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master thesis

MASTER OF PUBLIC POLICY
CAPSTONE PROJECT

# The Potential Impact of the Comprehensive and Progressive Trans-Pacific Partnership Agreement on Canada's Economic Growth

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# Capstone Executive Summary

International trade has proven to be a key driver of economic growth for many nations. In the past, Canada's economy has seen significant growth by entering free trade agreements with other nations. Free trade agreements build connections between nations and allow them to develop mutually beneficial efficiencies. But while trade potentially carries economic benefits, policy makers need to exercise caution in creating imbalances amongst various industries. While some industries may benefit, others may lose from trade deals.

This paper assesses the feasibility of the Comprehensive and Progressive Trans Pacific Partnership (CPTPP) agreement. It evaluates the ways in which this free trade policy impacts Canada and discusses the potential benefits for Canada's economy. The analysis focuses on 19 countries that are members of the trade pact as well as non-member countries that have expressed interest. These countries combined constitute more than 40% of the world's gross domestic product (GDP). Moreover, this analysis specifically examines the impacts Japan, Taiwan, the United Kingdom and the United States of America will have on the Canadian economy if the CPTPP proceeds. These four countries are chosen because of their uniqueness and the distinct significant impacts they have on the Canadian economy.

The literature review in this report outlines several experts' opinions on Canada's current trade policies and on the CPTPP. Additionally, the report analyzes economic theories concerning trade, weighs the cost-benefits for Canadian industries when the CPTPP becomes effective, and explores an econometric model using a gravity model that was developed to better understand multi-national trade agreements such as the CPTPP.

The goal of this paper is to analyze the Comprehensive and Progressive Trans Pacific Partnership and evaluate whether this treaty is beneficial for Canada. There are several trade-offs when engaging in trade with other countries and different risks may be incurred. Hopefully, the paper will help analyze the value of this trade pact and determine if this is the suitable agreement Canada needs to grow.

# Introduction

As a result of constantly changing global environments and the competitive nature of business, Canada must explore and collaborate with different markets to keep pace. Recent difficulties in trade negotiations, such as NAFTA reconsiderations, Canada-China Trade Pacts, Canada-India Trade Pacts and the decline in foreign investment, have prompted the need for Canada to survey other available opportunities. CPTPP, which draws together eleven economic powerhouses and potentially nine other nations, gives Canada the ability to expand to new markets and reduce trade barriers with existing partners. Diversifying Canada's trading capacity will help Canada gain more global influence and strengthen its economy; however, entering into massive trade pacts also increases risk and may harm certain industries. This project assesses whether the CPTPP is the appropriate agreement to support Canada's economic development and help to reduce Canada's export deficit through diversification.

There are many analyses on previously enacted trade agreements and some have proven to be counter intuitive. Indeed, the free trade agreements have hurt Canada more than improve it in many cases; Balance is of the utmost importance in trades that occur between participating countries. As stated by the Fraser Institute, "Trade does create winners and losers" (Cross, 2016). The export and import factors must be balanced in order for all countries to benefit. Additionally, counter measures set by the respective governments compensate for the damages that may occur to certain industries due to trade efficiencies from other countries.

The uniqueness of the CPTPP is that it is not bilateral but rather a multilateral agreement. The CPTPP provides Canada with the opportunity to trade on a global platform where there are many regulatory policies agreed upon by all involved countries, and where the object of the trade pact is to have a balanced trade agreement from which all countries benefit. The highly negotiated package allows Canada to access several markets at once without renegotiating individual trade pacts with each country.

The CPTPP involves several major countries that constitute 40% of the global economy. Several of these countries are Canada’s key trading partners, thus by joining the CTPP and collaborating with various partners, Canada enhances the current trade volumes between the countries, which act as an economic stimulus package. However, despite the need for economic boosts, it is important to understand that not all trade agreements will be beneficial to Canada.

## Background

The CPTPP, Canada’s largest and most important free trade pact, second only to the North American Free Trade Agreement (NAFTA), is a critical chance for many countries around the world to interconnect several economies and optimize the use of global markets. This chance is especially important for Canada because there are several countries involved with which it has no free trade pacts. Such a gap in trade relationships results in high tariffs and economic walls that limit the amount of trade between countries, thereby restricting each country’s capability for growth. In the case of NAFTA, the Canadian economy grew significantly: “Between 2002 and 2015, the volume of oil exports doubled, accounting for most of the 271% increase in the value of exports” (Cross, 2016). The CPTPP allows Canada to enter several markets around the world, all trading under agreed upon rules, which ensure all countries follow fair trading practices and share similar business values (Global Affairs Canada, 2016). Through a multilateral trade pact, such as the CPTPP, Canada could diversify its trading capacity and reignite its economy through increased market demands.

The two main free trade agreements currently in place that Canada has negotiated are the NAFTA and the World Trade Organization, both negotiated more than two decades ago. These agreements do not deal with modern concerns or issues since they were non-existent when the treaties were discussed. As mentioned in the Fraser Institute article, “electronic commerce, digital media, and third-party logistics in the commercial mainstream” (Dawson and Bartucci, 2013) were not discussed when the treaty was signed. Although parameters were established to renegotiate the terms and condition every few years to ensure the agreements reflected modern societies, governments have been neglecting this clause. Reviews of past agreements occasionally complicate matters and disturb otherwise stable political relationships between countries but rather than reopen such agreements, countries can now look to the CPTPP as a vehicle for renegotiation and the replacement of outdated clauses. For example, if Canada, Mexico and the U.S. all join the CPTPP, they will help modernize the NAFTA: As governments, trading partners, CPTPP members, Mexico and the U.S. [in this specific example], sign new trade agreements, the more recent and inclusive policies will take precedence over the previous ones (Dawson and Bartucci, 2013).

**<u>FIGURE 1: World Map on the Comprehensive and Progressive Trans Pacific Partnership</u>**

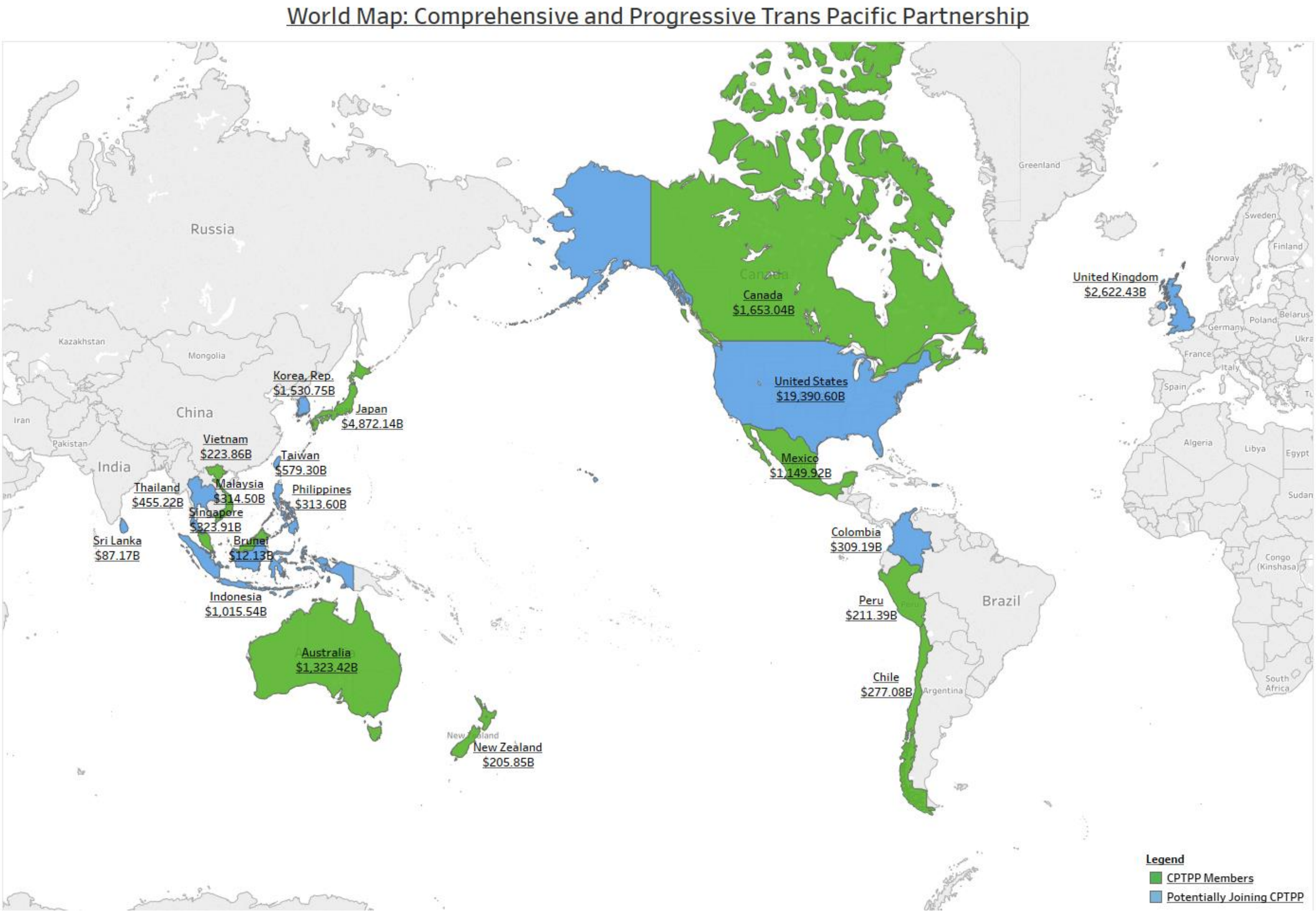



Figure 1 shows a world map that marks all of the countries in the CPTPP as well as the other countries that have expressed interest in joining. The countries coloured in green have signed the trade agreement, whereas the countries coloured in blue are potential signees once the details of the CPTPP have been solidified. Countries in grey have either not expressed interest or they lack sufficient qualifications to join the trade pact. The dollar values under each of the coloured countries represent each country's perspective GDP measured in U.S. dollars in 2017. This figure shows all 20 countries considered in the analysis, several of which are Canada's major trading partners. Canada currently does not have free trade agreements with more than half of the countries shown. This figure gives an overview of the various market opportunities for Canada once the CPTPP takes effect.

