



CANADA'S TRADE POLICY REVIEW

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EXECUTIVE SUMMARY

Canada's Trade Policy Review is directed to the Honourable Mary Ng, Minister of International Trade, Export Promotion, Small Business and Economic Development. GAC would also benefit from this review, as they oversee the development and implementation of international trade policies.

Canada faces both familiar and contemporary challenges pertaining to international trade, investment, and overall productivity. With the economic devastation caused by COVID-19 to both domestic and international markets, Canada continues to rely heavily on the United States (US) for trade, which gives rise to more concern as the US continues to emphasize its "Buy American" stance on trade. Rising geopolitical tensions between the US and China further push Canada into an economically and politically dangerous position. Furthermore, Canada has failed to diversify trade into overseas markets, capitalize on current free trade agreements (FTAs) and prominent regional trading blocs, and reduce barriers for small and medium-sized enterprises (SMEs) to integrate into global supply chains. Canada's shortcomings have resulted in less competitiveness in international markets and a declining foreign direct investment (FDI).

This policy review recommends that Canada focuses on its Indo-Pacific strategy by capitalizing on trade through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This option supports trade diversification away from the US and into the Asia-Pacific region, while promoting more positive relations with China. In the long term, Canada should also focus on investing in trade infrastructure, including both the development of digital export tools and transportation. Additionally, enhanced Arctic infrastructure will provide easier access to global markets, such as the CPTPP, for Canadian SMEs.

To capitalize on the CPTPP trading bloc and further integrate supply chains with Asia-Pacific states, Minister Mary Ng and Global Affairs Canada (GAC) must emphasize collaboration with important Canadian stakeholders, including but not limited to government agencies, SMEs, and other members of the CPTPP. The creation of a CPTPP Task Force composed of these groups will establish a coherent engagement strategy that emphasizes and promotes Canadian interests through trade with CPTPP members.

Regarding infrastructure development, Minister Ng and GAC must develop a Comprehensive and Progressive Arctic Trade Policy. This will help Canada maintain a competitive advantage in international markets, while facilitating better province-province trade and provincial-federal relations. A strategic focus on CPTPP engagement, notably with China, coupled with long term investments in domestic infrastructure will allow Canada to remain economically relevant and productive in an increasingly competitive world.

ABBREVIATIONS

APEC - Asia-Pacific Economic Cooperation
ASEAN - Association of Southeast Asian Nations
BQ - Bloc Quebecois
CDIA - Canadian Direct Investment Abroad
CETA - Canada-EU Comprehensive Economic Trade Agreement
CPTPP - Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CUSFTA - Canada-United States Free Trade Agreement
CUSMA - Canada-US-Mexico Free Trade Agreement
EDC - Export Development Canada
EPA - Export Promotion Agency
EU - European Union
FDI - Foreign Direct Investment
FTA - Free Trade Agreement
G7 - Group of Seven
G20 - Group of Twenty
GAC - Global Affairs Canada
GDP - Gross Domestic Product
ICT - Information and Communication Technology
ISED - Innovation, Science and Economic Development Canada
ITA - International Trade Administration
KPI - Key Performance Indicators
NAFTA - North American Free Trade Agreement
NDP - New Democratic Party
OECD - Organization for Economic Co-operation and Development
OEMs - Original Equipment Manufacturers
R&D - Research and Development
RCEP - Regional Comprehensive Economic Partnership
SME - Small and Medium-sized Enterprises
TCS - Trade Commissioner Service

TTCI - Trade and Transportation Corridors Initiative

US - United States

WTO - World Trade Organization

HISTORY AND POLICY PROCESS

Constraints and Problems Facing the Nation

Economic Impacts of COVID-19

COVID-19 triggered the most substantial recession in nearly 100 years, adversely affecting Canada's economy. In the first six months of 2020, Canada's real GDP dropped by 13%, over 3 million Canadians lost their jobs,¹ and Canadian small businesses have incurred \$135 billion in debt in efforts to survive COVID-19.² Canada must prioritize an economic recovery from the pandemic while seeking to secure and expand its international trade.

Lack of Trade Diversification

Canada's failure to effectively diversify its trading partners threatens future economic stability. The US and China, two important trading partners, have placed Canada in the crossfire of a trade war, creating trade deficits with China and rising tensions with the US's continued "Buy America" rhetoric.³ Canada has failed to diversify through FTAs with emerging powers, inhibiting national economic growth. In 2019, Canada had a \$3 billion trade deficit with South Korea, despite an FTA since 2016 (see *Appendix A*) and a growing trade deficit with the EU through CETA. Overall, Canada is not taking advantage of prominent trade markets by failing to expand into them.⁴

Barriers for SMEs to International Markets

Domestic inefficiencies in trading infrastructure impede SMEs' abilities to access international markets, reducing Canada's global productivity and competitiveness. Only 12% of SMEs' goods and services are exported outside of Canada, despite making up 89% of all jobs in the Canadian private sector.⁵ This gap can be explained by overlapping provincial and federal trade agencies, which complicates the export process and prevents SMEs from seizing overseas export opportunities.⁶ The number of exporting SMEs dropped by 11% between March 2019 and 2020, while SMEs selling to France, Italy, and China decreased by 20%, indicating additional barriers for SMEs during the pandemic.⁷

