



# Canada's middle power era is over: Stephen Nagy for Inside Policy

Between Chinese coercion and American volatility, Canada must forge its own path.

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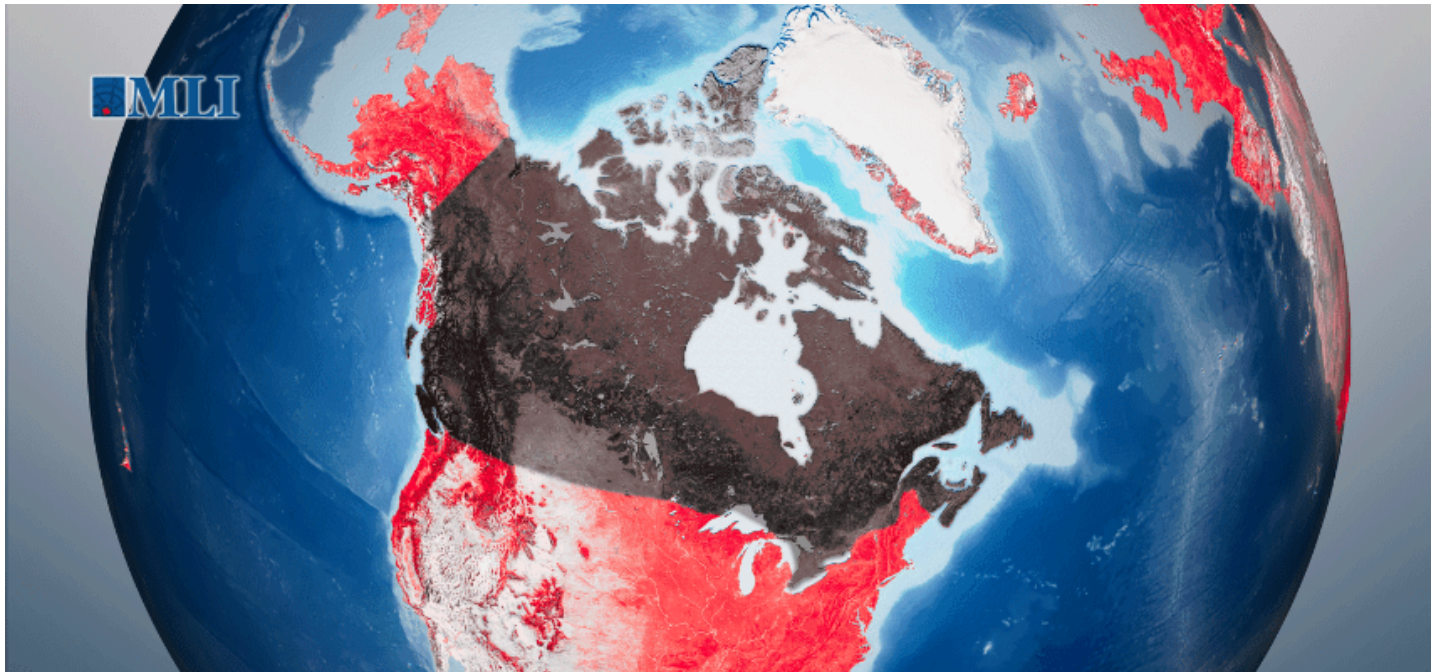


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By Stephen Nagy, May 11, 2026

For decades, Canadian foreign policy rested comfortably on the enduring, unquestioned assumptions of a stable, rules-based liberal international order.

This order was underwritten by an engaged, predictable, and fundamentally aligned United States, allowing Ottawa to punch above its weight on the global stage through multilateral institutions, peacekeeping initiatives, and the promotion of human rights.

In 2026, those foundational assumptions are not just outdated but dangerously obsolete. The central question of how middle powers should strategically position themselves between the United States and the People's Republic of China (PRC) has become the **defining, existential puzzle of our era.**

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sovereignty. Concurrently, the Canadian business community, higher education sector, and provincial governments often [advocate](#) for continued, frictionless engagement with both major economic powers to sustain domestic economic growth.