**FIGURE 2: Canadian Trade Partners by GDP and Trade Balance % in 2017**

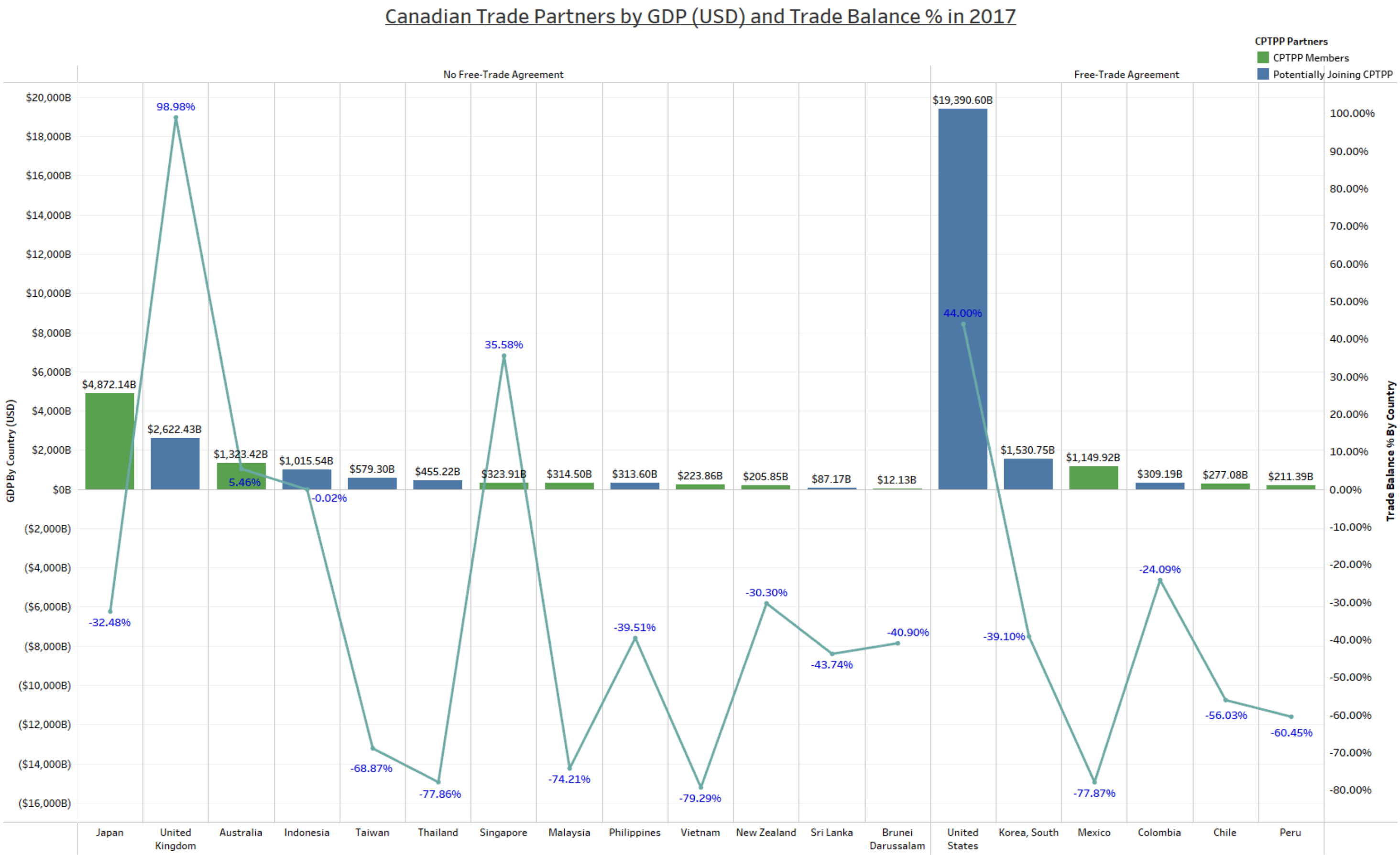



Figure 2 displays the 19 countries in the CPTPP that have existing trade agreements with Canada on the right and non-trade agreements on the left. The bar graph represents each country's GDP measured in U.S. dollars for 2017. Additionally, each country is assigned a colour. As in Figure 1, green signifies countries that have signed the CPTPP and blue signifies possible future members. The line graph overlaying the bar graph shows the trade balance Canada has with each country. From figure 2, the graph shows Canada only has free trade agreements with six out of the eighteen countries from the trade pact. From the six countries, the United States is the only country that has yielded trade surplus for Canada. Canada mostly has negative trade balances with other countries from the list. If the trade pact proceeds, Canada can have the opportunity to change the balance with other major countries that have high GDP, such as Japan, Indonesia, Mexico, and South Korea. These countries can have significant impacts to Canada's economy, given their high productivity levels. If free trade was established, Canada will be part of their economies and share the benefits of the high GDP growth rates (Appendix 1). Once the trade pact is approved, Canada's focus must shift to righting the trade balances with these countries. If the trade deficits remain the same or worsen, Canada will certainly lose profits.

# Theory and Literature Review

A number of studies and reports indicate that Canada is in critical need of new trade agreements to enhance the economy's growth. The examined literature analyzes how the CPTPP bolsters Canada's economy and strengthens the development of local industries.

## Economic Theories

### *Trade Liberalization*

Trade liberalization is an economic theory that is often applied when discussing trade policy. Conceptually, trade liberalization entails countries reducing their barriers to allow trade to occur freely (Dawson and Bartucci, 2013:12). Devoid of restrictions or government regulations, companies freely sell products across borders without needing to adhere to legal boundaries. Removal of barriers allows for markets to be free of constraints and promotes domestic industries to develop efficiencies in output. Each country, in turn, optimizes and gains economies of scale on their products, and consumers in the market then benefit from the lower costs of the final products. The factor of competitiveness is not relevant in this theory because it assumes that all countries have some sort of comparative or absolute advantage over another. However, in the real world, trade liberalization can be positive or negative, depending on the state of the country. Trade imbalances and investments are significant factors that affect a country's economy and competitiveness. The basis of competitiveness is measured on their "ability to sell on world markets, ability to gain competitive advantages, and a countries ability to attract foreign direct investment" (Dawson and Bartucci, 2013). When a country has developed efficiencies domestically and matured its supply chain, entering in free trade agreements would yield greater benefits and it would also reduce the risks of the negativities of free trade.

### *Cost Benefit Analysis*

Trades between nations are extremely important and have several benefits. Without trade, isolated economies find it difficult to grow and advance. The economic theory of international trade states that each country specializes on producing goods that maximize their efficiency, which they then use to trade with other countries for products that fill domestic needs. When each country produces at their optimal level, they are able to build economies of scale and reduce costs. By focusing on products that maximize their efficiency rather than attempting to produce several products at once, scattering their efforts, countries maintain high efficiencies.

The Canadian governments global affairs economic analysis indicates that Canada generally has lower tariffs and protectionist mechanisms on imported products compared to other countries. Many potential partners in the CPTPP trade pact have high barriers to overcome but with the help of the negotiated agreement, Canada can eliminate these barriers and liberalize trade. In the end, the removal of such obstacles saves Canada hundreds of millions of dollars annually (Canada, 2016).

As Canada already has lower tariffs, the trade liberalization will have little impact on imported products to Canada. Domestic producers would be at low risk from imports with the trade pact, since the prices should stay relatively similar. The benefits from removal of restrictions to other countries will be much greater and benefit Canada much more (Canada, 2016).

## Literature Review

### *Increased collaboration*

As new trade deals develop, companies have more access to resources in different countries, which allow them to invest widely and help further those countries' business opportunities. When Canadian firms invest abroad, Canada also benefit from other international corporations directly investing inwards to the local economy. As research has shown with Canada's free trade policies in the past, the investment of firms both ways have increased three-fold over the last thirty years.

One of the major obstacles hindering collaboration in trade is the regulatory policies each country has. From articles discussed in the Fraser Institute article and data shown by the World Bank, several countries have high protectionist mechanisms that complicate investment by international firms; that is, countries have to overcome significant trade barriers and navigate numerous governmental regulations in order to enter certain markets (Cross, 2016). The Fraser Institute has also pointed out that "markets may be discriminatory, non-transparent, and inconsistently applied" (Dawson and Bartucci, 2013:18), which are factors that cause instability and deter collaboration between countries. Most notably, these high barriers exist in Brunei, Australia, Chile, Mexico, China and Vietnam (Dawson and Bartucci, 2013: Figure 9). The CPTPP agreement, on the other hand, eliminates some of the barriers to entry in such markets and, therefore, ensures easier access and a fair-trading platform for everyone.

Another benefit of the CPTPP is the involvement of major trading partners. With incentives for everyone to enter a fair-trading environment, all countries will work to diminish their protectionist policies and move towards standardizing their trade policies to align with other major nations. The results will help all trading partners in the CPTPP enhance trading and collaboration to gain overall benefits.

***Development of industries and jobs***

Job creation and the development of trade agreements with other countries are by-products of direct investment from foreign firms and increased domestic productivity. According to Statistics Canada, the Canadian economy has gained 2.9 million jobs that equate to 16.7% of the overall economy in 2011 (Cross, 2016). Increased production both directly and indirectly leads to job creation. Although the development of high-tech industries and business efficiencies may signal job loss in the manual labour sector, the need for skilled labour increases in other areas. As Canada matures in the newly developed industries, the creation of jobs in the new industries also brings along employment demands.