Past Policies, Trends, and Critical Decisive Moments

Year	Description
1989	CUSFTA - Canada and the US entered into their first FTA. This signalled the start of increased US-Canada economic relations.
1994	NAFTA - Canada, the US, and Mexico entered into NAFTA, helping to reverse protectionism sentiments. It immediately lifted tariffs on the majority of goods produced and allowed for an increase in cross-border investment while further integrating the Canadian market into the US. ⁸
2010	Canada's Arctic Foreign Policy - The Harper government shifted Arctic policies to include lucrative economic potential in minerals and oil/gas.
2016	Canada-China Trade Relations - The Trudeau administration began discussions between Canada and China towards an FTA.
2018	Tensions with China - Canada arrested Meng Wanzhou and placed Canada in the middle of a diplomatic standoff between China and the US. This soured relationships between Canada and China, with China detaining Canadian citizens Michael Kovrig and Michael Spavor the same year in retaliation.
	Trade Diversification - Trade diversification became a national imperative for the Canadian government. Canada's export diversification strategy invests \$1.1 billion to help Canadian businesses and SMEs access new markets over the next six years, with the goal of increasing overseas exports by 50% by 2025. ⁹
2019	Canada released the Arctic and Northern Policy Framework - The Trudeau administration replaced Harper's 2010 Arctic Foreign Policy. This new framework outlined Canada's commitment to prioritize rules-based international order, define Arctic boundaries, and increase engagement with both Arctic and non-Arctic states. ¹⁰
2020	CUSMA - This agreement is the renegotiated NAFTA, and has proven to be a solid foundation for building Canada's prosperity while setting a valuable example of the benefits of trade liberalization for the rest of the world. ¹¹ However, it also shifted the relationship between Canada and the US. Trump emphasized an aggressive "America First" sentiment which concluded with the US reverting back to a protectionist economy.
	Failed FTA with China - Minister François-Philippe Champagne denounced China's "assertive, coercive diplomacy" and ceased FTA negotiations with China. ¹²

POLICY ANALYSIS

Goals and Objectives

There are four core principles to Canada's trade policy:

1) Support for a Strong, Rules-Based Multilateral Trading System - Canada's trade policy is centred around the multilateral trading system and emphasizes trade with other WTO members. Canada is also an active participant in APEC, CETA, CPTPP, CUSMA, OECD, the G7, and the G20.

2) Trade Diversification - Canada is heavily involved in multilateral and bilateral FTAs. Currently, it has 14 bilateral and regional FTAs in force, encompassing 51 states and nearly two thirds of the global GDP. Canada stands alone as the only G7 nation with FTAs with the six other members. In 2016, APEC partners accounted for more than 84% of Canada's total merchandise trade and FDI from APEC economies in Canada was \$468 billion, indicating a growing interest in the Asia-Pacific region.

3) Inclusive Trade - The benefits of trade and investment should be made accessible to all Canadians. This is done by advancing trade policies and provisions in trade agreements, which maximizes the benefits of trade for traditionally underrepresented groups such as SMEs, women, and Indigenous peoples.

4) Sustainable Trade - Canada's trade policy has economic and environmental implications. Impact assessments are an integral part of all trade negotiations, which supports environmentally responsible policy options and sustainable economic growth.¹⁴

Interests and Values

Increase Overseas Trade

Despite tensions between China and the US, the two economic superpowers, the Canadian economy is inextricably tied to both states. Currently, Canada's two-way trade with major trading blocs is dominated by CUSMA at 74%, indicating continued reliance on US trade (see *Appendix B*).¹⁵ However, Canada's bilateral trade with China has increased to \$82.8 billion in 2019, eight times higher than in 2000.¹⁶

Capitalize on Regional Trading Blocs

Considering Canada's emphasis on multilateralism and a rules-based approach to trade, regional trading blocs will provide more international export avenues for Canadian SMEs. The RCEP and CPTPP represent key regional blocs, of which Canada's two-way trade was only 17% and 9% in 2019, respectively.¹⁷ Canada's recent announcement of

Canada-ASEAN FTA negotiations indicates a growing interest and integration of Canadian markets into Asian trading blocs.

Increase Productivity and Competitiveness

In line with the economic devastation caused by the pandemic, Canada's FDI and CDIA saw sharp and significant declines, dropping by 49% (\$3 billion CAD) and 41% (\$42 billion CAD), respectively, in 2020. Garnering attraction to Canadian industries from a diverse range of states is key to increasing Canada's overall competitiveness.¹⁸ Positioning and supporting Canadian SMEs to increase international exports will also be imperative to grow Canada's productivity. Furthermore, rising economic interests in the Arctic and anticipated shipping routes present an important trade opportunity.¹⁹ With an estimated \$1.3 trillion in investment potential in the coming decades, bilateral and multilateral trade relationships with Arctic and non-Arctic states will increase in this region, which is economically and geographically significant for Canada's competitiveness.²⁰

Successful COVID-19 Economic Recovery for SMEs

Canadian SMEs face barriers in an increasingly digital global economy. These include lack of knowledge, support, and resources, as well as investment and operational risks that prevent overseas expansion and limit many SMEs either nationally or to the US.²¹ Access to international markets will support Canada's goal of increasing overseas exports by 50% by 2025 (see *Appendix C*).²²

