



CANADIAN INTERNATIONAL DEVELOPMENT PLATFORM

CANADA IN INTERNATIONAL DEVELOPMENT

Data Report 2016
International Trade



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?**

HIGHLIGHTS

- Most advanced economies trade primarily with other advanced economies at a similar level of development.
- In many cases trade tends to be concentrated with one or two major partners – e.g. 17% of France's international trade is with Germany, 21% of the Netherlands' trade is with Germany, 21% of Japan's trade is with China, 29% of Australia's trade is with China.
- Even by these standards however, Canada's trade is highly concentrated with one partner – 66% of Canada's trade is with the United States, making it by far the most concentrated major bilateral trading relationship in the world.
- Canada's trade has been diversifying towards developing countries, however this trend reversed in the years following the financial crisis, as the share of high income countries increased.
- Developing countries are increasing their share in the Canadian import market, but by comparison Canadian exports to the developing world remain low (even compared to other advanced economies).
- Structural factors limit the extent to which and the pace at which Canada's trade can diversify towards faster growing developing countries – there are a limited number of product areas in which Canadian exports are globally competitive, and a limited number in which Canadian exports are sustainably competitive in developing countries; on the other hand, Canadian demand for products in which developing countries are competitive is linked to the overall performance of the economy.
- Canada has a substantial trade deficit with developing countries as a whole, which means these countries gain (in net financial terms) from trade with Canada, as they sell more to, than buy from, Canada.
- Canada's fastest growing major developing country trade partners (over the past 5 years) include: Vietnam, India, Indonesia and Turkey.
- Trade with the top 10 developing country trade partners has grown at nearly twice the rate of Canada's overall trade over the past 5 years.
- Canada primarily buys apparel, clothing, and textiles from the developing world; and primarily sells edible vegetables, fruits, cereals and fertilizers.
- Canada is a key trade partner for a number of smaller developing countries (especially in Latin America and the Caribbean).
- While Canada offers a range of market access measures and trade support through preferential trade agreements and free trade, which benefit many developing countries, there remains scope to improve trade policy coherence from a development perspective as many of Canada's priority development partners lose more by way of import tariffs than they gain by way of aid from Canada.
- Canada needs a differentiated approach that takes into account the varied capacities and circumstances of developing countries, and a more integrated strategy that better links trade and aid policy.

