with political loyalty, national rationality will eventually win.**” The message is clear: In the face of a fickle United States, Australia may shift from hedging to balancing—this time, toward China. **These arguments serve to cast doubt on the long-term viability and wisdom of Canberra's strategic alignment with Washington**, reinforcing the case for a recalibration of Australia's trade and security posture toward greater balance and autonomy.²³

As Australia's choice shows:
when economic interests
conflict with political loyalty,
national rationality will
eventually win.

In this manner, **Chinese discourse has seized upon the rekindling of commercial and diplomatic ties to push for closer cooperation with Australia**. Emphasis on the two countries’ economic interdependence, shared interests, and common challenge in navigating a global order upended by an increasingly protectionist and erratic US underscores Beijing’s abiding interest in reshaping regional alignments in its favour.

¹⁸ An Zheng, “2004年来首次，澳大利亚现任总理成功连任，反对党领袖连议席都丢了” [For the First Time Since 2004, Australia's Incumbent Prime Minister Has Been Re-Elected, While the Opposition Leader Lost His Seat], Shanghai Observer, May 3, 2025, <https://www.shobserver.com/statics/res/html/web/newsDetail.html?id=904585&sid=300>.

¹⁹ “Chinese Consul General Wang Yu in Sydney Published an Article,” China International Import Expo, June 17, 2025, <https://www.ciie.org/zbh/en/speech/envoys/20250617/49257.html>; Wang Zhenyu, *ibid*.

²⁰ Pine Forest View of the World, *ibid*.

²¹ Zhou Mi, *ibid*; An Zheng, *ibid*.

²² Wang Zhenyu, *ibid*.

²³ Tian Jingling, “对堪培拉，‘奥库斯’不是‘解药’是‘毒药’” [For Canberra, “AUKUS” Is not a ‘Cure’ But a “Poison”], Global Times, March 18, 2025, <https://opinion.huanqiu.com/article/4LuxuEv4TMZ>.

Yet for all the strategic messaging reframing China as a reliable “friend”, **Chinese discussion of the potential for another downturn in bilateral relations underlines the conditional nature of the recent “stabilization”**. The response to the announcement that Australia would reclaim ownership over the Darwin port has been nothing short of vitriolic, with warnings that such an “ethically questionable” act—portrayed as driven by US pressures and domestic political calculation—could harm “China-Australia economic and trade cooperation” and erode broader bilateral trust (莫须有的“安全威胁”损害中澳经贸合作).²⁴

Chinese discussion of the potential for another downturn in bilateral relations underlines the conditional nature of the recent “stabilization”.

Taken together, these narratives reveal that Chinese discourse surrounding the *détente* is **not only simply reflective but deeply instrumental and strategically leverageable**. On one level, it presents China as a cooperative partner committed to regional stability and economic recovery. On another, it serves as a rhetorical tool to delegitimize Australian security posturing, cast doubt on Canberra’s alliance with Washington and advocate for a recalibrated strategic orientation more favourable to Beijing. While the stabilization of ties is welcomed, it remains fragile and transactional—highly contingent on Australia’s willingness to resist perceived external interference and refrain from securitizing the relationship. In this sense, the **reset functions less as a harbinger of genuine rapprochement than as a contested discursive space** in which competing visions of regional order continue to play out.

²⁴Chen Hong, “莫须有的“安全威胁”损害中澳经贸合作” [Unfounded “Security Threats” Damage China-Australia Economic and Trade Cooperation], *Global Times*, April 17, 2025, <https://opinion.huanqiu.com/article/4MJ4STVPOPH>; Kirsty Needham, “Chinese Ambassador Criticises Plan to Return Darwin Port to Australian Ownership,” *Reuters*, May 26, 2025, <https://www.reuters.com/world/china/chinese-ambassador-criticises-plan-return-darwin-port-australian-ownership-2025-05-26/>.



Justin Bassi

Executive Director of the Australian Strategic Policy Institute

Justin Bassi is the Executive Director of the Australian Strategic Policy Institute. An expert on national security strategy, foreign policy and international relations, Justin has held senior roles in government, including as National Security Adviser to Australian Prime Minister, Malcolm Turnbull, and Chief of Staff to the Minister for Foreign Affairs and Minister for Women, Marise Payne. He has also had a distinguished career in the Australian Public Service, including senior positions at the Office of National Intelligence.