Stakeholders

Stakeholder	Description and Interests	Status
The Conservative Party of Canada	Fighting back and taking a harsher stance on China, ²³ as well as increasing international trade with like-minded states.	Mixed - The Conservatives will reduce reliance on states like China who are not like-minded. However, the Conservatives are open to more international trade with like-minded states.
The New Democratic Party	Creating a coherent strategy to deter China-Canada relations. ²⁴	Mixed - The NDP wants to stand up to China to defend Canadian rights and interests. However, the party wants to support SMEs domestically by providing a single point of contact to help ease regulatory processes. ²⁵
Bloc Quebecois	Increasing international trade that benefits Quebec. ²⁶	Mixed - The BQ will support an increase in international trade to further the Quebecois economy; as outlined in their 2021 party platform, they illustrate that they would also lead treaty negotiations independently from Canada.
United States	Deeply connected and established trade with Canada, opposes increased Canada-China relations, and is not a member of the CPTPP.	Detractor - Canada wants to diversify away from the US. Having the economies too intertwined creates concerns for the Canadian economy if the US suffers a recession.
SMEs	Have a vested interest in expanding overseas trade and increasing international investments.	Ally - SMEs align with Canadian values such as trade diversification, which make them ideal partners for international trade. They will drive R&D while improving Canada's global competitiveness and productivity.
Canadian ICT Industry	Facilitates government-tech industry collaboration.	Ally - Supportive of developing digital trade and export tools, particularly for SMEs.
Sub-National Governments	Provinces and territories have an international interest in increasing overseas exports and trade to facilitate economic development.	Mixed - Provincial and territorial governments will have differing interests with certain overseas members and might be more partial to focusing on trade with the US. Depending on the province/territory, these interests will align with or differ from national ones.

Programmatic Needs

Environmental Risk Assessments - GAC should be aware of the environmental impacts of potential trade policies, and should be diligent in consulting relevant stakeholders and conducting risk assessments. Indigenous communities in particular should be involved in this process.

ICT Collaboration and Consultation - Working with ICT industry leaders will be imperative in shaping Canada's development of digital trade and export tools, particularly for SMEs.

Federal and Provincial Collaboration - To assure efficient avenues for SMEs to export to international markets, provincial and federal governments must work collaboratively to reduce trade barriers and increase access to digital trade technologies.

COSTED OPTIONS

Option 1

As part of Canada's Indo-Pacific strategy, Canada should capitalize on the CPTPP to emphasize trade in the Asia-Pacific region, support trade diversification from the US, and reconcile relations with China.

The CPTPP is a comprehensive regional trading bloc in the Asia-Pacific region, which has the potential to be the most economically significant trading bloc in the world. There is a strong possibility of China joining this agreement, which will allow Canada to further diversify its overseas trade agenda. Considering the release of Meng Wanzhou and the two Michaels, utilizing the CPTPP will allow Canada to reconcile its relationship with China and increase managed trade with them through avenues outside of the WTO.²⁷

The CPTPP has enormous economic potential in the coming decades. Currently, the CPTPP accounts for 12.9% of the world's GDP and is home to 509 million consumers.²⁸ The trade agreement is accepting new members and is garnering significant interest in membership. The UK has started the accession process, China has applied to join, and other big economies in the region such as South Korea and the Philippines are expressing interest.²⁹ After underperforming for two consecutive years, Canada was 15% below its overseas exports target in 2020 (see *Appendix D*); therefore, the Asia-Pacific region and the CPTPP offer a lucrative opportunity for Canada to work towards achieving this export goal.³⁰

PROS	<ul style="list-style-type: none">● Increased integration of supply chains between Canada and other CPTPP members.● Promotes a multilateral, rules-based trading system.³¹● Diversification opportunity away from the US.● Presence of like-minded states (Australia, Japan, and New Zealand).● Standardization for labour and IT regulations, which supports Canada's progressive trade agenda.● New FTAs with CPTPP members have increased Canada's imports and exports by \$3.6 billion and \$6.9 billion, respectively.³²
CONS	<ul style="list-style-type: none">● Potential tension with the US due to trade diversification and increased trade with China.● China and Canada are not like-minded states, which may complicate trade through the CPTPP. There may also be lingering tension following the past failed FTA, as well as from the Meng Wanzhou and two Michaels' imprisonments.● FTAs with CPTPP members impact existing FTA relations. For example, Canada's imports and exports with non-CPTPP members

	were estimated to decline by \$447 million and \$392 million, respectively. ³³
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Option 2

Canada should invest in trade infrastructure, which includes transportation and developing digital export tools, to increase SME accessibility to international markets.

Inefficient trade infrastructure poses a significant barrier for increased overseas market access for SMEs. Transportation processes can be streamlined with more emphasis on ports and transportation by sea to reach Asia-Pacific markets. Canada can also develop infrastructure in the Arctic. Shipping in this region is inevitable in the coming decades; with increased ice melt caused by climate change, various Arctic and non-Arctic states including China have a vested interest in accessing these new shipping routes. The TTCI project aims to enhance Canada's ability to create sustainable and competitive marine corridors which will enhance the northern transportation infrastructure.³⁴ This will ultimately provide enhanced shipping opportunities for Canada to access the CPTPP market while reducing shipping distances, which will provide Canada with a competitive edge on the international stage (*see Appendix E*).