CANADA'S TOP 20 DEVELOPING COUNTRY TRADE PARTNERS

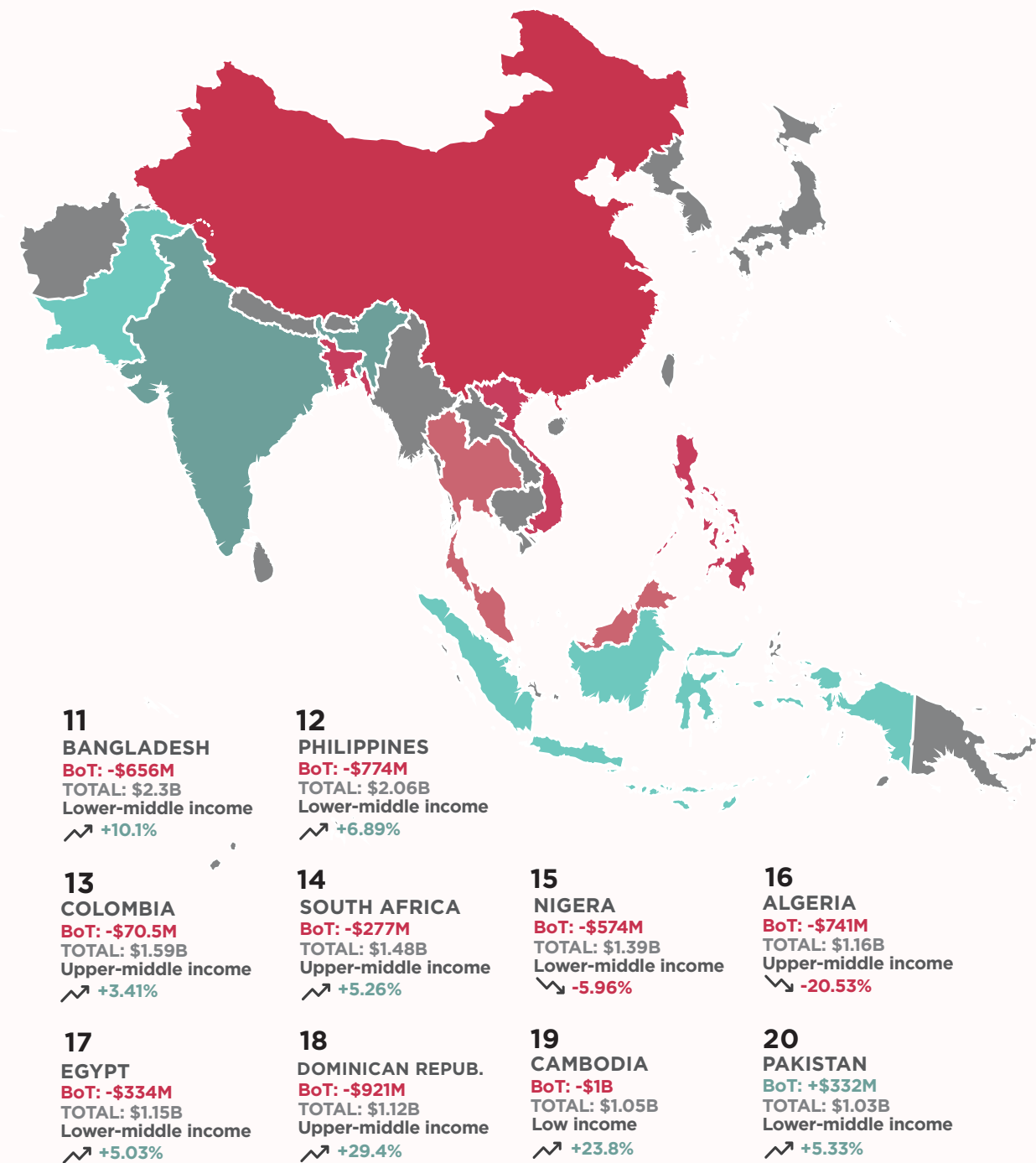
● TRADE DEFICIT ● TRADE SURPLUS

*all data and rank order is for 2015 unless otherwise specified

↗ = rate of growth in total trade for the fastest growing developing country trade partners (CAGR calculated from 2010-2015)



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)

*all data and rank order is for 2015 unless otherwise specified

SUB-SAHARAN AFRICA

BoT: -\$252M
% of total trade 0.51%
total trade value: \$5.4B
↘ -4.0%

EAST ASIA & PACIFIC

BoT: -\$63.2B
% of total trade 15.2%
total trade value: \$159B
↗ 6.7%

MIDDLE EAST

BoT: -\$535M
% of total trade 1.03%
total trade value: \$11.1B
↘ -3.5%

LATIN AMERICA & THE CARIBBEAN

BoT: -\$28.9B
% of total trade 5.73%
total trade value: \$61.5B
↗ 4.8%

SOUTH ASIA

BoT: -\$163M
% of total trade 1.17%
total trade value: \$12.3BB
↗ 12.4%

NORTH AMERICA

BoT: -\$115B
% of total trade 65.6%
total trade value: \$689.7B
↗ 6.7%

EUROPE & CENTRAL ASIA

BoT: -\$28.9B
% of total trade 10.7%
total trade value: \$113B
↗ 2.6%



↗ = rate of growth in total trade for the fastest growing developing country trade partners (CAGR calculated from 2010-2015)

TRADE BY INCOME GROUPS (2015)

