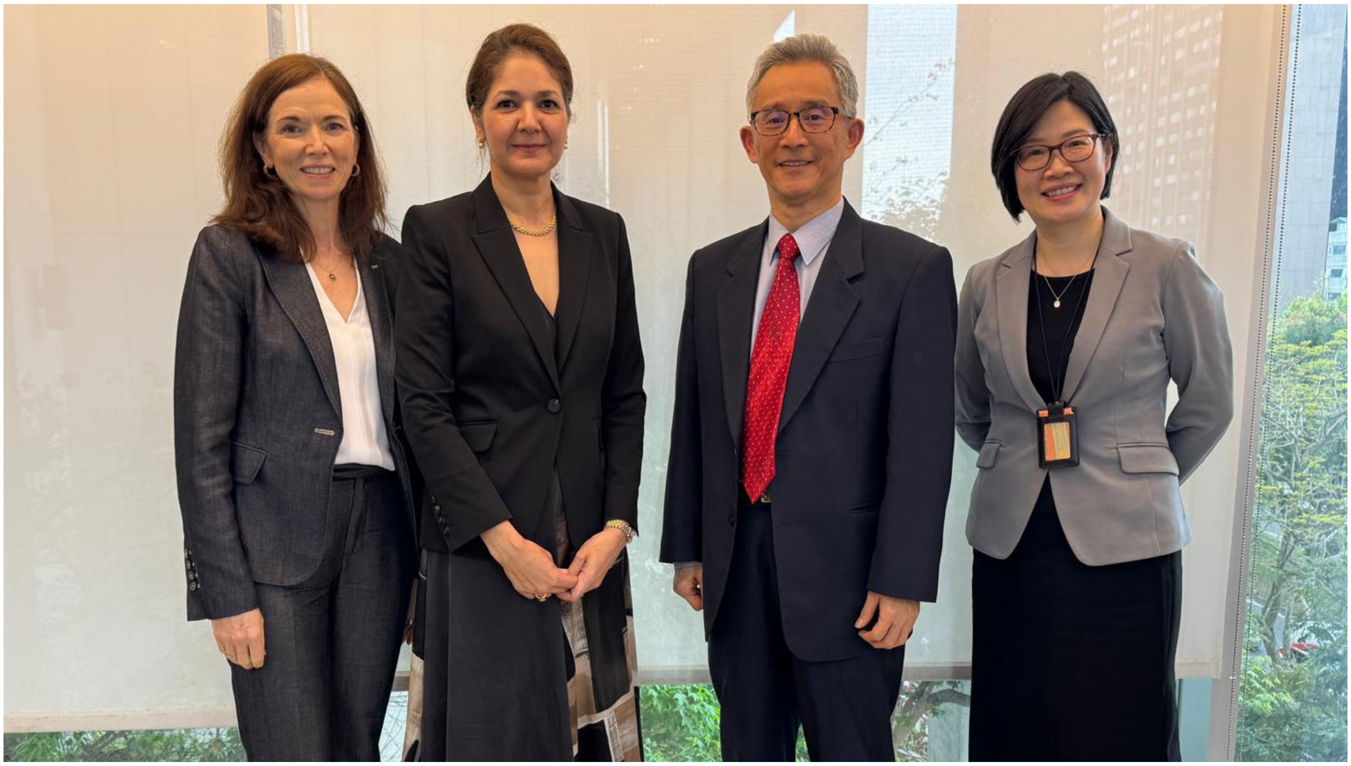
SUMMARY REPORT

CANADA–TAIWAN TRACK 1.5 DIALOGUE

Advancing Bilateral Co-operation

ASIA PACIFIC FOUNDATION OF CANADA

FONDATION ASIE PACIFIQUE DU CANADA



Dialogue participants (L-R) Marie-Louise Hannan (Executive Director, Canadian Trade Office in Taipei); Vina Nadjibulla (Vice-President Research & Strategy, APF Canada); Szue-chin Philip Hsu (Professor of Political Science & Director of Center for China Studies, National Taiwan University); Liang-Yu Wang (Director General, Department of North American Affairs, Republic of China (Taiwan))

CANADA–TAIWAN TRACK 1.5 DIALOGUE

Advancing Bilateral Co-operation

APF Canada, National Taiwan University (NTU), the University of Ottawa, the Canadian Trade Office in Taipei, and the Ministry of Foreign Affairs, Republic of China (Taiwan) co-hosted the Canada-Taiwan Track 1.5 Dialogue on March 18, 2026, at the National Taiwan University Center for China Studies in Taipei

AUTHOR

Irene Chan, Senior Research Program Manager, Singapore Office, APF Canada

EDITED BY

Edited by Ted Fraser, Senior Editor, APF Canada.

Introduction

Canada's 2022 Indo-Pacific Strategy identifies Taiwan as a key regional partner, and recent years have seen positive developments in the relationship. This has strengthened the foundation for co-operation but also raises expectations for implementation. At the same time, Canada's approach to China continues to evolve amid a more complex strategic environment. Maintaining momentum in relations with Taiwan will require translating recent progress into concrete outcomes.