Additionally, investments should be made into digital trade infrastructure to increase international market accessibility for SMEs. Canada can model the ITA, which is the US's digital, user-friendly exporter information system, to increase ease and accessibility for SMEs to get their products to global markets. Digitally transforming trade processes is imperative to enhance Canada's international trade capacity and is necessary for Canadian SME expansion into digital global markets.³⁵

PROS	<ul style="list-style-type: none"> Increased trade opportunities with overseas states, which will help Canada reach its trade goal of increasing overseas SME exports by 50% by 2025. Improved infrastructure, including transportation (i.e. shipping capabilities) and streamlined digital trade technology will increase FDI and attractiveness into Canadian markets. EPAs, which provide tools to help facilitate international exports, will help streamline the exportation process for Canadian SMEs to expand beyond the US.³⁶ A more integrated trade system throughout Canada will facilitate more
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	efficient province-province trade and provincial-federal relations.
CONS	<ul style="list-style-type: none"> • Environmental and Indigenous implications with pipelines potentially contradicts Canada's trade pillar of sustainability. • It is expensive to create and maintain new ports, pipelines, railways, etc. • There could be jurisdictional challenges associated with infrastructure development across provinces and between provincial and federal governments.

Option 3

To increase FDI and productivity, Canada should focus on attracting greater R&D, integrating 5G technology, and increasing technological capacity.

Canada has fallen behind like-minded states when it comes to global competitiveness. Since 2007, Canada's investments on R&D per capita have declined, while like-minded states have increased their investments per capita; in 2016, Canada spent 1.6% of its GDP on R&D, while its peers spent an average of 2.3%.³⁷ However, Canada can attract greater FDI by using and expanding on existing investment avenues. Through CUSMA, Canada provides preferential market access to foreign investors, which includes almost 500 million consumers and a combined GDP of over CAD \$30 trillion.³⁸ Lastly, it is essential for Canada to decide on a 5G provider. Whether or not the government decides to go with Huawei, 5G technology will help Canadian R&D "catch up" in technological innovation, while marketing Canada as a country teeming with investment opportunities.

PROS	<ul style="list-style-type: none"> • Increased export opportunities to overseas markets for SMEs. • Increased R&D and innovation, which contributes to overall international competitiveness. • Lowering income taxes, increasing subsidies, and reducing financial barriers for OEMs will further attract international investment in Canada, specifically in the automotive and tech industries.³⁹
CONS	<ul style="list-style-type: none"> • It is time-consuming for SMEs to develop and market new products, which will create a delay in gaining traction in the international community. • Upfront costs for infrastructure and attracting foreign businesses would be significant (ex. subsidies could lead to increased taxes for the general Canadian public). • Higher risks, since certain products or investments might not be as successful as anticipated.

Recommendation

In order to achieve greater trade diversification, reduce market access barriers for SMEs, enhance access to overseas exports, and increase Canada's productivity and competitiveness in the international economy, Canada should prioritize the implementation of **Option 1**.

Most of Canada's top overseas export trading partners are either current members or have applied to join the CPTPP - these include China, the UK, Japan, and Mexico. Increasing Canada's trade through the CPTPP will directly support the achievement of its overseas export goal and will allow Canada to build on managed trade agreements with China and the UK. Although imports with Canada's existing FTA partners are estimated to decline because of the CPTPP, imports through new FTA partners in the CPTPP are estimated to increase by \$6.9 billion, resulting in an overall export increase. Canada will also be able to strengthen existing FTA relationships in the Asia-Pacific region and will set itself up to reach or possibly surpass its 2025 overseas export target.

Pending China's accession to the CPTPP, Canada will be able to develop a more comprehensive managed trade agreement with China. This will help mediate political tensions with China and lead to further reconciliation. Canada's trade relations with China grew an average of 12% over the last 24 years and continue to trend positively. China is Canada's second largest trading partner after the US (see *Appendix F*) and Canada's second most important bilateral commercial partner, indicating a valuable relationship that will help achieve Canada's overseas exports target.⁴⁰

The inclusion of China in the CPTPP will provide an economic opportunity for Canada to diversify with a state that is normally non-compliant to external agreements and the traditional rules-based system. Canadian exports into China are more diverse than with any of Canada's other top ten trading partners, indicating a diverse trading relationship between the two states.⁴¹ Rising Chinese investments and imports into Canada, notably electrical equipment and other consuming goods, are critical to Canadian production.⁴² Additionally, Australia and New Zealand are current members of the CPTPP and share similar values to Canada. These states will help Canada integrate a successful and prosperous supply chain with China.

Engagement with the CPTPP will accomplish core principles of Canada's trade policy, notably support for a strong, rules-based multilateral trading system, trade diversification, and inclusive trade. Additionally, the CPTPP provides specific advantages for Canadian businesses, including 99% tariff elimination across all sectors, an estimated \$428 million of annual tariff savings for exporters, and increased ease and access to Asia-Pacific markets for Canadian SMEs in all sectors.⁴³ As Canada further integrates into global supply chains and increases trade efficiencies with its members, trade benefits for Canada will continue to flourish.