*IMPORTS vs EXPORTS

LOW INCOME

\$1.45B > \$345M
% of total trade 0.13%
total trade value: \$1.8B
↘ -7.8%

LOWER-MIDDLE INCOME

\$18B > \$11.2B
% of total trade 2.66%
total trade value: \$29B
↗ +7.6%

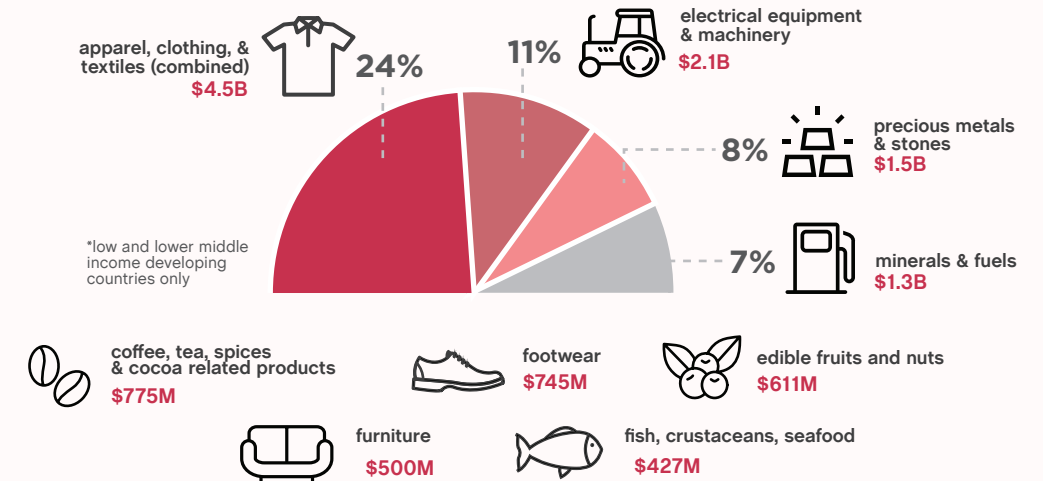
UPPER-MIDDLE INCOME

\$119B > \$37B
% of total trade 14.8%
total trade value: \$156B
↗ +4.7%

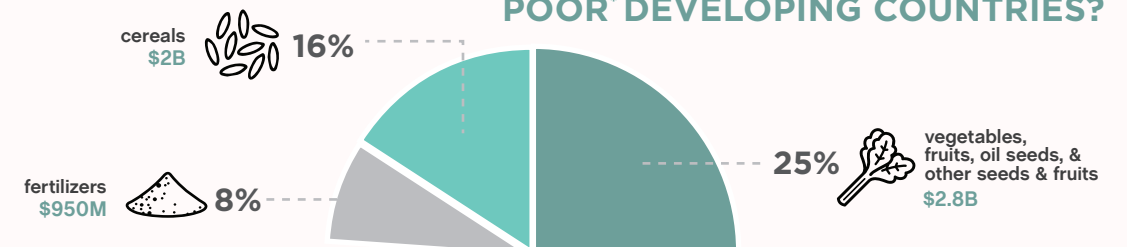
HIGH INCOME

\$397B < \$469B
% of total trade 90.6%
total trade value: \$866B
↗ +6.1%

WHAT DOES CANADA IMPORT FROM POOR* DEVELOPING COUNTRIES?



WHAT DOES CANADA EXPORT TO POOR* DEVELOPING COUNTRIES?



CANADA'S FREE TRADE AGREEMENTS

5 recent FTAs brought into force with developing countries:



Concluded FTAs that involve developing countries: TPP and Ukraine
Exploratory discussions: Thailand, Philippines, Turkey and MERCOSUR

POLICY COHERENCE: IMPORT TARIFFS, TRADE, & DEVELOPMENT

\$4.3B





Canada collects approximately \$4.3 billion in import tariffs a year

*based on 2013 data

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: *based on 2013 data



	 Tariffs Collected	VS	 Total Imports Into Canada
CHINA	41%	>	11%
VIETNAM	3.6%	>	0.4%
INDIA	2.5%	>	0.6%
INDONESIA	1.7%	>	0.3%

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.



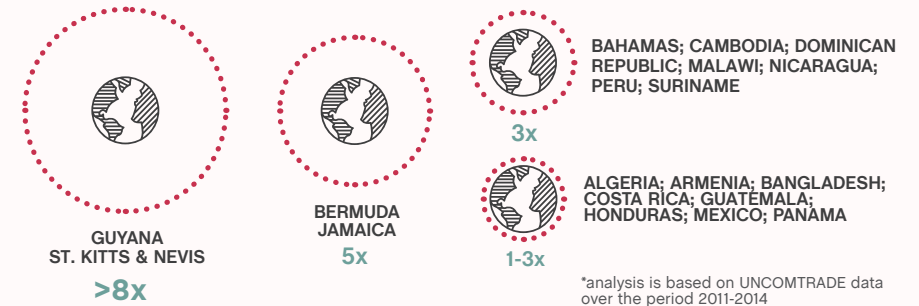
Apparel, clothing and textiles are the largest combined product area off which tariffs are collected - at approximately \$1.7 billion; or 40% of total tariffs

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:

	 Aid Provided	VS	 Tariffs Collected
VIETNAM	\$94M	<	\$155M
INDONESIA	\$36M	<	\$74M
PHILIPPINES	\$20M	<	\$25M
SRI LANKA	\$19M	<	\$23M

DEVELOPING COUNTRIES WITH A COMPARATIVE ADVANTAGE IN CANADA'S IMPORT MARKET

A country has a revealed comparative advantage when its share in the Canadian import market is greater than its share of exports globally. This is a simple way of estimating which developing countries are particularly competitive in the Canadian market.