***Offset trade deficits***

Canada has consistently pursued trades with various international communities; however, the absence of proper regulation negatively impacts trade volumes and benefits and causes imbalance (Appendix 3). Many countries have applied taxes on Canadian products since there is no trade treaty in place with the Canadian government. With Canada's trading history with Asia, Canada mostly suffers from a trade deficit (Cross, 2016). Canada imports more products from Asian countries than it exports to them.

**<u>FIGURE 3: Canada's Trade Balance with Other Countries in 2017</u>**

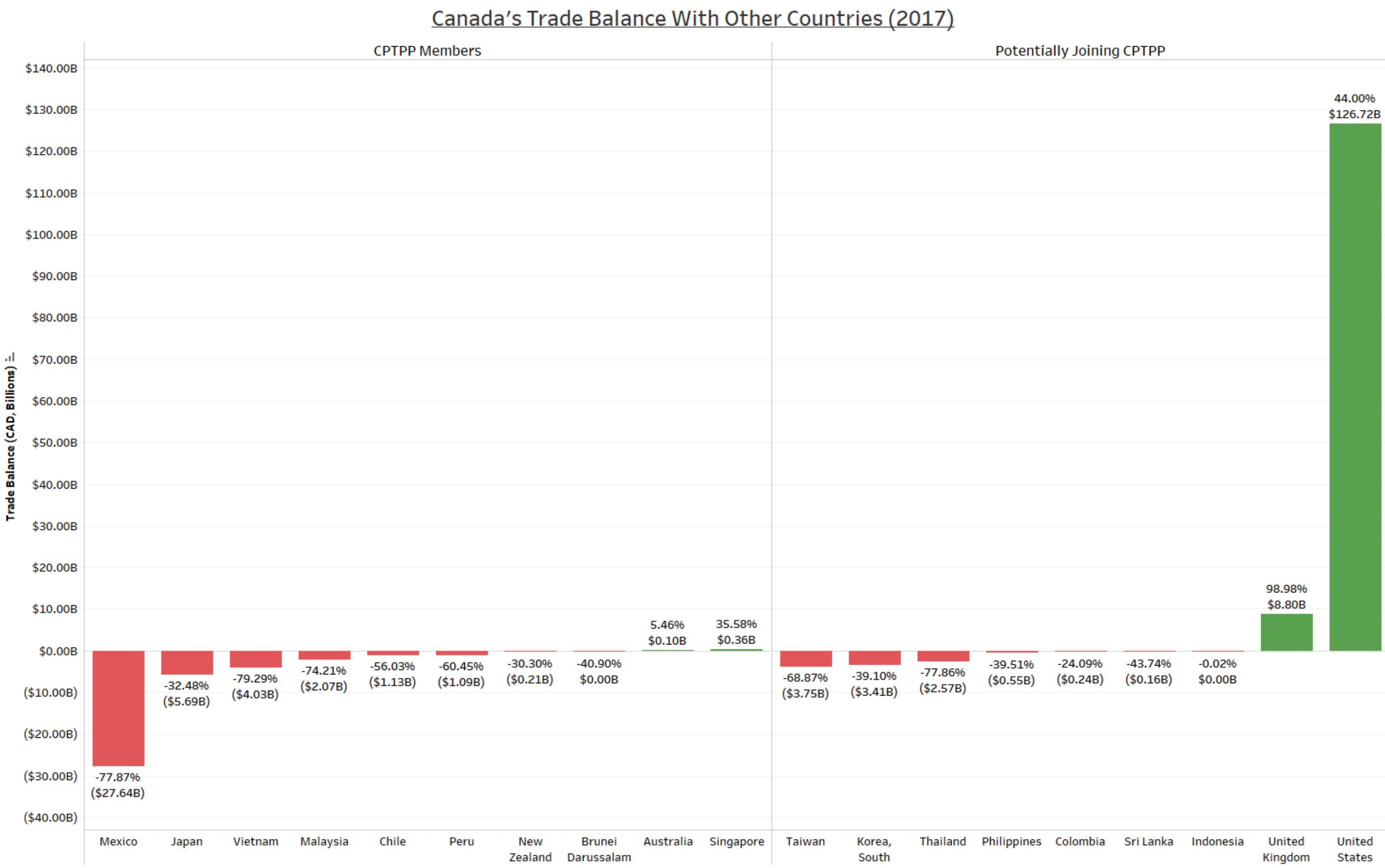



Figure 3 displays Canada's trade with the 19 countries in this analysis and their respective trade balances. The graph splits into two sections: the left section indicates countries that have joined the CPTPP and the right shows the countries under consideration. The calculation to measure trade balance is based on exports from Canada to the listed countries above minus their imports. This gives us the net dollar value of trade between Canada and each country. The percent is the net value divided by the total imports from a given country. In the figure above, red represents countries with which Canada has a trade deficit and green represents countries with which Canada has a positive benefit to trade value. All dollar values are measured in Canadian dollars based on the year 2017. From the graph, Canada mostly has trade deficits with the other countries, except four: Canada has major trade surpluses with the U.S. and the U.K., and to a lesser extent with Australia and Singapore. Conversely, Mexico has the largest trade deficit with Canada, despite the two countries existing within the framework of NAFTA. Japan, Taiwan, South Korea and Vietnam have similarly large gaps in their trading relationships with Canada. The CPTPP presents a chance for Canada to close the trade gaps and recover billions of dollars in lost revenue per year. The fair-trading policies and open collaboration of the CPTPP enhance the tools available to the Canadian government for offsetting any trade imbalances and boosting the economy.

***Open opportunity to new markets and trading partners***

By signing new trade agreements, Canada increases its access to other countries and engages in mutually beneficial trade. Canada's most important trading partner is the U.S., from whom the Canadian economy has benefitted greatly, but since trading levels peaked the Canadian economy has stagnated. The CPTPP offers Canada the opportunity to establish direct trade with Asian counties that can promote Canadian goods and services (Dawson and Bartucci, 2013). More specifically, Asia's heavy demands for Canada's abundance of natural resources suggest direct trade relationships with Asian countries would be quite lucrative.

As shown in Figure 2, thirteen out of the nineteen countries currently do not have free trade agreements with Canada, however many of these thirteen countries have significant trade volumes with Canada. If trade agreements were established among them, all countries may have more opportunities to increase trade. By signing on to the CPTPP, Canada will have 13 new trading partners, assuming that the non-member countries all follow suit. As a result, this will enhance

Canada's global market reach and have new collaborations with countries Canada has previously never signed a trade agreement with. Expansion into new territories also means potential growth of existing industries and the possibility of developing new industries within Canada to support new demands.

From an economic study conducted by Dawson and Bartucci (2013), Canada mainly trades with developed and advanced economies such as the U.S. and other first world nations. The growth rate of developed countries is generally around two percent annually, and they account for greater than eighty-five percent of Canada's exports (Dawson and Bartucci, 2013). After becoming a CPTPP member, Canada will have access to developing markets that are fast-growing and boast growth rates as high as seven percent, such as Mexico, Singapore, Chile, Malaysia and Peru. Currently the aforementioned countries only account for five percent of Canada's exports but the potential for these new market opportunities can significantly boost demand for Canadian goods and increase Canadian exports. From the study by the Fraser Institute on strategic trade policy, the report concluded that market potential is an important factor for future growth, therefore the Canadian government need not only focus on current market conditions (Dawson and Bartucci, 2013).

**<u>FIGURE 4: Canadian Outlook on CPTPP Members vs. GDP</u>**

Canadian Outlook on CPTPP Members vs. GDP ($ CAD GDP, Annual 2017)

| FTA Status | Country | CPTPP Members | Potentially Joining CPTPP |
|---|---|---|---|
| Canada | Canada | $1,653,042,795,255.04 | |
| | Total | $1,653,042,795,255.04 | |
| Free-Trade Agreement | Chile | $277,075,944,401.94 | |
| | Colombia | | $309,191,382,833.37 |
| | Korea, Rep. | | $1,530,750,923,148.70 |
| | Mexico | $1,149,918,794,765.73 | |
| | Peru | $211,389,272,242.16 | |
| | United States | | $19,390,604,000,000.00 |
| | Total | $1,638,384,011,409.83 | $21,230,546,305,982.07 |
| No Free-Trade Agreement | Australia | $1,323,421,072,479.07 | |
| | Brunei | $12,128,089,001.59 | |
| | Indonesia | | $1,015,539,017,536.50 |
| | Japan | $4,872,136,945,507.59 | |
| | Malaysia | $314,500,279,043.81 | |
| | New Zealand | $205,852,838,254.71 | |
| | Philippines | | $313,595,208,737.27 |
| | Singapore | $323,907,234,412.34 | |
| | Sri Lanka | | $87,174,682,200.43 |
| | Taiwan | | $579,300,000,000.00 |
| | Thailand | | $455,220,920,571.13 |
| | United Kingdom | | $2,622,433,959,604.16 |
| | Vietnam | $223,863,996,354.66 | |
| | Total | $7,275,810,455,053.76 | $5,073,263,788,649.50 |
| Grand Total | | **$10,567,237,261,718.64** | **$26,303,810,094,631.56** |

Figure 4 shows the permanent and potential members of the CPTPP in relation to Canada's foreign trade policy. It also lists ~~out~~ each country's GDP in Canadian dollars for the fiscal year of 2017. The market access that Canada gains once the CPTPP takes effect is vast: the collective GDP of the thirteen countries with whom Canada lacks a free trade agreement is approximately $12.384 trillion dollars. Individual GDP figures range from $87 billion to $4 trillion. Access to these economies will likely help Canada to diversify and increase the amount of Canadian goods traded internationally. Furthermore, with such massive economies, Canada will have multiple ports to develop connections and export goods with superior Canadian branding. Although GDP is an important indicator for economic growth, it is also important to note that access to several of smaller markets is important for Canada, as these are countries Canada has never signed a trade agreement with. Expansion into new marks brings along more population and demand from these countries, which will be significant and can boost Canada's economy significantly.