In tandem with **Option 1**, Minister Ng and GAC should also implement **Option 2** as a long-term objective, since improved infrastructure is crucial to improve Canada's

international position as a competitive trading state. The TTCl project indicates Canada's strategic investment in the Arctic and current emphasis to develop northern trading routes. Considering the emergence of Arctic shipping routes, improved infrastructure will allow Canada to ship through the Arctic and ultimately reduce shipping time when trading with overseas regional trading blocs, including the CPTPP, ASEAN, and CETA.

Timeline

Description	Stakeholders	KPI
2022		
GAC should affirm Canada's commitment to strengthening trade relationships with other members of the CPTPP and promote the benefits of trading in the Asia-Pacific region to SMEs. ⁴⁴ Minister Ng and GAC should partner with the ISED to discuss strategies for Canadian market and SME integration into the CPTPP.	<i>GAC, SMEs, ISED, CPTPP members</i>	Elimination of 99% of tariffs for SMEs overseas exports. ⁴⁵
Incentives through CanExport will be provided to encourage SMEs to trade with CPTPP members.	<i>CanExport</i>	Update CanExport's fund matching from \$50,000 to \$75,000 (Still at a ratio of 50:50). ⁴⁶
Start the China accession process with CPTPP members. Canada will work with all members to reconcile relations with China and start its accession. Since all active members must consent to an accession, this is a crucial step to China's membership in the agreement. ⁴⁷	<i>CPTPP members</i>	Discuss China's accession during the 2022 CPTPP Commission in Singapore and outline plan, conditions for accession, etc.
Create a CPTPP Task Force composed of various stakeholders to track SME growth, federal imports/exports, and infrastructure efficiencies (related to export transportation) to the Asia-Pacific region.	<i>GAC, CanExport (TCS), EDC, ISED, Environment Canada, Transport Canada</i>	Host first CPTPP Task Force meeting with attendance from all major Canadian stakeholders. During this meeting, a CPTPP draft framework will be created as a part of Canada's Indo-Pacific strategy. Meetings will occur annually for stakeholders to collaborate and track their progress towards the draft framework.

2024		
Evaluate China's current position related to the CPTPP (i.e. whether they are still awaiting accession, have acceded, or have withdrawn their request to join the CPTPP).	<i>CPTPP members</i>	As the Chair of the CPTPP Commission in 2024, Canada will host the Commission and prioritize discussions about China's accession to the CPTPP. ⁴⁸
Focus on Canada's opportunities for Arctic trade by developing transportation infrastructure and strategies in the northern region.	<i>Environment Canada, Indigenous communities, GAC, ISED, Transport Canada, Arctic Council</i>	Create a Comprehensive Arctic Trade Policy in consultation with various stakeholders.
2026		
Canadian SMEs and businesses should be further integrated into the supply chains of CPTPP members as a part of Canada's strategy to capitalize on the Asia-Pacific economic bloc.	<i>SMEs</i>	Determine if Canada met its 2025 target to increase overseas SME exports by 50%.
2028		
Measure effectiveness of the CPTPP Task Force and its ability to facilitate SME overseas market access, support infrastructure efficiency, and increase Canada's productivity and competitiveness.	<i>CPTPP Task Force</i>	Assess integration of SMEs into Asia-Pacific supply chains.
Conduct an audit on CanExport's fund matching program with the increased fund matching (up to \$75,000). ⁴⁹	<i>CanExport</i>	Assess if CanExport is administered efficiently and effectively.
2030		
With a Comprehensive Arctic Trade Policy, Canada will be prepared to facilitate trade through the Arctic region with other states, possibly those in the CPTPP and the Asia-Pacific region. However, the exact specificities of Arctic trade will depend on international Arctic governance, security, and consultations with the Arctic Council.	<i>Transport Canada, Arctic Council, Canadian Fisheries and Oceans, CPTPP members</i>	Canada will have invested \$10.1 billion in trade corridors through the TTCl project, which will improve current transportation systems to get more products to overseas markets. ⁵⁰

Communication Strategy

Stakeholder (Target)	Description	Expected Impact
Media Institutions and Canadian Public	The Honourable Mary Ng will hold a press conference to inform Canadian media institutions and the Canadian public about Canada's commitment to increasing trade within the CPTPP and China.	This will help to inform the general public about Canada's economic opportunities in the Asia-Pacific region, while helping to diffuse negative attitudes towards China.
SMEs	SMEs will be notified of new trade opportunities they can capitalize on through increased market integration within the CPTPP. This will be done through consultations, support from CanExport, and other government funding and assistance programs for international businesses. ⁵¹	Diligent resources and support from government programs will encourage SMEs to further engage in international markets and help Canada achieve its 2025 overseas export targets.
Subnational Governments	Provinces and territories will be involved in consultation and collaboration with the federal government regarding the CPTPP and other international trade agreements.	This will help improve efficiency and address internal barriers impeding SME overseas exports.
Other CPTPP Members	Canada must have discussions with other CPTPP members regarding China's accession. Canada should affirm its strengthened commitment to the CPTPP by capitalizing on existing FTAs with other members and encouraging increased trade opportunities.	Upon agreement from the other members, China will be accepted into the CPTPP, which will increase managed trade between China and Canada. With China and the UK as future members, the CPTPP will be more attractive for other states to join.
China	Improving Canada's relations with China is integral for a more robust trading relationship between the two states.	This includes trading more Canadian agricultural products with China, which showed significant growth in 2020 and continues to trend positively. ⁵²

APPENDICES

Appendix A - Canada's biggest sectors for trade with South Korea are agricultural, fish and seafood, and industrial goods. The CPTPP eliminates the majority of tariffs in those three sectors. This can help explain Canada's trade deficit with South Korea in 2019, as Canada prioritized trade with CPTPP members.