Against this backdrop, APF Canada, National Taiwan University (NTU), the University of Ottawa, the Canadian Trade Office in Taipei, and the Ministry of Foreign Affairs, Republic of China (Taiwan) co-hosted the Canada-Taiwan Track 1.5 Dialogue on March 18, 2026, at the NTU Center for China Studies in Taipei.

Policymakers, industry representatives, and academic experts gathered for a closed-door discussion under the Chatham House Rule, covering four areas of potential co-operation: digital economy and emerging technologies, critical minerals and clean technology supply chains, industrial co-operation, and economic coercion.

The dialogue focused on identifying where practical co-operation could be advanced. Participants discussed where along the value chain collaboration would be commercially viable and which projects could be advanced. In doing so, a set of constraints became clear, including exposure to economic coercion, supply chain concentration, and co-ordination gaps within government. The discussion also narrowed toward a small set of near-term actions that can be advanced without first resolving larger strategic questions.

From progress to implementation: What is getting in the way

Discussions pointed to a set of constraints shaping how co-operation between Canada and Taiwan is being pursued. These reflect pressures in the external environment, the structure of supply chains, and the way responsibilities are organized within government. Exposure to economic pressure, alongside policy and regulatory pressures from the United States, is influencing how governments and firms approach co-operation. At the same time, supply chains remain highly concentrated, particularly in upstream processing and intermediate inputs dominated by China, which limits the scope for diversification.

Institutional factors also emerged as persistent constraints. Co-ordination gaps across ministries, procurement complexity, and unclear responsibilities continue to slow implementation. Existing frameworks such as the Science, Technology and Innovation Arrangement and the Foreign Investment Promotion and Protection Arrangement (FIPA) were described as useful but underutilized, functioning more as starting points than mechanisms for implementation. This suggests that progress will depend on clarifying responsibilities within existing frameworks rather than creating new ones. In Taiwan, the absence of a designated lead agency for the special defence budget was raised as a concrete impediment, creating uncertainty for external partners over points of contact. In Canada, expanding awareness of the parameters of the country's One-China policy within the private sector was identified as an area for further attention, with clearer guidance to support commercial engagement and dispel misunderstandings.

Another challenge identified by participants is the positioning of Canada and Taiwan within global technology and manufacturing value chains. Canada's strengths lie upstream, in research, artificial intelligence, and natural resources, while Taiwan's lie in downstream manufacturing and scaling. Direct linkages between the

two remain underdeveloped. Bridging these positions requires identifying specific entry points along the value chain where co-operation is both feasible and commercially viable. Talent development, education partnerships, and exchanges were identified as ways to strengthen these linkages. Taiwan's semiconductor talent model, built on tight industry–university integration, was raised as a reference point for what such linkages can produce.

The missing link between Canada's upstream strengths and Taiwan's downstream capabilities is most evident in midstream processing and refining of critical minerals and intermediate inputs, where both sides lack capacity, and supply chain vulnerabilities are concentrated. This is compounded by policy uncertainty. Neither Canada's

Defence Industrial Strategy (DIS) nor Taiwan's evolving defence budget framework has reached a settled state, adding uncertainty around how responsibilities will be assigned and how co-operation will be organized as both governments adjust their priorities.

Managing risk, not removing it

Discussions on supply chain resilience proceeded from a shared recognition that structural alternatives to existing dependencies cannot be built within any near-term policy horizon. Dependencies on China remain significant, particularly in upstream processing and intermediate inputs, and were not expected to be resolved quickly.

Participants highlighted the risk of latent coercion embedded in seemingly diversified supply chains. Sourcing from trusted partners such as Japan does not necessarily reduce exposure if upstream inputs continue to originate from China, allowing vulnerabilities to persist across multiple tiers of production. This points to the need for resilience measures to target specific nodes within the supply chain, including in areas such as critical minerals and rare earth processing.

Recycling and reprocessing capacity were identified as more immediately actionable because they operate within existing networks rather than requiring new ones to be built. These measures can reduce exposure at specific points in the value chain while longer-term alternatives are developed, though they do not address broader structural concentration that makes coercion possible. Therefore, participants framed immediate steps around targeted, incremental measures, while treating broader diversification as a longer-term objective. Demonstrating progress through a small number of visible projects was also discussed as important for shaping investor perceptions and lowering entry barriers under current conditions.

Economic pressure from multiple directions

Economic pressure operates through distinct but overlapping mechanisms, with different implications for Canada and Taiwan. Participants distinguished between restrictions on market access and control over critical input supply, noting that both are used selectively and often in combination, and through tariff and market access measures weighing on Canada from multiple directions.

In Taiwan's case, coercive measures were described as targeted and calibrated, focusing on sectors with concentrated exposure such as agriculture and fisheries, while avoiding disruption to core industries such as semiconductors. These measures are often framed through health, safety, or regulatory justifications, providing deniability for the enforcing authority, as seen in the case of Canadian canola exports. This makes coercion difficult to challenge formally or counter collectively.