## Modelling and Analysis

One of the most useful economic models for analyzing and interpreting international trade is the gravity equation. This equation uses econometrics to determine the trade capacity between two countries and the potential gains that could be made through trade. The factors include measuring bilateral trade using their perspective GDPs to calculate the size of their economies and the geographic distance between them. This model can assess and determine the impacts of the CPTPP on Canada, forecasting the potential results with participating members and future potential members.

Following the analysis and methodology on Liaqat's report on the Trans-Pacific Partnership, the formula applied was: "$\mathbf{ln(x_{ijt})=\gamma ln(y_{it}y_{jt})+\delta Z_{ijt}+\mu_t+\mu_j+\varepsilon_{ijt}}$" (Liaqat, 2016). The i and j represent Canada and the comparison country, while t represents the period of time; X represents the bilateral trade coefficient, Z represents factors that cause friction between the bilateral trade and Y represents the GDP of each country. Lastly, the μ represents dummy variables in the equation to account for unpredictable variables that could change the outcome. Liaqat's analysis used trade data from The World Bank and the United Nations Economic and Social Commissions for Asia and the Pacific, which compared Canada with the main CPTPP members and also with non-members.

Estimate (Standard Error)

| Variable | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Estimation by ordinary least squares | | | | |
| Log ($GDP_{Canada}$*$GDP_{Trade\ Partner}$) | 2.508*** (0.0772) | 2.608*** (0.207) | 2.421*** (0.0778) | 2.386*** (0.0864) |
| Log (Distance) | −0.664*** (0.0761) | −0.552*** (0.201) | −0.838*** (0.117) | −0.891*** (0.127) |
| Language | −1.759*** (0.345) | −2.047*** (0.599) | −1.753*** (0.220) | −1.756*** (0.224) |
| FTA | 0.789*** (0.151) | 0.842*** (0.143) | | |
| TPP | | | 3.474*** (0.242) | 3.401*** (0.250) |
| Constant | −87.61*** (4.582) | −94.04*** (12.84) | −84.87*** (5.189) | −82.45*** (5.744) |
| $R^2$ | 0.974 | 0.978 | 0.921 | 0.926 |
| Estimation by PPML | | | | |
| Log ($GDP_{Canada}$*$GDP_{Trade\ Partner}$) | 1.120*** (0.0289) | 1.326*** (0.0569) | 0.918*** (0.0233) | 0.773*** (0.0170) |
| Log (Distance) | −0.497*** (0.0535) | −0.311*** (0.0659) | −0.823*** (0.0366) | −0.900*** (0.0257) |
| Language | −1.496*** (0.165) | −2.090*** (0.217) | −0.275*** (0.0945) | −0.170*** (0.0555) |
| FTA | 0.421*** (0.0897) | 0.444*** (0.0811) | | |
| TPP | | | 0.113 (0.0820) | 0.202*** (0.0539) |
| Constant | −33.68*** (1.740) | −46.42*** (3.474) | −20.74*** (1.541) | −11.94*** (1.168) |
| Observations | 638 | 638 | 638 | 638 |
| Country fixed effects | Yes | Yes | Yes | Yes |
| Year dummies | No | Yes | No | Yes |

The results of the analysis were consistent with the hypothesis of the study. The coefficient for the GDP was found to be "Significant and Positive" (Liaqat, 2016), meaning that the coefficient measures have leverage to affect the bilateral trade between Canada and other countries. This means that countries that have higher GDP and capacity were more likely to increase bilateral trades and promote greater growth.  A second positive factor that influenced bilateral trade was Free Trade Agreements. If FTAs were available between the countries they would experience an increase in collaborative efforts and enhanced trade. The third finding from the analysis was that friction between governments was negatively correlated with bilateral trade. Obstacles or barriers complicate trade between Canada and other nations, and they decrease the amount of trade overall.

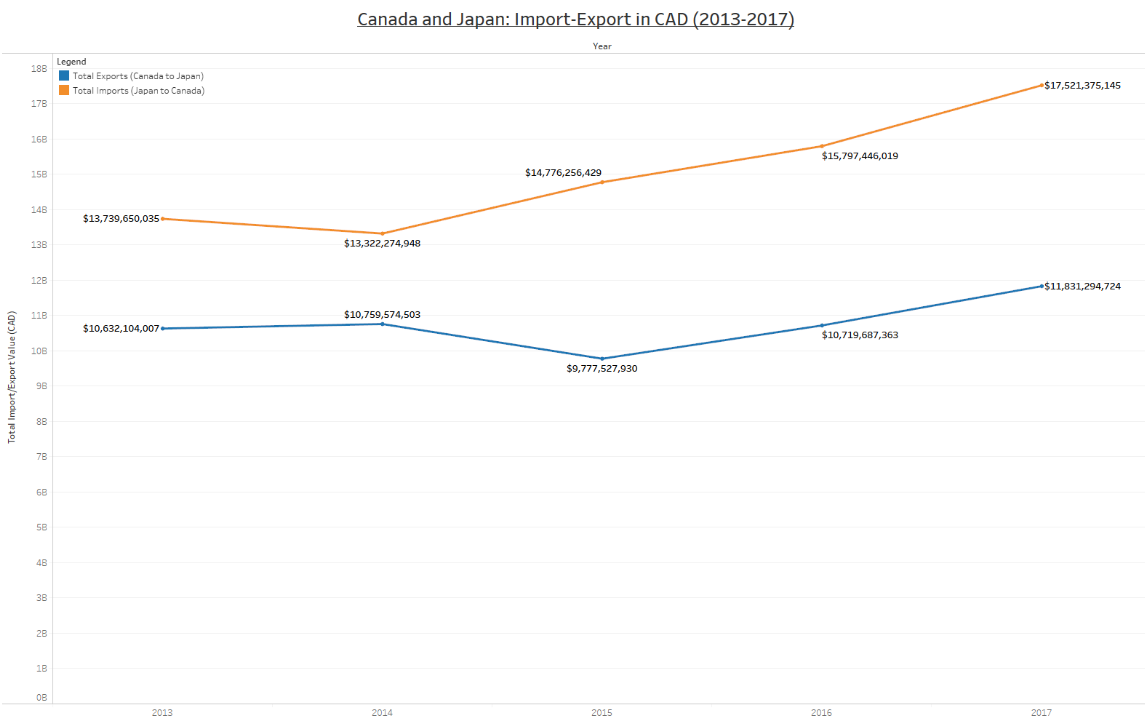
An example used in Liaqat's report was distance: if countries were far apart, the greater distance hindered bilateral imports and exports. Conversely, if certain factors were reduced, such as reduced costs to facilitate trade, it increased the amount of trade. The CPTPP targets the removal of tariffs and barriers, which can significantly reduce the costs for both countries to engage in trade. This was supported by the analysis as several CPTPP members have proven to increase bilateral trade with Canada given the 3 factors measured.

The statistics from Liaqat's report show that international trade would increase by 9.9% for CPTPP members and 16.06% for non-members. The differences in value gained from trade can be explained by multiple factors and conditions which can affect each country differently. A significant finding from Liaqat's report was that CPTPP members were generally more dependent on the GDP factor to increase trade, while non-members relied more heavily on cost reductions.

### ***Canada vs Japan Trade Analysis***

Japan is one of the key stakeholders of the CPTPP and also Canada's fourth largest trading partner (Gowans, 2017). The absence of trade agreements and proper negotiations has, however, led to Canada running a trade deficit of 32%, which equates to around $5.8 billion in 2017.

**FIGURE 5: Canada's Trade with Japan in 2017**




Shown here in Figure 5 is the trade balance between Canada and Japan. The line graph in orange represents total imports Canada purchases from Japan, while the blue line represents the exports Canada ships there in return. The horizontal axis shows the annual trends from 2013 until 2017. As the trend line suggests, Canada has always been importing more products from Japan than exporting to it. The trade gaps between the two countries have been widening over time, and the data suggests that that trend will continue.