China is Still Coercing Australia —With Implicit Threats

Look beyond the so-called stabilization of diplomatic ties between Australia and China. Look beyond Beijing's lifting of trade bans and its ending of the freeze on ministerial dialogue that began in 2020. **China's trade measures against Australia have indeed ceased, but its broader strategy of coercion is unchanged.** It is still applying pressure through implicit threats, military intimidation and exploitation of political and economic vulnerabilities.

Australia stabilized just part of its relations with a competitor that shows no sign of backing down in its aggression, even if Chinese experts call in public for a stabilized relationship between both countries. China arbitrarily detains Australian citizens, pre-positions malware on critical infrastructure and has sent its navy to nearby waters to intimidate. If this is stability, it is thoroughly unsatisfactory, lopsided stability. Yet Australia doesn't say so.

The European Union is more honest in its dealings with China. It acknowledges trade as a sole common point of interest but, beyond that, sees diplomatic ties as managing security threats. The European Union makes no bones about it: China is both an economic partner and a strategic rival. Australia should be similarly honest.

Such honesty will require dropping the current, reactive diplomacy that regards getting a meeting with Chinese officials as an outcome in itself. This is diplomacy that seeks to "balance economic and security issues," meaning selling down the national interest. Instead, **Australia must adopt a long-term strategy of national resilience and regional deterrence that puts sovereignty in policymaking first**—one hardly advocated by the Chinese commentariat.

The Illusion of Stabilization: A New Phase of Beijing's Coercion

Since taking office in 2022, the government of Prime Minister Anthony Albanese has restored diplomatic dialogue with China. In doing so, it has aimed at "stabilization" and been guided by the principle of cooperating with China where possible and disagreeing where necessary. Communication between national leaders and their teams is indeed vital, so the repairing of ties has been a clear positive.

But **structural asymmetry in the relationship persists.** China still pursues its objectives through coercion. The cessation of tariffs on Australian wine,¹ and the lifting of import bans on beef² and lobster³ during the government's first term in office has been

welcome, but they distract from Beijing's strategic use of implied threats to influence Australian decision-making.

In the first two decades or so after the Cold War, European countries mistakenly thought deeper economic ties with Russia would reduce its propensity toward tension and conflict. Globally, most countries made just the same miscalculation with regard to China, thinking that bringing it into the multilateral international system would promote its political liberalization and stifle any latent aggression. Later they saw that China had begun changing the multilateral system to suit itself—and that its territorial ambitions had become ever more obvious. Australia is now obdurately making the same mistake again.

Unfortunately, the **re-engagement of ministerial channels has coincided with troubling signs of bipartisan political complacency**, in contrast to the bipartisan consensus from 2017 to 2022 on the threat from Beijing. During the campaign for the May 3 federal election, both Albanese and Peter Dutton, the opposition leader at the time, said they had no reason to distrust Xi Jinping¹—the leader of a country which militarized the South China Sea despite promising not to and which persists in cyber theft and political interference in Australia.

The country's politicians seem to have a misguided bipartisan belief that diplomatic civility will prompt China to behave itself.

Australian society needs transparency on the threats it faces, threats that are otherwise tracked and kept up to date by the Australian Security Intelligence

Organisation (ASIO) on the risk of a terrorist attack. Such openness won't prevent an attack, but it reassures the public that the government is aware and doing everything it can to prevent one. It also ensures that the country is not unnecessarily shocked when an attack does happen. This strengthens national resilience as it builds both deterrence and preparation.

Coercion Without Sanctions: China's Tactic of Strategic Ambiguity

Because the Australian government is not candid, there is little public understanding of China's coercive behaviour. Canberra gives the impression that punishment is coercion only when it is in effect—so, now that Beijing has restored trade rights and ministerial communications, coercion has ended.

The opposite is at play. The threat of future punishment is a potent and ongoing form of coercion. Beijing relies on implicit threats to influence foreign decision-making, and it knows that the tactic works. It punished South Korea in 2017 for accepting deployment of a US THAAD missile-defence battery since Seoul stood its ground.² But years later, there were fears by South Korean law enforcement of renewal of the 2017 economic sanctions as one justification for punishing a South Korean company for helping Taiwan to build submarines.

Australia is now in the same position as South Korea after the THAAD stand-off. Beijing lifted its coercive measures, but not before it made a generation of Australian leadership aware that certain actions would come with real costs.

¹ "Resolution of Wine Dispute with China," Minister for Foreign Affairs of Australia, March 28, 2024, <https://www.foreignminister.gov.au/minister/penny-wong/media-release/resolution-wine-dispute-china>.