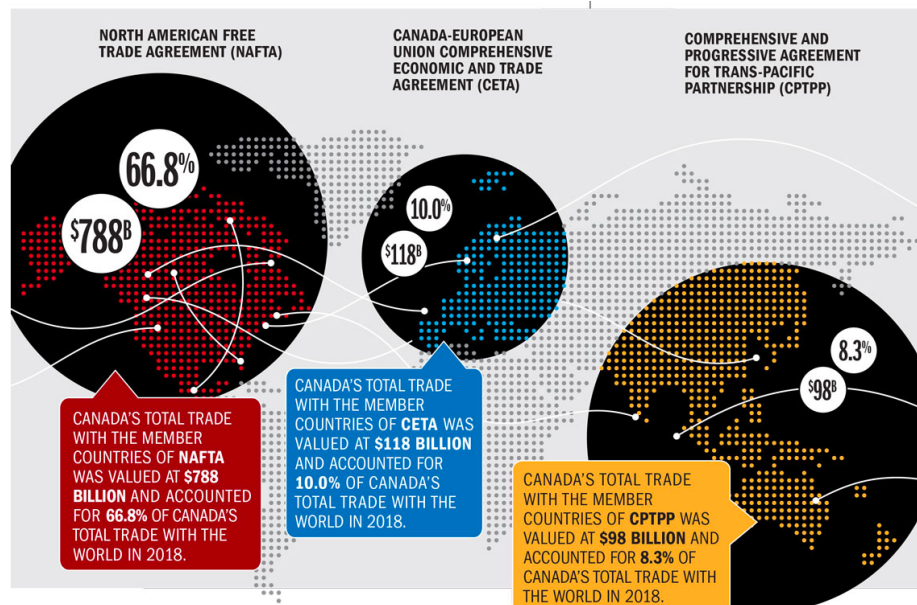
CPTPP Tariff Elimination	
Sector	Tariff Elimination
Agriculture and agri-food products	94%
Industrial products	99%
Fish and seafood products	100%

Sources: Government of Canada. *Export increases under the Canada-Korea Free Trade Agreement*. August 18, 2020. <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/korea-coree/export-gains-exportation.aspx?lang=eng>

Government of Canada. *About tariff elimination under the CPTPP*. February 11, 2019. https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/tariff-elimination-droits_de_douane.aspx?lang=eng

Government of Canada. *Economic impact of Canada's participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership*. February 16, 2018. <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/impact-repercussions.aspx?lang=eng>

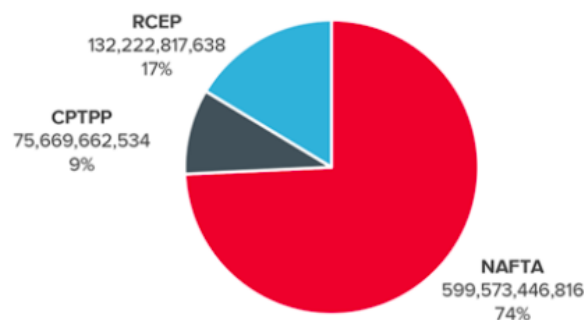
Appendix B (i) - Canada's 2018 trade with CUSMA (NAFTA), CETA, and CPTPP, which is heavily concentrated in CUSMA (NAFTA). The CPTPP is garnering more international interest and should be one of Canada's priorities.



Source: Statistics Canada. *A look at free trade in Canada*. September 4, 2019. <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2019048-eng.htm>

Appendix B (ii) - Looking at Canada's two-way trade with CUSMA (NAFTA), RCEP, and the CPTPP in 2019, it was still dominated by CUSMA (NAFTA), which indicates a continued increase and reliance on US trade.

Figure 1: Canada's two-way trade with key blocs, 2019 in US\$

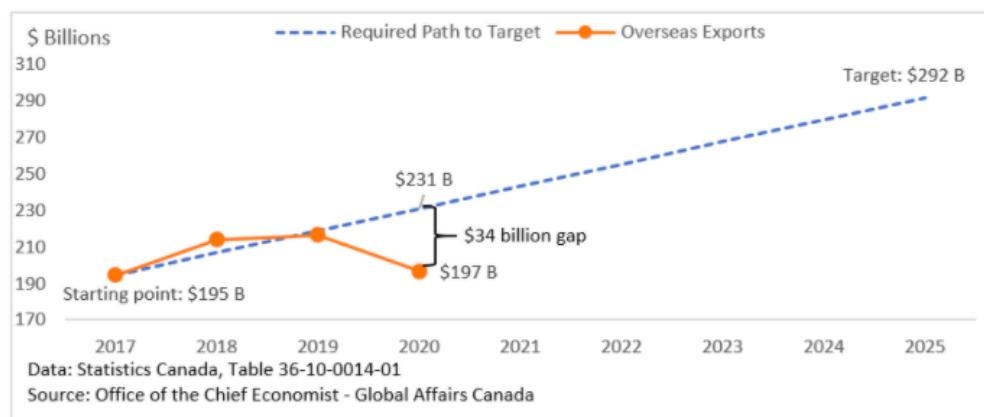


Source: UN Comtrade data, 2020
Note: some of the same countries exist in more than one bloc