## FIGURE 5.1: Canada vs. Japan Trade

**Canada vs. Japan Trade in 2017**

| Product Category | Export | Import | Trade Balance |
|---|---|---|---|
| XVI - MACHINERY; MECHANICAL, ELECTRICAL AND ELECTRONIC APPLIANCES OR EQUIPMENT | $ 393,379,168.00 | $ 6,269,200,081.00 | $ (5,875,820,913.00) |
| XVII - VEHICLES, AIRCRAFT, VESSELS AND OTHER TRANSPORTATION EQUIPMENT | $ 382,867,286.00 | $ 5,933,983,786.00 | $ (5,551,116,500.00) |
| XIV - PEARLS, PRECIOUS METALS OR STONES, COINS AND JEWELLERY | $ 74,933,678.00 | $ 1,812,472,057.00 | $ (1,737,538,379.00) |
| XVIII - CLOCKS, WATCHES AND SPECIALIZED INSTRUMENTATION | $ 201,357,745.00 | $ 1,084,143,881.00 | $ (882,786,136.00) |
| VII - PLASTICS, RUBBER AND ARTICLES MADE FROM THESE MATERIALS | $ 59,116,285.00 | $ 634,567,160.00 | $ (575,450,875.00) |
| VI - PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES | $ 456,451,470.00 | $ 528,421,009.00 | $ (71,969,539.00) |
| XX - MISCELLANEOUS MANUFACTURED ARTICLES | $ 48,529,890.00 | $ 114,892,336.00 | $ (66,362,446.00) |
| XIII - GLASS, GLASSWARE; ARTICLES OF CERAMICS, STONE AND SIMILAR MATERIALS | $ 3,725,212.00 | $ 60,521,813.00 | $ (56,796,601.00) |
| XV - BASE METALS AND ARTICLES OF BASE METAL | $ 743,957,536.00 | $ 796,974,642.00 | $ (53,017,106.00) |
| XI - TEXTILES AND TEXTILE ARTICLES | $ 43,801,176.00 | $ 73,799,565.00 | $ (29,998,389.00) |
| XIX - ARMS AND AMMUNITION | $ 154,273.00 | $ 9,071,826.00 | $ (8,917,553.00) |
| XII - FOOTWEAR, HEADWEAR, UMBRELLAS, CANES AND SIMILAR ACCESSORIES | $ 1,722,439.00 | $ 5,906,150.00 | $ (4,183,711.00) |
| XXI - WORKS OF ART, COLLECTOR'S PIECES AND ANTIQUES | $ 545,781.00 | $ 1,511,865.00 | $ (966,084.00) |
| III - FATS, OILS, THEIR CLEAVAGE PRODUCTS AND WAXES | $ 29,852,662.00 | $ 9,744,824.00 | $ 20,107,838.00 |
| VIII - RAW HIDES, SKINS, LEATHER, FUR AND ARTICLES MADE FROM THESE MATERIALS | $ 26,129,558.00 | $ 2,360,166.00 | $ 23,769,392.00 |
| IV - FOOD PRODUCTS, BEVERAGES, SPIRITS, VINEGAR AND TOBACCO PRODUCTS | $ 165,435,110.00 | $ 71,211,655.00 | $ 94,223,455.00 |
| X - WOOD PULP, PAPER AND PAPER ARTICLES | $ 372,429,264.00 | $ 35,100,955.00 | $ 337,328,309.00 |
| IX - WOOD AND WOOD ARTICLES, CORK, STRAW AND OTHER PLAITING MATERIALS | $ 1,122,472,197.00 | $ 2,025,002.00 | $ 1,120,447,195.00 |
| I - LIVE ANIMALS AND ANIMAL PRODUCTS | $ 1,761,214,672.00 | $ 39,456,971.00 | $ 1,721,757,701.00 |
| II - VEGETABLE PRODUCTS | $ 2,557,262,870.00 | $ 21,602,778.00 | $ 2,535,660,092.00 |
| V - MINERAL PRODUCTS | $ 3,279,290,865.00 | $ 5,949,917.00 | $ 3,273,340,948.00 |
| **Grand Total** | **$ 11,724,629,137.00** | **$ 17,512,918,439.00** | **$ (5,788,289,302.00)** |

Figure 5.1 outlines the product categories traded between Canada and Japan. One of the most significant gains from the CPTPP in the Canadian market will likely be from Japan. Canada will see the gains mostly in the agriculture sector, where existing tariffs will be phased out over planned periods. The Japanese government plans to remove all tariffs on beef and pork within ten to fifteen years depending on the cut of the meat. Now, Japan imposes tariffs on beef imports from Canada taxed at 38.5% (Global Affairs Canada, 2016). By signing the CPTPP, Canada aligns itself with other countries that have Free Trade Agreements (FTA) with Japan. With balanced levels of trade and increased Canada products sent abroad, the Canadian companies may become major business stakeholders in the international market.

A maximum quota currently in place on food exports to Japan, such as wheat, barley and canola oil will be eliminated within the next 5 years. Other categories such as fruit and vegetables will be immediately eligible for duty-free (Global Affairs Canada, 2016). With the easing of taxes and tariffs policies, Canada can expect to increase the amount of exports to Japan significantly. As displayed in Figure 5.1, minerals, vegetables, animals and wood are already Canada's top exports to Japan. Removing the high tariffs allows Canada to become a more competitive supplier for the Japanese market and subsequently increase the amount of goods exported.

Another major product we expect to increase in exports will be metals and minerals. Current tariffs of 11.7% will be phased out in the next ten years. Mineral products are Canada's largest export category of over 3.27 Billion to Japan in 2017, an 11% savings equates to over $380 million dollars annually (Canada, "Overview and benefits of the CPTPP", 2018). The CPTPP stands to enhance some of Canada's most important exports and stimulate growth domestically. Canadian products will become cheaper and more competitive without the tariffs, and trade volume may grow

***Canada vs Taiwan Trade Analysis***

Taiwan is Canada's 11th largest trading partner (Canada, "Canada and Taiwan relations", 2018) and has expressed interest in joining the trade pact. As shown in Figure 2, of the 19 countries analyzed here, Taiwan ranks as the fifth largest trading partner. From the analysis, Taiwan stands out as one of Canada's largest trade gaps, where a net total of $7.14 Billion Dollars (CAD) were exchanged in 2017 even with no existing trade agreement between the two countries. When the CPTPP comes in effect, both countries would fall under the scope of the CPTPP terms and conditions. This allows Canada to increase the current trade volumes and also mitigate the existing trade deficit of over $3 Billion (CAD) annually.

## FIGURE 6: Canada's Trade with Taiwan in 2017

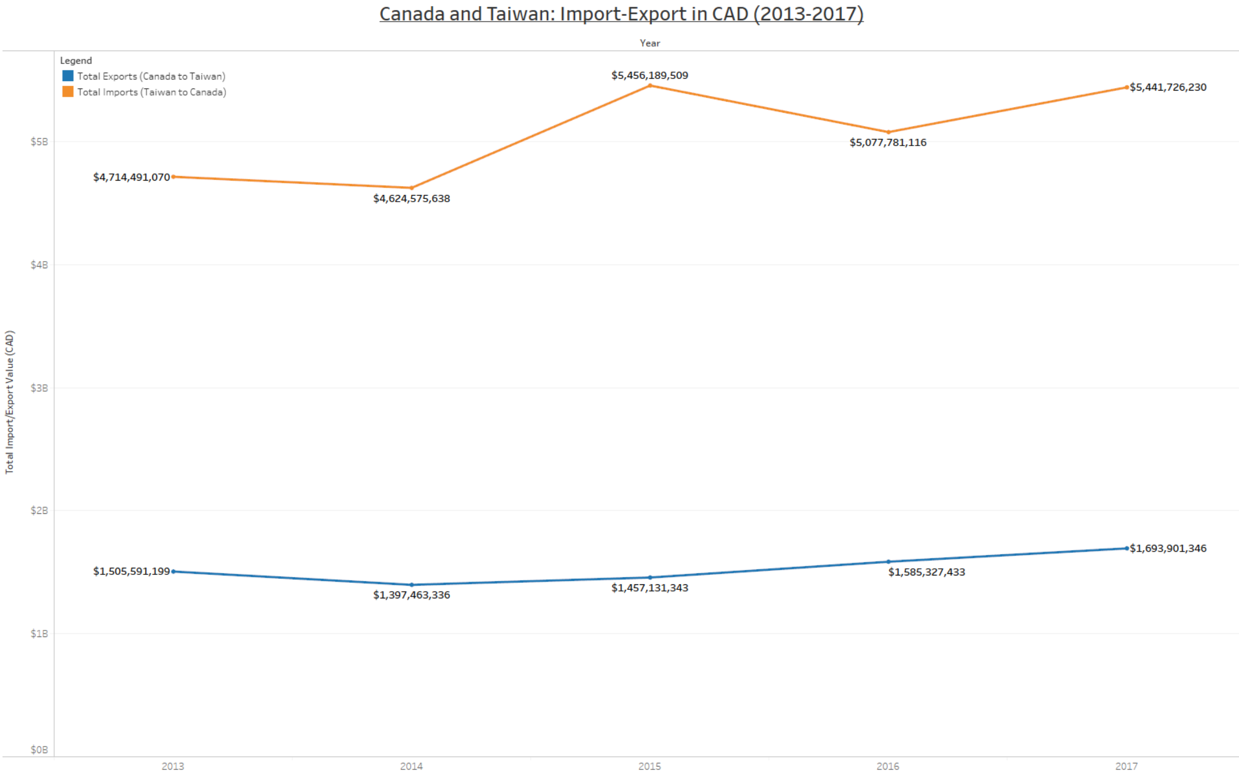



Figure 6 displays the trade between Canada and Taiwan. The line graph shows the total imports in orange and total exports in blue from 2013 to 2017. Despite there being no trade agreements in place between the two countries, it is important to note that both imports and exports have been on the rise in recent years, though much higher for imports. If there were policies to help promote trade between the two nations, it would almost certainly enhance the trade volumes between the two countries.