However, the assumption underlying much recent Canadian diplomatic commentary is that a multipolar order is emerging that offers middle powers greater room to maneuver, act as honest brokers, and avoid binary choices. This deserves rigorous, highly skeptical scrutiny against the harsh structural realities of contemporary great-power competition.

The international system is rigidly, bipolar. While states may attempt to diversify their economic portfolios, their national security, technological viability, and fundamental sovereignty ultimately depend on alignment choices that cannot be indefinitely deferred or obfuscated by traditional diplomatic platitudes.

In other words, Canada finds itself uncomfortably caught in a geopolitical vice. It is trapped between a volatile, increasingly transactional hegemon to the south and an assertive, highly coercive, and revisionist superpower across the Pacific. Navigating this requires a complete paradigm shift in Ottawa's strategic thinking.

### **The reality of Chinese coercion, discourse power, and interference**

Understanding Chinese foreign policy requires looking beyond official, sanitized state rhetoric. While Beijing's [official white papers](#) consistently emphasize "mutually beneficial co-operation," "win-win outcomes," and explicitly reject hegemonic ambitions, empirical evidence severely complicates this narrative of benign, developmental partnership.

Canada's own traumatic, watershed experience following the 2018 [arrest of Huawei executive Meng Wanzhou](#), which resulted in the arbitrary, retaliatory detention of [Michael Kovrig and Michael Spavor](#) for over 1,000 days, illustrated with brutal clarity that standard, transparent legal processes in middle-power jurisdictions can trigger severe, politically conditioned, and asymmetric retaliation from Beijing. This hostage diplomacy was not an isolated incident or a temporary diplomatic rupture; it was a calculated demonstration of a broader, institutionalized coercive toolkit designed to force political capitulation.

Chinese academic discourse provides vital, often overlooked insight into the theoretical underpinnings of this assertiveness. The concept of "discourse power" (*huayuquan*) is absolutely central to how Chinese scholars and party officials understand international competition and systemic legitimacy.

In "[Quanqiu zhili yu Zhongguo huayuquan de goujian](#)" [Global Governance and the Construction of China's Discourse Power], published in 2024 in *Foreign Affairs Review*, J. Sun argues forcefully that China must overcome a historical "discourse deficit" to fundamentally reshape global governance frameworks and human rights norms that currently encode Western, liberal preferences. Furthermore, Yan Xuetong's highly influential theory of "moral realism" [posits that China seeks](#) "humane authority" (*wangdao*) over US-style, militaristic hegemony (*badao*).

toward confrontation. J. Wang describes this in a 2025 *International Studies* article, “[Hexin liyi yu Zhongguo wajijiao de dixian](#)” [Core Interests and the Bottom Line of Chinese Diplomacy].

Chinese strategists also acutely analyze Western vulnerabilities.

Xiǎoxù Mèng (in “[Tèlǎngpǔ dì èr rènqī Měiguó duì Rì ānquán zhèngcè píngxī](#)” [An analysis of U.S. security policy toward Japan in Trump’s second term], *Contemporary American Review*, 2025) and Wěi Cáo (“[Xuǎn biān hái shì duì chōng: Zhōngměi zhànlüè jìngzhēng bèijǐng xià de Yàtài guójiā xuǎnzé](#)” [Balancing or hedging? Asia-Pacific states’ choices under Sino–US strategic competition], *World Economics and Politics*, 2021) note that US alliance friction, domestic political polarization, and economic protectionism provide strategic openings for China to apply wedge strategies against secondary states like Canada. By utilizing massive economic leverage, Beijing seeks to compel political deference, fracture Western solidarity, and silence international criticism on human rights abuses.

### **American volatility, NORAD modernization, and alliance credibility**

Any balanced, realistic assessment of Canada’s foreign policy must acknowledge that the profound, systemic volatility of US foreign policy creates [genuine, structural difficulties](#) for its closest allies.

The transactional nature of US diplomacy – characterized by the historical threat of [Section 232 national security tariffs](#) on allied steel and aluminum, relentless, public demands for exponentially increased defense burden-sharing, and a demonstrated willingness to tear up or aggressively renegotiate long-standing trade agreements – has generated considerable, justified uncertainty about Washington’s long-term reliability. Allied capitals, including Ottawa, have had to invest immense, disproportionate diplomatic energy and political capital in simply managing Washington’s domestic moods and populist impulses rather than coordinating effectively against shared global, systemic challenges.

