CANADA IN INTERNATIONAL DEVELOPMENT

Data Report 2016

International Trade
Canada's trade to GDP ratio is around 63% making it one of the more open economies in the world. Canada accounts for approx. 2.5% of global exports and imports. Bilateral trade is a key component of Canada’s engagement with the developing world. Total trade (exports and imports) with developing countries (low, lower and upper middle income) reached $184 billion in 2015, or about 18% of Canada’s international trade. Trade with developing countries, while small as a share of overall trade, has been growing at almost 3 times as fast as Canada’s overall trade since 2002.

THIS SECTION DISCUSSES:

- Canada’s trade with major developing country partners
- How have trade patterns been trending, in terms of import and export performance, rates of growth, balance of trade (and other factors)?
- Which are the fastest growing developing country trade partners for Canada?
- Regional trade patterns
- Trends across different income groups
- What does Canada buy from developing countries and what does it sell to developing countries?
- Which developing countries have a revealed comparative advantage in the Canadian import market?
- Are Canada’s trade policies aimed at developing countries coherent from a development perspective?

It also benchmarks Canada’s performance against other comparable advanced economies, for example:

- How does Canada’s trade pattern with developing countries compare with that of other advanced economies?
Canada's top 20 developing country trade partners’ account for $173.3 billion in total trade, making up 94% of trade with developing countries; or approximately 17% of Canada's trade with all countries.
**REGIONAL TRADE STATISTICS (2015)**

- **Europe & Central Asia**
  - BoT: -$28.9B
  - % of total trade 2.6%
  - % of total trade value: $113B

- **Sub-Saharan Africa**
  - BoT: -$252M
  - % of total trade 5.73%
  - % of total trade value: $61.5B

- **Latin America & the Caribbean**
  - BoT: -$28.9B
  - % of total trade 2.6%
  - % of total trade value: $113B

- **South Asia**
  - BoT: -$163M
  - % of total trade 1.17%
  - % of total trade value: $12.3B

- **East Asia & Pacific**
  - BoT: -$535M
  - % of total trade 6.7%
  - % of total trade value: $159B

- **Middle East**
  - BoT: -$63.2B
  - % of total trade 4.8%
  - % of total trade value: $61.5B

- **North America**
  - BoT: -$115B
  - % of total trade 65.6%
  - % of total trade value: $689.7B

**TRADE BY INCOME GROUPS (2015)**

- **Low Income**
  - $1.45B > $345M
  - % of total trade 0.13%
  - % of total trade value: $1.8B

- **Lower-Middle Income**
  - $18B > $11.2B
  - % of total trade 2.66%
  - % of total trade value: $29B

- **Upper-Middle Income**
  - $119B > $37B
  - % of total trade 14.8%
  - % of total trade value: $156B

- **High Income**
  - $397B > $469B
  - % of total trade 90.6%
  - % of total trade value: $866B

**WHAT DOES CANADA IMPORT FROM POOR' DEVELOPING COUNTRIES?**

- Apparel, clothing, & textiles (combined): 24%
- Precious metals & stones: 8%
- Minerals & fuels: 7%
- Coffee, tea, spices, & cocoa related products: 16%
- Fish, crustaceans, & seafood: 25%
- Edible fruits & nuts: 8%
- Footwear: 11%
- Furniture: 11%
- Cereals: 16%
- Vegetables, fruits, oil seeds, & other seeds & fruits: 25%

**WHAT DOES CANADA EXPORT TO POOR' DEVELOPING COUNTRIES?**

- Cereals: 16%
- Fertilizers: 8%
- Edible fruits & nuts: 25%
- Fish, crustaceans, & seafood: 16%
- Footwear: 11%
- Furniture: 11%
- Cereals: 16%
- Vegetables, fruits, oil seeds, & other seeds & fruits: 25%