## FIGURE 6.1: Canada vs. Taiwan Trade

**Canada vs. Taiwan Trade in 2017**

| Product Category | Export | Import | Trade Balance |
|---|---|---|---|
| XVI - MACHINERY; MECHANICAL, ELECTRICAL AND ELECTRONIC APPLIANCES OR EQUIPMENT | $ 98,765,211.00 | $ 2,528,347,858.00 | $ (2,429,582,647.00) |
| XV - BASE METALS AND ARTICLES OF BASE METAL | $ 236,116,797.00 | $ 994,722,290.00 | $ (758,605,493.00) |
| XVII - VEHICLES, AIRCRAFT, VESSELS AND OTHER TRANSPORTATION EQUIPMENT | $ 61,122,330.00 | $ 574,593,966.00 | $ (513,471,636.00) |
| VII - PLASTICS, RUBBER AND ARTICLES MADE FROM THESE MATERIALS | $ 34,723,109.00 | $ 409,604,105.00 | $ (374,880,996.00) |
| XX - MISCELLANEOUS MANUFACTURED ARTICLES | $ 3,821,302.00 | $ 294,764,524.00 | $ (290,943,222.00) |
| XI - TEXTILES AND TEXTILE ARTICLES | $ 4,482,083.00 | $ 131,418,952.00 | $ (126,936,869.00) |
| XVIII - CLOCKS, WATCHES AND SPECIALIZED INSTRUMENTATION | $ 45,341,293.00 | $ 137,391,805.00 | $ (92,050,512.00) |
| XIII - GLASS, GLASSWARE; ARTICLES OF CERAMICS, STONE AND SIMILAR MATERIALS | $ 1,836,143.00 | $ 35,160,755.00 | $ (33,324,612.00) |
| XII - FOOTWEAR, HEADWEAR, UMBRELLAS, CANES AND SIMILAR ACCESSORIES | $ 488,005.00 | $ 22,118,415.00 | $ (21,630,410.00) |
| IV - FOOD PRODUCTS, BEVERAGES, SPIRITS, VINEGAR AND TOBACCO PRODUCTS | $ 45,612,336.00 | $ 60,128,673.00 | $ (14,516,337.00) |
| XIX - ARMS AND AMMUNITION | $ 35,057.00 | $ 8,396,077.00 | $ (8,361,020.00) |
| XIV - PEARLS, PRECIOUS METALS OR STONES, COINS AND JEWELLERY | $ 946,893.00 | $ 1,769,901.00 | $ (823,008.00) |
| XXI - WORKS OF ART, COLLECTOR'S PIECES AND ANTIQUES | $ 1,151,539.00 | $ 311,073.00 | $ 840,466.00 |
| VIII - RAW HIDES, SKINS, LEATHER, FUR AND ARTICLES MADE FROM THESE MATERIALS | $ 11,801,559.00 | $ 9,837,277.00 | $ 1,964,282.00 |
| III - FATS, OILS, THEIR CLEAVAGE PRODUCTS AND WAXES | $ 11,123,661.00 | $ 2,899,461.00 | $ 8,224,200.00 |
| VI - PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES | $ 122,212,628.00 | $ 111,798,845.00 | $ 10,413,783.00 |
| II - VEGETABLE PRODUCTS | $ 65,999,348.00 | $ 24,208,004.00 | $ 41,791,344.00 |
| X - WOOD PULP, PAPER AND PAPER ARTICLES | $ 114,792,609.00 | $ 28,836,509.00 | $ 85,956,100.00 |
| IX - WOOD AND WOOD ARTICLES, CORK, STRAW AND OTHER PLAITING MATERIALS | $ 113,259,478.00 | $ 4,907,412.00 | $ 108,352,066.00 |
| I - LIVE ANIMALS AND ANIMAL PRODUCTS | $ 188,448,436.00 | $ 41,583,579.00 | $ 146,864,857.00 |
| V - MINERAL PRODUCTS | $ 517,743,354.00 | $ 14,004,016.00 | $ 503,739,338.00 |
| **Grand Total** | **$ 1,679,823,171.00** | **$ 5,436,803,497.00** | **$ (3,756,980,326.00)** |

Figure 6.1 shows the detailed product categories traded between Canada and Taiwan. As Taiwan is similar to many other smaller countries limited in land size, Canada primary exports include animal, wood and mineral products.

Taiwan has not formally entered the CPTPP, thus Canada and Taiwan have yet to discuss potential tariff reductions by either side. However, a previous study published by Canadian Global Affairs, which discusses trade with Taiwan, posits that Canadian products exported to Taiwan only covers 0.1% of total merchandise traded (Cameron, 2010). This is alarming as products traded with Taiwan are rated to be the least protected, with the lack of free trade agreements in place. As Taiwan ranks to be Canada's the 11$^{th}$ largest trading partner from the CPTPP list, it is both critical and important to ensure trade agreements are signed between the two countries.

Accounting for 23.1% of total exports, mineral products such as coal and iron are the largest Canadian exports to Taiwan, followed by livestock and wood related materials (Gowans, 2017). Given that Taiwan and Japan import similar materials from Canada, it is likely that they will employ a similar tariff reduction structure. These reductions can significantly change the demand of import volumes on Canadian products, given that there are currently very limited policies to remove the barriers to entry.

### *Canada vs United Kingdom Trade Analysis*

The United Kingdom is Canada's fifth largest trading partner. Canada currently has no free trade agreement with the U.K., although data shows that we are trading positively and gaining a trade surplus.

**<u>FIGURE 7: Canada Trade with the United Kingdom in 2017</u>**

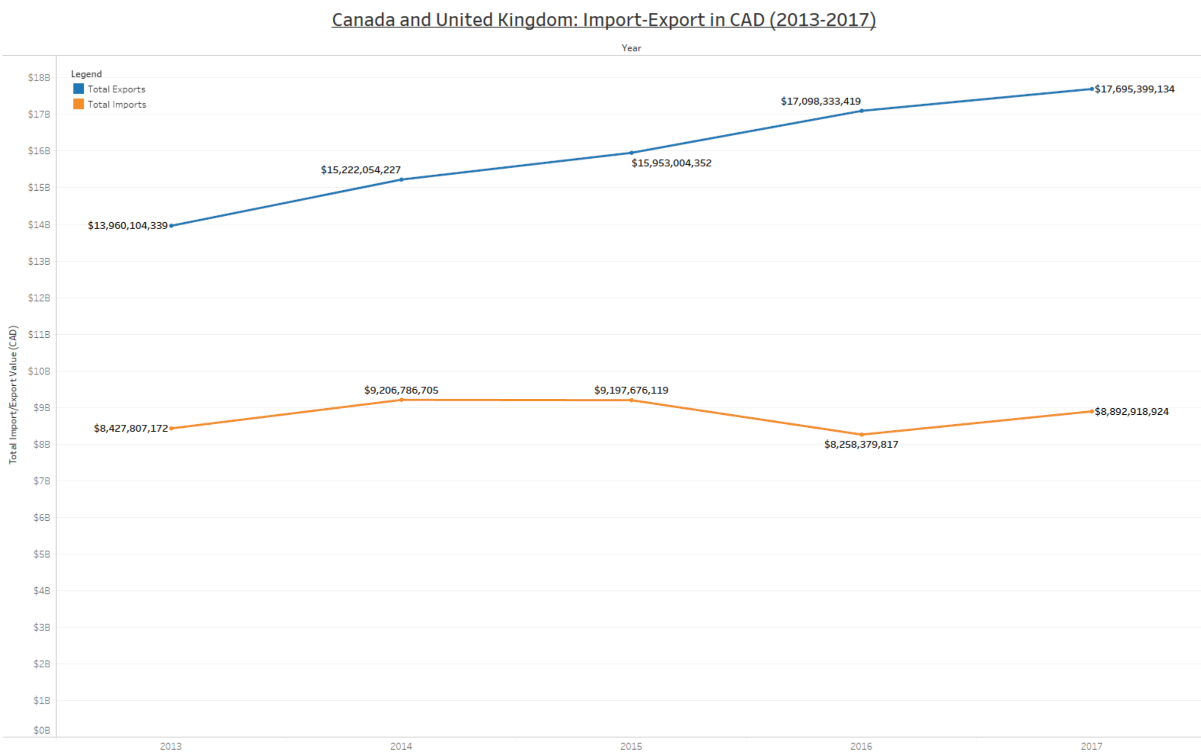



Figure 7 shows the total imports in orange and total exports in blue from Canada to the U.K., from 2013 to 2017. From 2015 to 2017, there was a constant increase of exports from Canada to the U.K., whereas the value of imports has stagnated over the years and has shown no significant change.