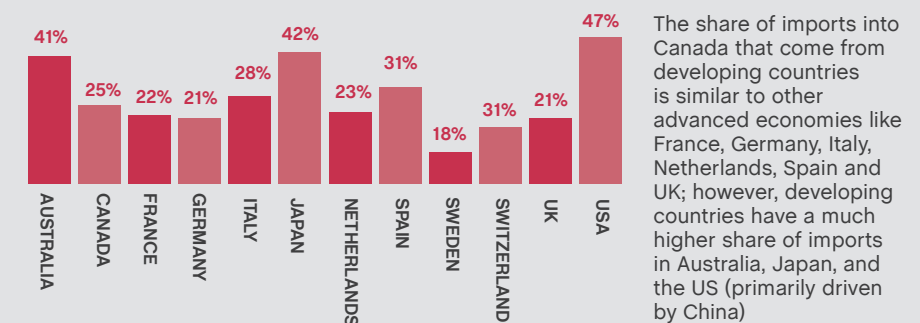


For these developing countries Canada is a key trade partner and export destination. For example, Guyana's share in the Canadian import market is 12 times its share of global exports, and Guatemala's share of the Canadian import market is 50% higher than its share of global exports. Canada offers preferential market access and other trade related support in many of these countries.

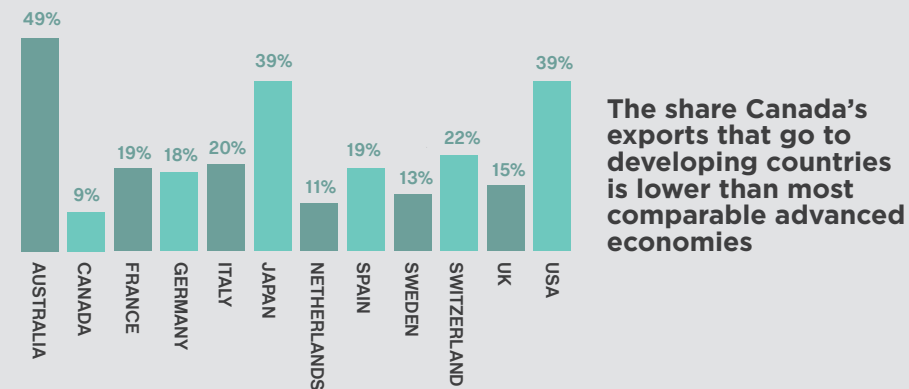
HOW DOES CANADA'S TRADE PATTERN WITH DEVELOPING COUNTRIES COMPARE WITH THAT OF OTHER ADVANCED ECONOMIES?

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.

SHARE OF IMPORTS COMING FROM DEVELOPING COUNTRIES



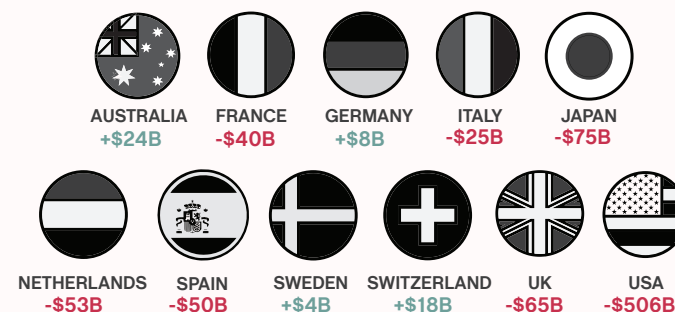
SHARE OF EXPORTS GOING TO DEVELOPING COUNTRIES



HOW DOES CANADA'S BALANCE OF TRADE WITH DEVELOPING COUNTRIES COMPARE WITH THAT OF OTHER ADVANCED ECONOMIES?

Canada has a substantial trade deficit with developing countries – around \$74 billion – driven primarily by China and Mexico, but it also has a deficit with lower income developing countries

This means developing countries gain (in net terms) financially from trade with Canada as they sell more to than buy from Canada.



KEY DATA SOURCES

INTERNATIONAL TRADE

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CBSA (Canada Border Service Agency). 2016. "Customs Tariff database." Accessed: February 2016. <http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html>

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Innovation, Science and Economic Development Canada. 2016. "Canadian Importers Database." Accessed: February 2016. <https://www.ic.gc.ca/eic/site/cid-dic.nsf/eng/home>

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TECHNICAL DETAILS

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 (CIMA) 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 'x' 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 analysis 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.



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