Participants also highlighted the timing dimension of coercion. Restrictions are imposed and withdrawn in sequences that discourage adjustment. Firms begin to diversify when restrictions are introduced but revert to prior patterns once those restrictions are lifted before alternatives are fully established. As a result, diversification efforts are not sustained, and exposure can in some cases increase following a coercive episode.

Differences in threat perception between the two sides were also evident. Canadian participants described recent U.S. tariff pressure as a central economic risk, while Taiwan's focus remains primarily on China. This divergence affects how both governments frame resilience measures and communicate risks to the private sector and will need to be reflected in how joint anti-coercion instruments are designed and positioned.

Private sector incentives continue to shape outcomes

The way economic pressure is applied helps explain why private sector incentives continue to shape outcomes. The gap between government resilience objectives and industry behaviour was identified as a structural feature of the problem rather than a communication failure. Governments are increasingly focused on diversification and resilience, while the private sector continues to prioritize cost efficiency, scale, and established market relationships. These priorities reflect incentive structures that policy has not fundamentally altered.

In several cases, industry increased its exposure in the period following coercive episodes, rather than consolidating diversification efforts begun under pressure. Participants noted that this occurs because the underlying commercial incentives, which include cost advantages, established supply relationships, and the absence of viable alternatives, remain unchanged even after coercion is experienced. Diversification is costly and may not be commercially viable without structural support.

The pattern extends beyond the private sector. Governments have at times continued to engage commercially in ways that reinforce rather than reduce dependencies, which undermines efforts to shift private sector behaviour. The misalignment between policy direction and commercial practice runs through both public and private institutions and requires adjustment on both sides.

More structured co-ordination with industry is needed, not as a communication exercise, but as a means of aligning commercial decision-making with resilience objectives through concrete mechanisms. This includes shared risk frameworks, clearer guidance on priority sectors, and procurement signals that make diversification more viable. Instruments such as the EU's Foreign Subsidies Regulation and anti-coercion instrument were cited as examples worth examining. The underlying argument was that changing industry behaviour requires changing the incentive environment, not only articulating the strategic rationale for resilience.

What this means for Canada

The discussion points to several implications for Canada as it adjusts its economic and security positioning between the U.S. and China, advances a new DIS, and deepens engagement in the Indo-Pacific. Taiwan was seen as relevant across all three areas, though this connection is not always reflected in current policy framing.

On the economic side, the commercial relationship has not kept pace with the depth of policy alignment. Scaling existing mechanisms, particularly the Science, Technology and Innovation arrangement and its joint innovation program, is a near-term priority, given that these provide a functioning, though still early-stage, platform for collaboration. Subnational engagement, including provincial delegations working alongside industry, remains an underused channel. Connecting Taiwan more directlyto Canada's critical minerals ecosystem is a practical next step, including through participation in forums such as the annual Prospectors and Developers Association of Canada Convention.

Taiwan's relevance to Canada's DIS remains under-recognized, particularly in autonomous systems, advanced manufacturing, and quantum-relevant hardware. Quantum presents a near-term opportunity, where Canada's research capabilities and Taiwan's manufacturing capacity are complementary in ways that resemble the conditions behind Taiwan's semiconductor industrialization in the 1980s. Unlike semiconductors,

the industrialization window for quantum hardware is still open. Participants suggested a focused working group to identify specific entry points.

Continuity in Canada's regional engagement remains an open question. With the Indo-Pacific Strategy under review and policy attention concentrated on the U.S., Taiwan is closely watching whether current engagement will be sustained. Institutionalizing the Track 1.5, scaling science, technology, and innovation collaboration, and establishing sectoral working groups would provide practical mechanisms to demonstrate follow-through without requiring resolution of the larger strategic questions first.

Conclusion

While complementarities between Canada and Taiwan are well understood, progress is shaped by external pressures, supply chain concentration, and co-ordination challenges. The discussion focused less on expanding the scope of co-operation than on advancing a smaller number of initiatives in practice, with an emphasis on near-term delivery.

Participants pointed to scaling existing mechanisms as a near-term priority. The Science, Technology and Innovation arrangement was identified as a practical platform that can be expanded to support immediate collaboration, rather than creating new frameworks. Aligning commercial behaviour with resilience objectives was also seen as an early requirement, including more structured engagement with industry, clearer signals on priority sectors, and approaches to risk-sharing that improve the commercial viability of diversification.

Beyond this, discussions highlighted the need to map out and identify specific entry points along the value chain where co-operation can be advanced in practice. Midstream processing and recycling were raised as areas where progress is feasible within existing supply chain structures. Participants emphasized demonstrating delivery through a small number of visible projects, both to test these approaches and to shape investor perceptions of risk and entry conditions.

Sustaining progress will depend on mechanisms that support implementation over time. Continued Track 1.5 dialogue and more regularized sectoral exchanges were identified as practical channels to advance co-ordination, refine project-level collaboration, and support delivery under evolving strategic conditions.