**FIGURE 7.1: Canada vs. United Kingdom Trade**

**Canada vs. United Kingdom Trade in 2017**

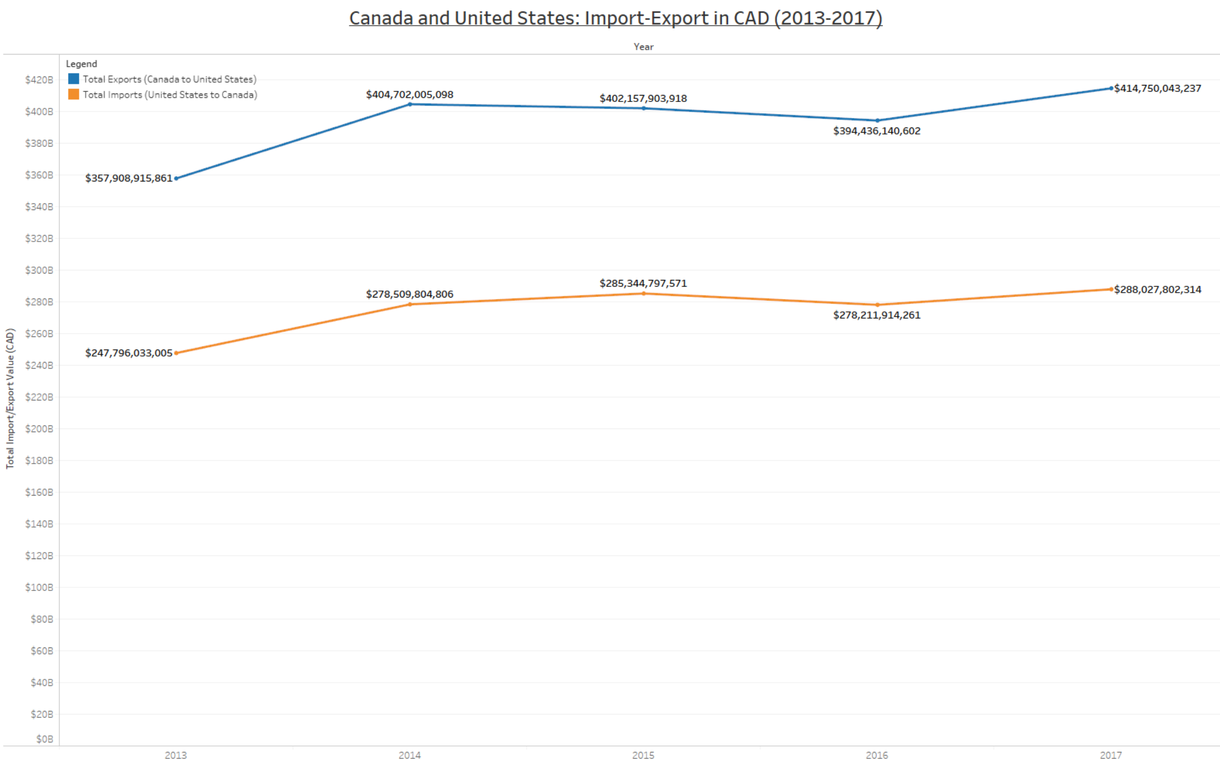
| Row Labels | Export | Import | Trade Balance |
|---|---|---|---|
| XVII - VEHICLES, AIRCRAFT, VESSELS AND OTHER TRANSPORTATION EQUIPMENT | $ 612,308.99 | $ 2,474,738.90 | $ (1,862,429.91) |
| VI - PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES | $ 287,960.35 | $ 1,181,890.19 | $ (893,929.84) |
| XVI - MACHINERY; MECHANICAL, ELECTRICAL AND ELECTRONIC APPLIANCES OR EQUIPMENT | $ 912,800.97 | $ 1,763,696.23 | $ (850,895.26) |
| V - MINERAL PRODUCTS | $ 809,578.28 | $ 1,207,757.93 | $ (398,179.66) |
| IV - FOOD PRODUCTS, BEVERAGES, SPIRITS, VINEGAR AND TOBACCO PRODUCTS | $ 169,967.27 | $ 457,338.70 | $ (287,371.43) |
| VII - PLASTICS, RUBBER AND ARTICLES MADE FROM THESE MATERIALS | $ 72,717.52 | $ 208,985.99 | $ (136,268.47) |
| XVIII - CLOCKS, WATCHES AND SPECIALIZED INSTRUMENTATION | $ 256,254.97 | $ 365,308.40 | $ (109,053.42) |
| XIII - GLASS, GLASSWARE; ARTICLES OF CERAMICS, STONE AND SIMILAR MATERIALS | $ 13,935.32 | $ 46,364.31 | $ (32,428.98) |
| XX - MISCELLANEOUS MANUFACTURED ARTICLES | $ 45,551.07 | $ 74,380.30 | $ (28,829.23) |
| XI - TEXTILES AND TEXTILE ARTICLES | $ 46,976.74 | $ 67,834.80 | $ (20,858.07) |
| XII - FOOTWEAR, HEADWEAR, UMBRELLAS, CANES AND SIMILAR ACCESSORIES | $ 5,637.37 | $ 6,878.28 | $ (1,240.92) |
| VIII - RAW HIDES, SKINS, LEATHER, FUR AND ARTICLES MADE FROM THESE MATERIALS | $ 4,463.82 | $ 5,553.99 | $ (1,090.17) |
| III - FATS, OILS, THEIR CLEAVAGE PRODUCTS AND WAXES | $ 6,939.73 | $ 3,694.68 | $ 3,245.04 |
| XIX - ARMS AND AMMUNITION | $ 13,357.41 | $ 9,547.98 | $ 3,809.43 |
| X - WOOD PULP, PAPER AND PAPER ARTICLES | $ 132,307.60 | $ 124,643.73 | $ 7,663.87 |
| XXI - WORKS OF ART, COLLECTOR'S PIECES AND ANTIQUES | $ 32,254.23 | $ 22,824.57 | $ 9,429.66 |
| I - LIVE ANIMALS AND ANIMAL PRODUCTS | $ 97,057.76 | $ 48,417.70 | $ 48,640.06 |
| II - VEGETABLE PRODUCTS | $ 250,852.69 | $ 44,294.56 | $ 206,558.13 |
| XV - BASE METALS AND ARTICLES OF BASE METAL | $ 616,812.85 | $ 326,884.02 | $ 289,928.83 |
| IX - WOOD AND WOOD ARTICLES, CORK, STRAW AND OTHER PLAITING MATERIALS | $ 371,977.68 | $ 1,749.13 | $ 370,228.55 |
| XIV - PEARLS, PRECIOUS METALS OR STONES, COINS AND JEWELLERY | $ 12,811,226.82 | $ 228,558.71 | $ 12,582,668.11 |
| **Grand Total** | **$ 17,570,939.43** | **$ 8,671,343.09** | **$ 8,899,596.34** |

The top product categories Canada exports to the U.K. are jewelry, wood, base metals and vegetable products. In return, Canada imports transportation equipment, chemicals and machinery from the U.K. For the year 2017, Canada has a trade surplus total of $8.9 million. From the trend analysis of the graph above, the trade gap between Canada and the UK has been growing every year. A trade agreement needs to be established in order to change this trend.

### *Canada vs United States Trade Analysis*

The U.S. is Canada's largest and most important trading partner, as they "account for three quarters of Canada's exports and two-thirds of its imports" (Cross, 2016). The cumulative trade equates greater than seven hundred and two billion dollars in 2017. The two countries not only share one of the world's longest borders but more importantly similar values and economies.

**<u>FIGURE 8: Canada Trade with the United States in 2017</u>**




In Figure 8, the analysis shows that exports to the United States greatly exceed imports. Canada greatly benefits from trade with the US, showing export values that almost double import to Canada. A large portion of these gains that Canada is experiencing are from the results of NAFTA. However, with unstable and risky NAFTA agreements underway, it would be beneficial for Canada to engage in new trade agreements to diversify exposure to trade risks.

## FIGURE 8.1: Canada vs. United States Trade

**Canada vs. United States Trade in 2017**

| Product Category | Export | Import | Trade Balance |
|---|---|---|---|
| XVI - MACHINERY; MECHANICAL, ELECTRICAL AND ELECTRONIC APPLIANCES OR EQUIPMENT | $ 44,398,745,723.00 | $ 55,779,168,718.00 | $ (11,380,422,995.00) |
| VI - PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES | $ 22,652,336,033.00 | $ 26,082,639,619.00 | $ (3,430,303,586.00) |
| XVIII - CLOCKS, WATCHES AND SPECIALIZED INSTRUMENTATION | $ 5,633,478,402.00 | $ 7,341,085,919.00 | $ (1,707,607,517.00) |
| XIII - GLASS, GLASSWARE; ARTICLES OF CERAMICS, STONE AND SIMILAR MATERIALS | $ 2,331,623,620.00 | $ 3,743,986,971.00 | $ (1,412,363,351.00) |
| VII - PLASTICS, RUBBER AND ARTICLES MADE FROM THESE MATERIALS | $ 18,451,547,406.00 | $ 18,817,696,539.00 | $ (366,149,133.00) |
| IV - FOOD PRODUCTS, BEVERAGES, SPIRITS, VINEGAR AND TOBACCO PRODUCTS | $ 15,030,989,591.00 | $ 15,207,714,161.00 | $ (176,724,570.00) |
| XIX - ARMS AND AMMUNITION | $ 214,828,859.00 | $ 308,028,991.00 | $ (93,200,132.00) |
| XXI - WORKS OF ART, COLLECTOR'S PIECES AND ANTIQUES | $ 236,180,888.00 | $ 123,031,552.00 | $ 113,149,336.00 |
| VIII - RAW HIDES, SKINS, LEATHER, FUR AND ARTICLES MADE FROM THESE MATERIALS | $ 414,623,759.00 | $ 260,940,462.00 | $ 153,683,297.00 |
| II - VEGETABLE PRODUCTS | $ 7,999,267,643.00 | $ 7,787,720,246.00 | $ 211,547,397.00 |
| XI - TEXTILES AND TEXTILE ARTICLES | $ 3,159,417,417.00 | $ 2,902,731,372.00 | $ 256,686,045.00 |
| XII - FOOTWEAR, HEADWEAR, UMBRELLAS, CANES AND SIMILAR ACCESSORIES | $ 378,672,882.00 | $ 119,857,214.00 | $ 258,815,668.00 |
| III - FATS, OILS, THEIR CLEAVAGE PRODUCTS AND WAXES | $ 2,876,765,520.00 | $ 445,483,683.00 | $ 2,431,281,837.00 |
| X - WOOD PULP, PAPER AND PAPER ARTICLES | $ 11,174,778,816.00 | $ 8,178,928,644.00 | $ 2,995,850,172.00 |
| XX - MISCELLANEOUS MANUFACTURED ARTICLES | $ 8,981,895,304.00 | $ 5,909,868,766.00 | $ 3,072,026,538.00 |
| XIV - PEARLS, PRECIOUS METALS OR STONES, COINS AND JEWELLERY | $ 6,864,927,872.00 | $ 2,679,570,875.00 | $ 4,185,356,997.00 |
| I - LIVE ANIMALS AND ANIMAL PRODUCTS | $ 9,178,450,911.00 | $ 3,696,221,882.00 | $ 5,482,229,029.00 |
| IX - WOOD AND WOOD ARTICLES, CORK, STRAW AND OTHER PLAITING MATERIALS | $ 14,071,132,282.00 | $ 2,424,539,066.00 | $ 11,646,593,216.00 |
| XVII - VEHICLES, AIRCRAFT, VESSELS AND OTHER TRANSPORTATION EQUIPMENT | $ 82,229,546,840.00 | $ 69,810,730,115.00 | $ 12,418,816,725.00 |
| XV - BASE METALS AND ARTICLES OF BASE METAL | $ 33,509,273,301.00 | $ 20,118,466,596.00 | $ 13,390,806,705.00 |
| V - MINERAL PRODUCTS | $ 101,731,623,062.00 | $ 27,906,326,559.00 | $ 73,825,296,503.00 |
| **Grand Total** | **$ 391,520,106,131.00** | **$ 279,644,737,950.00** | **$ 111,875,368,181.00** |

Figure 8.1 displays that Canada's top exports categories to the United States are minerals, base metals, vehicles and animals. From these four categories, Canada gains a net benefit of hundred and eleven billion in trade. The data gathered and research from the Fraser report further reinforces the importance of trade with the United States to Canada's economy. As mentioned in the report, the United States surpasses Canada's other trading partners and is "our two largest exports, where essentially all exports are destined for the US" (Cross, 2016). With the advent of NAFTA, Canada obtains the right to produce a fraction of automobiles sold in Canada. Another major export category not measured in Figure 8.1 is energy product exports, specifically crude. Analysis provided by Natural Resources Canada, Canada supplies forty-three percent of United States crude imports and twenty-one percent of refinery capacity (NRCAN, 2018). Canada relies on the U.S. as an intermediary to transport the natural resources to the world market. In return Canada imports machinery, chemicals and industrial products from the U.S., although the quantities of these products do not equate with the volume of exports.