Source: Sharon Zhengwang Sun, Carlo Dade, and Deborah Elms. *Hot Take: What is the Regional Comprehensive Economic Partnership and what does it mean for Western Canada?* Canada West Foundation. November 20, 2020. <https://cwf.ca/research/publications/hot-take-what-is-the-regional-comprehensive-economic-partnership-and-what-does-it-mean-for-western-canada/>

Appendix C - Canada's past and projected overseas goods and services exports, including the trajectory needed to achieve the 2025 target overseas export target.

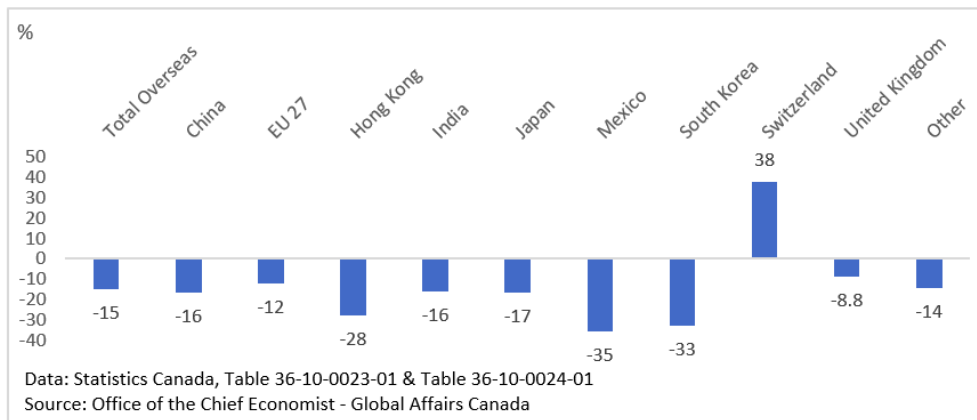
Figure 1: Canada's overseas goods and services exports



Source: Government of Canada. *Growing Canada's exports to overseas markets by 50% - 2020 update*. July 5, 2021. <https://www.international.gc.ca/trade-commerce/economist-economiste/analysis-analyse/oversea-export-outr-mer-2020.aspx?lang=eng>

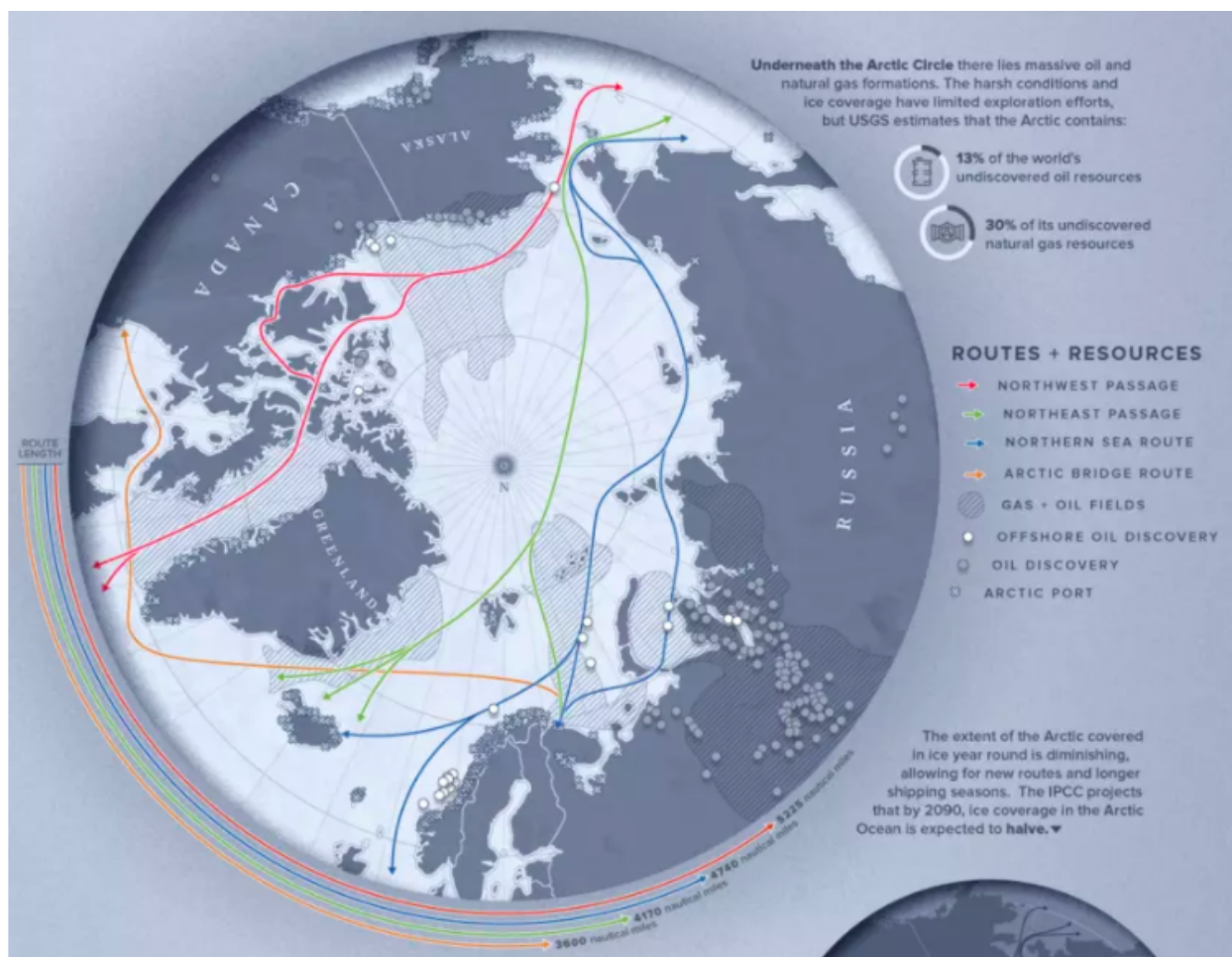
Appendix D - Canadian overseas exports targets and the percentages below with top overseas export partners to reach Canada's 2025 overseas exports target.