² "Final Chinese Trade Impediments on Red Meat Establishments Lifted," Minister for Foreign Affairs of Australia, December 3, 2024, <https://www.foreignminister.gov.au/minister/penny-wong/media-release/final-chinese-trade-impediments-red-meat-establishments-lifted>.

³ "Effective Immediately - Live Rock Lobster to China to Restart," Minister for Foreign Affairs of Australia, December 20, 2024, <https://www.foreignminister.gov.au/minister/penny-wong/media-release/effective-immediately-live-rock-lobster-china-restart>.

⁴ "Resolution of Wine Dispute with China," Minister for Foreign Affairs of Australia, March 28, 2024, <https://www.foreignminister.gov.au/minister/penny-wong/media-release/resolution-wine-dispute-china>.

⁵ Simon Atkinson, "Is China Retaliating Against Lotte Missile Deal?," BBC News, March 6, 2017, <https://www.bbc.com/news/business-39176388>.

⁶ Alison Xiao, "Coalition and Labor Pledge to Retake Control of Chinese-Controlled Port of Darwin," ABC News, April 4, 2025, <https://www.abc.net.au/news/2025-04-04/albanese-vows-to-return-port-of-darwin-to-australia-election/105140260>.

This means **Beijing continues in its use of carrots and sticks**. The carrots worked on Australia for a while until about 10 years ago, when various security threats that had been tolerated became a national-level threat of reduced sovereignty. When Australia finally decided in 2017 that it could not keep giving trade opportunities the same priority as security, Beijing raised its sticks.

What Australia has seen since is that Beijing's coercion has evolved: it is no longer limited to overt economic punishment. Instead, it increasingly relies on strategic ambiguity—the credible threat of future measures—to deter sovereign action. This form of **latent coercion is subtle but potent**. Australia's decision to suspend two cases in the World Trade Organization (WTO) against China just before expected rulings in its favour allowed Beijing to avoid international censure and save face. Australia missed a chance to learn from both Japan and the Philippines however, which not only began international cases against China but had the courage to see them through. In doing so, they defied China's pressure and achieved rulings that identified behaviour in breach of international rules.

China itself pursued, and won, a WTO case against Australia on steel. So **Australian obsequiousness achieved not reciprocal goodwill but a reputational win for Beijing**. Australia also lost an opportunity to reinforce global rules in its WTO case. Relationships depend on a willingness of all sides to compromise. But why should China compromise with Australia when it can stand its ground and wait for Australia to retreat?

This is how coercion works through implicit threats of punishment. The idea that simply being nicer to Beijing will elicit a reciprocal response is demonstrably wrong. If one party (Australia) seeks stability

while the other (China) pushes and shoves, the destabilizer keeps gaining and has no reason to stop.

China's ambassador to Australia, Xiao Qian, signals clearly enough what Beijing demands that Australia must do (or not) in order to maintain stable relations. After Albanese said in April that the government was arranging a sale of Darwin Port from a Chinese to an Australian firm,⁶ Xiao called the plan "ethically questionable" and said Australia, as China's "comprehensive strategic partner," should honour the "binding commitments" of the contract.⁷ The implication was that such a sale would damage bilateral relations.

Beyond Trade: Multifaceted, Ongoing Coercion

China may have dropped its trade restrictions, but it keeps up other forms of coercion in a three-fold manner: military intimidation and strategic signalling, diplomatic and political manipulation, and techno-industrial dominance.

Beijing has first expanded its use of grey-zone and conventional military tactics to reinforce its strategic position. Unsafe intercepts of Australian military aircraft persist, while unprecedented Chinese navy operations, such as live-fire drills in the Tasman Sea and a near circumnavigation of the Australian continent,⁸ have sent a clear message: China can project power deep into the Pacific and threaten countries such as Australia.

Beijing even seems to be suggesting that this is the new status quo, so any push-back by Australia or others would in itself be destabilising. "As a major power in this region, **as a country that has so many things to look after, it is normal for China to send their vessels to different parts of the region** to conduct various kinds of activities," Ambassador Xiao

⁷ "Ambassador Xiao Qian Receives an Interview Related to the Port of Darwin Issue by Chinese and Australian Media," Embassy of the People's Republic of China in the Commonwealth of Australia, May 25, 2025, http://au.china-embassy.gov.cn/eng/dshd/202505/t20250525_11632718.htm.