American unilateralism and aggressive protectionist industrial policies risk driving partners away, making Chinese narratives of American decline and unreliability significantly more credible to domestic audiences. For Canada, deeply and uniquely dependent on the US for both overwhelming trade access (representing over 70 per cent of its exports) and continental defence through the North American Aerospace Defense Command (NORAD), the dilemma is particularly acute and inescapable.

Extended nuclear deterrence and deeply integrated defence industrial co-operation cannot be quickly replicated through alternative, aspirational arrangements with Europe or the Indo-Pacific. As the Arctic becomes a contested theatre due to climate change and [increasing Sino-Russian military co-operation](#), Canada’s reliance on US military assets is deepening. Canada cannot simply hedge away from the United States; it must find highly innovative, pragmatic ways to manage the bilateral relationship while mitigating the severe, existential risks of abject, unreciprocated dependence.

## Influence operations and the imperative of democratic resilience

Beyond overt economic coercion and geopolitical pressure, Canada faces profound, insidious challenges from [sophisticated foreign influence operations](#) that exploit the very openness, multiculturalism, and legal protections of democratic societies. Documented cases, [public inquiries](#), and intelligence leaks suggest systematic, well-funded, and highly coordinated efforts by organs like the United Front Work Department to shape local, provincial, and federal political environments in ways that [serve Chinese state interests](#). These operations mobilize diaspora communities through a combination of subtle coercion and elite co-optation, aggressively monitor and harass dissenting voices (particularly regarding Hong Kong, Tibet, and Xinjiang), and cultivate opaque, transactional relationships with local political and business elites.

The Canadian Security Intelligence Service (CSIS) has [repeatedly and publicly warned](#) of these severe, ongoing threats to Canadian sovereignty and institutional integrity. The objective of these operations is not necessarily to flip elections, but to sow distrust in democratic institutions, amplify societal polarization, and ensure that policies detrimental to Beijing's interests are marginalized. Balancing the urgent need to protect democratic institutions without stigmatizing vibrant, essential diaspora communities or chilling legitimate, beneficial cultural and academic exchange is a critical, ongoing challenge for Ottawa that requires immense political nuance, transparency, and public education.

## Policy takeaways for Canada: Implementing hardened engagement

Canada must urgently abandon the nostalgia of its middle-power past and adopt a comprehensive, fully resourced, and unsentimental policy framework of "hardened engagement." This approach means maintaining necessary, pragmatic economic and diplomatic relationships with China where global interests align (such as climate change mitigation, pandemic preparedness, and nuclear non-proliferation), while aggressively building domestic resilience against coercion and deepening security co-operation with [like-minded partners in the Indo-Pacific](#).

First, Ottawa must systematically and ruthlessly reduce single-point economic dependencies. This does not require comprehensive economic decoupling, which is politically and economically unfeasible for a trading nation. Instead, Canada must identify vital sectors such as critical minerals, electric vehicle battery supply chains, and key dual-use technologies and deliberately cultivate alternative suppliers and domestic processing capabilities to ensure redundancy rather than severance.

Second, Canada must actively develop collective counter-coercion capacity alongside the G7 and other middle powers, modelled on the [EU's Anti-Coercion Instrument](#), to ensure targets of economic bullying are never isolated.

Third, Canada must fiercely protect its democratic institutions through robust, transparent foreign agent registration requirements, enhanced intelligence sharing with municipalities and universities, and rigorous national security investment screening, calibrating these measures to deter interference without succumbing to xenophobia. Finally, Canada must reduce its vulnerability to US volatility by drastically increasing its strategic usefulness.

By significantly boosting defence spending to meet and exceed NATO targets, fully funding and accelerating NORAD modernization, and coordinating tightly on critical mineral supply chains to secure North American industrial capacity, Canada makes itself a vital, irreplaceable partner. Ottawa must achieve leverage in Washington through undeniable indispensability rather than relying on historical goodwill.

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