Figure 3: 2020 Canadian overseas exports, percentage below the required path to reach the 2025 overseas exports target, by top Canadian overseas export partners



Source: Government of Canada. *Growing Canada's exports to overseas markets by 50% - 2020 update*. July 5, 2021. <https://www.international.gc.ca/trade-commerce/economist-economiste/analysis-analyse/oversea-export-outre-mer-2020.aspx?lang=eng>

Appendix E - Canada has the potential to access Arctic routes to further their international trade. The first (in red) is the Northwest Passage, this allows access to the Pacific Ocean and ultimately CPTPP states, while the second route (in orange) The Arctic Bridge Route will allow Canada to ship from the Atlantic Ocean to Europe.



Source: Nicolas LePan. The final frontier: how Arctic ice melting is opening up trade opportunities. World Economic Forum. February 13, 2020. <https://www.weforum.org/agenda/2020/02/ice-melting-arctic-transport-route-industry/>

Appendix F (i) - Statistics on Canada's trade with China and the US. Canada's trade is still heavily dominated by the US, but growth with China has trended upwards for over two decades.

Canada-China Trade	Canada-US Trade
<ul style="list-style-type: none"> • 4.8% of Canada's annual exports are with China • 14.1% of Canada's annual imports are with China • Average growth of 12% per year over last 24 years 	<ul style="list-style-type: none"> • 73% of Canada's annual exports are with the US • 48.7% of Canada's annual imports are with the US • Pre-existing trade infrastructure • FTA since 1989

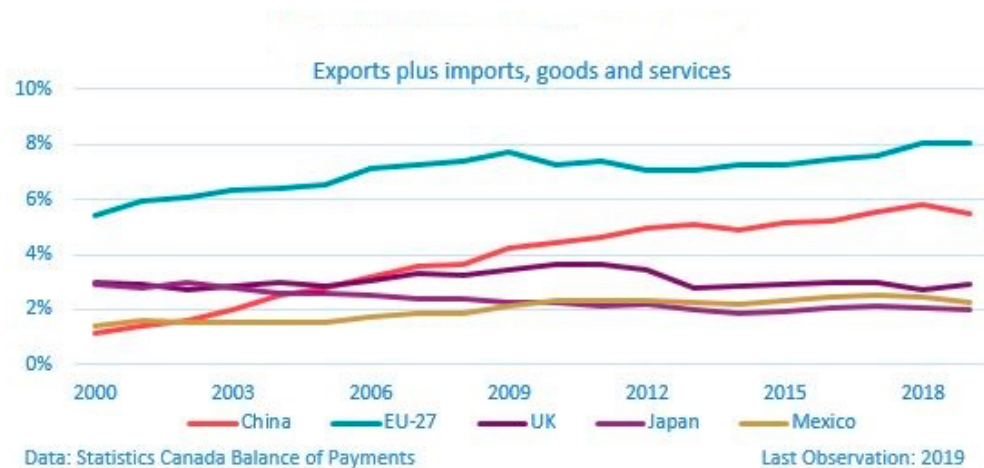
● Failed FTA; trade through WTO

● CUSMA

Source: Sharon Zhengwang Sun (Trade Policy Economist) in discussion with the author, October 2021.

Appendix F (ii) - Canada's trade with notable partners, excluding the US. China is Canada's second largest trading partner based on individual states, but takes third if observing trade with the EU as a whole.

Figure 1: Shares of Canada's trade



Source: Scarffe, Colin. *The Canada-China Global Commerce Picture and Supply Chain Links*. September, 2020. <https://www.international.gc.ca/trade-commerce/economist-economiste/analysis-analyse/china-canada-2020-commerce-chine.aspx?lang=eng>

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