⁸ Dougal Robertson, "The Real Meaning Behind China's Live-Fire Drills Near Australia and New Zealand," *The Diplomat*, March 26, 2025, <https://thediplomat.com/2025/03/the-real-meaning-behind-chinas-live-fire-drills-near-australia-and-new-zealand/>.

said in February after the Chinese ships had sailed around Australia, so “there should be no overreading into this”.⁹

Meanwhile, China's military aggression in the Indo-Pacific has become more pronounced, with unsafe encounters between Chinese and Australian military assets continuing to strain relations. These actions send a clear message not only to Australia and New Zealand but also to Southeast Asian and Pacific partners as well as the United States: that Beijing is strong enough to establish a sphere of influence—and that the US power is waning.

Second, Beijing also continues to exploit political openings, eroding resolve through diplomatic engagement that creates the illusion of normalization. This is reinforced by **narratives suggesting that cooperation with China is conditional on compliance**. There is an inherent risk with portraying leader-level or ministerial meetings as political wins for the Australian government. This type of political relationship in which bilateral meetings are rewards for good behaviour can then be taken away if Australia says something or does something that displeases Beijing.

Last but not least, China's growing technological dominance, including having near-monopolies in batteries, solar panels and a suite of rare earths, has already been used by Beijing to coerce other nations. From 2010 to 2014, China blocked rare earth exports to Japan in an attempt to have Tokyo change its policy on the Senkaku Islands, and, more recently, Beijing has exploited its dominance in magnets in its trade war with the Trump administration. ASPI's Critical Technology Tracker shows that China leads high impact research in 57 of 64 advanced technology fields,¹⁰ many with direct military applications, such as radar, drones and navigation satellites. As China gains dominance in more technology fields, it expands its

range of opportunities to coerce other countries, including Australia, if they become over-dependent on Chinese supply. Australia should act in collaboration with likeminded partners to avoid further vulnerability.

From Intent to Capability: Recalibrating Australia's Strategic Posture

Australia must stop accepting Beijing's assurances that it seeks stability. Instead, it must start focusing on Beijing's actions and its potential for developing even greater leverage that creates future Australian vulnerabilities. **Coercion, whether applied or implied, remains central to China's playbook**. Sovereignty must therefore be placed at the centre of Australia's China policy—even if doing so risks economic or political discomfort. This does not preclude selective cooperation where interests align.

Where possible and selectively, engagement must be underpinned by rigorous risk assessments to ensure that Australia's sovereignty and values are protected. For instance, collaboration on climate change must acknowledge and address Beijing's systemic use of forced labour in renewable energy supply chains—and its manoeuvring to dominate these. Today's policy decisions must not constrain tomorrow's sovereign choices.

Beijing's coercion of Australia has not ended; it has evolved. Pressure through trade measures has been replaced with implied threats, military intimidation and the systematic **use of narratives that portray Australia, not China, as the party whose exercise of sovereign decisions puts the future of the relationship at risk**. Australia cannot afford to misread this moment. Strategic clarity, not diplomatic comfort, must guide the next phase of Australia's China policy.

⁹ Jano Gibson and Andrew Greene, “China Tells Australia to Expect More Warship Visits But Insists Its Navy Poses ‘No Threat,’” ABC News, February 27, 2025, <https://www.abc.net.au/news/2025-02-28/chinese-ambassador-says-china-poses-no-threat-to-australia/104992530>.

¹⁰ Jennifer Wong Leung, Jamie Gaida, Stephan Robin, and Danielle Cave, “ASPI's Critical Technology Tracker,” Australian Strategic Policy Institute, March 1, 2023, <https://www.aspi.org.au/report/critical-technology-tracker/>.

The era of seeing China through the narrow lens of economic opportunity ended long ago. Where Beijing breaches international rules or is aggressive, it must be called out. Australia is only complying with China's desires when the government remains silent and this leaves the public to trust that the threats posed by China are all being handled discreetly in the classified domain. This is not a viable policy. Australia's sovereignty must not be contingent on Beijing's preferences.

Australian politicians and officials need to show long-term resolve, make the necessary commitments to strengthen national resilience and prioritize the national interest. By doing so, Australia can weather Beijing's pressure. The short-term costs of occasionally upsetting Beijing and risking some economic pain are small compared with incrementally losing Australia's strategic freedom in a region in which power and influence will be heavily contested for many years to come.

China Trends is a quarterly publication by Institut Montaigne's Asia Program which is composed of **Joseph Dellatte**, Research Fellow for Climate, Energy and Environment; **Mathieu Duchâtel**, Director of International Studies; **François Godement**, Special Advisor and Resident Senior Fellow - Asia and United States; **Rosalie Klein**, Project Officer; **Claire Lemoine**, Project Manager and **Pierre Pinhas**, Project Officer & Editor of China Trends.