**CANADA'S FREE TRADE AGREEMENTS**

- 5 recent FTAs brought into force with developing countries:
  - Honduras: October 1, 2014
  - Panama: April 1, 2013
  - Jordan: October 1, 2012
  - Colombia: August 15, 2011
  - Peru: August 1, 2009

Concluded FTAs that involve developing countries: TPP and Ukraine

Exploratory discussions: Thailand, Philippines, Turkey and MERCOSUR
POLICY COHERENCE: IMPORT TARIFFS, TRADE, & DEVELOPMENT

Canada collects approximately $4.3 billion in import tariffs a year. Most developing countries are over-represented in tariff collection relative to their share in Canadian imports.

The single largest tariff source is China, which alone accounts for 41% of tariffs collected - yet only accounts for 11% of total imports into Canada. Other examples include Vietnam, India, and Indonesia.

This is because developing countries are often competitive in the Canadian import market in the very product areas that carry tariffs. Tariffs collected as a share of imports are higher in the case of most developing countries, relative to the Canadian average.

Apparel, clothing and textiles are the largest combined product area off which tariffs are collected - at approximately $1.7 billion; or 40% of total tariffs collected.

In many cases tariffs collected exceed all aid (including ‘aid for trade’) provided by Canada to the same countries, including several development focus and partner countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Aid Provided</th>
<th>Tariffs Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>$94M</td>
<td>$155M</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$36M</td>
<td>$74M</td>
</tr>
<tr>
<td>Philippines</td>
<td>$20M</td>
<td>$25M</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>$19M</td>
<td>$23M</td>
</tr>
</tbody>
</table>

Canada has a substantial positive balance of trade with high income countries, primarily due to mineral exports to the US. About 25% of imports into Canada come from developing countries (low, lower and upper middle income); and 9% of exports from Canada go to developing countries.

The share of imports into Canada that come from developing countries is similar to other advanced economies like France, Germany, Italy, Netherlands, Spain and the US (primarily driven by China).
The share Canada’s exports that go to developing countries is lower than most comparable advanced economies.

**Canada’s top 20 developing country trade partners** are ranked according to total trade (exports and imports) in 2015. World Bank income classification is applied. Developing countries are those in low, lower middle income and upper middle income countries. Countries with which Canada has a trade deficit are marked in red while countries with which Canada has a trade surplus are in green.

**Regional and income trade statistics** are calculated by applying the World Bank’s regional classification.

**Cumulative annualized growth rate** (CAGR) is calculated over the 2010-2015 period.

**Product level trade analysis** is conducted using the harmonized system (HS) at the HS2 level. Some HS2 codes that are closely related (such as in the area of apparel) may be combined.

**Free trade agreement status** is as of May 2016.

**Trade and development policy coherence** is analyzed using import tariff data at the HS10 level and trade data at the same level, which is aggregated up to facilitate comparison. Data come from the University of Toronto CHASS project and raw Canadian International Merchandise Trade (CIMT) data from the open data portal (see data sources for details). Aid for trade data are drawn from OECD-DAC, and comparative aid data are from OECD-DAC and Canadian open data.

**Revealed comparative advantage** (RCA) is calculated at the country level. In this case RCA is conducted at the aggregate (and not product) level. The ratio compares the share a given country has in the Canadian import market, relative to the share it has in the global export market. When the ratio is above 1, a country has a RCA in the Canadian import market. For e.g. if a country’s has 2% market share in Canadian imports, but only makes up 1% of global exports, its ratio would be 2x. Data for this analysis is drawn from UNCOMTRADE. The ratio is averaged over a period range 2011-2014, to smoothen volatility (which is especially important in dyad level trade data for relatively small trading partners).

**Comparison with other advanced economies** is conducted using UNCOMTRADE data. This includes analyses of the share developing countries make up in the respective import markets of the comparator economies, and the share of exports that go to developing countries.

**Balance of trade analysis** (exports – imports) is conducted using UNCOMTRADE data. Data are for 2014.