## Challenges

There is a consensus amongst Canadians that Canada needs to have free trade agreements and partnerships with more trading partners to help enhance and further develop the economy. Canada has struggled to sign new trade agreements in recent years and has had trouble building deeper trading partnerships around the world. The CPTPP provides an opportunity for Canada to enter into free trade agreements with several Asian-Pacific countries at once. Canada has lackluster pre-existing trade relations with many of these countries, and signing the trade agreement is a way to improve collaboration and increase the trade traffic between the countries. However, the statistics (or data) from a recent survey conducted by Open Media show that Ontario and British Columbia are provinces that have the highest rejection rates on the topic of the CPTPP, with voting rates of 40.66% and 30.68% respectively. Alberta has the third highest public rejection rate at 9.68%. Although Canadians recognize the importance of the CPTPP and the opportunities the trade pact brings, Canadians do not feel comfortable with it due to poor government processes (Open Media, 2017). The high rejection rate is a sign of the Canadian government's failure to communicate their process with the public.

Based on the reviews of the CPTPP by Open Media, the three primary reasons that Canadians lost trust in the government for signing the contract were "secrecy, inequity/unfairness, and lack of scrutiny" (Open Media, 2017). Compared to other countries, such as the U.S. and countries part of the European Union, Canada did not have the same level of public consultation or information sharing. Firstly, Canadian members of parliament were not privy to the trade pact documents throughout the negotiation process. The first time the public, government officials and MP's were able to review the documentation was when they had been leaked by WikiLeaks. The leaks sowed distrust within the trade pact due to the discreet actions taken by the Canadian government.

The second concern for Canadians was the inequity of the CPTPP. Canada's late entry to the trade pact, forfeited their veto right and their right to review previously agreed upon documentation. This limits the Canadian government's privileges to negotiate a better deal for domestic businesses when discussing the regulations and rules. Not only did the government lose the trust of Canadians but the government's miscalculations also engendered skepticism about the true benefits of the trade deal. It is difficult for Canada to correct or adjust certain policies that may put the country at a disadvantage because Canada has no representatives in this process (Open Media, 2017).

Finally, the lack of scrutiny by the Canadian government caused concern for many people. The government did not conduct a cost and benefit analysis until seven months after the agreement was signed in 2016. This further resulted in ambiguity and skepticism towards the proposed value of the trade agreement. When compared to other countries, Canada's report falls short insofar as it only provides a high-level economic analysis. Other countries, such as the U.S., provide detailed breakout analyses based on each industry and how it will impact their economy. Without this level of research, it is difficult to assess what Canada gains from the trade pact (Open Media, 2017).

Other studies have also demonstrated that international trade can be harmful to an economy. In Cross's economic research, he stated that trade can also result in losses of employment and only benefit specific sectors. From a macroeconomic level, he mentions that "Global trade flows have been further damper economic growth in many western countries since the global financial crisis" (Cross, 2016).

## Recommendations and Conclusion

After thorough analysis of the CPTPP's impacts on Canada, the evidence shows that there are several factors and variables that can affect Canada's performance with the CPTPP. With trade, there are gains and losses for different industries in every country, but the overall value of trade will be the determining factor. For Canada, a country that relies heavily on trade policy to promote growth, it is more beneficial to expand its global trading reach and to build relationships with countries with whom we do not currently engage. Trade has been described as "[arguably] the most important tool of Canada's economic development throughout history (Ritchie, 1997: 76). Canada is dependent on only a few countries, namely the U.S., China, the U.K. and Mexico (Appendix 3); certainly, a risky strategy, even if these trading partners are enormous markets. In order for Canada to diversify and further economic growth, Canada must simultaneously collaborate with multiple markets. Indeed, putting all of Canada's economic engines in a market with little spread exposes too much risk.

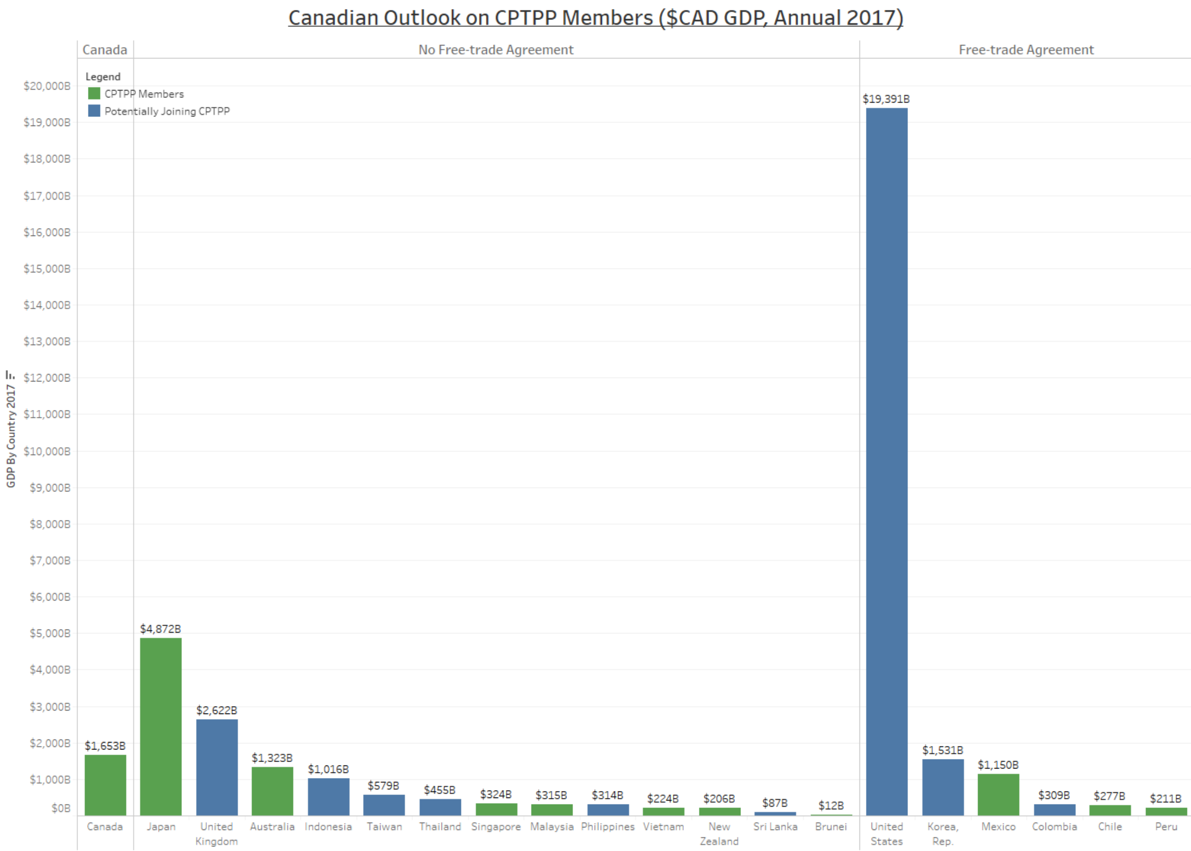
The CPTPP allows Canada to develop new relationships and to build on existing ones as well. Many of the CPTPP members already have significant trade volumes with Canada already without any trade agreements in place. With the additional protection of the CPTPP, markets are able to remove any trade barriers and strengthen partnerships. This negotiated partnership, can eliminate the need for Canada to negotiate with other countries individually and can also ensure that the trade agreements are held at the highest standards. A well balanced and designed policy such as the CPTPP will promote more Canadian goods to other nations and offset the significant trade deficits Canada has with some of its partners.

As evident by the gravity equation, many of the CPTPP nations have significant annual GDPs and work to promote trade liberalization, common goals that all current members and potential desire. Under these values, all countries can benefit from participation and develop each nation's economy through the gained efficiencies.

The CPTPP will be one of Canada's most important trade policies because the health of its economy depends on trade. The benefits that Canada gains from the CPTPP are significant and critical to Canada's future economic growth. Without any forthcoming policies to enhance Canada's position in the international community, the CPTPP stands to become a massive opportunity for Canada to transform into a world class economy. Although there are certainly costs associated with signing on to the trade pact, Canada would experience greater losses by not joining this multi-country agreement. The expected benefits are overwhelming and align with Canada's economic expansion goals. The CPTPP is an essential key in helping Canada to expand to international markets and stimulate economic growth.

# Appendices

*Appendix 1*



# *Appendix 2*

**Canada International Trade Data**

| | 2015 | | | | 2016 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Country** | **Total Imports** | **Total Exports** | **Trade Balance** | **Trade Balance %** | **Total Imports** | **Total Exports** | **Trade Balance** | **Trade Balance %** | **Total Imports** | **Total Exports** | **Trade Balance** | **Trade Balance %** |
| **United States** | $ 285,344,797,571.00 | $ 402,157,903,918.00 | $ 116,813,106,347.00 | 40.94% | $ 278,211,914,261.00 | $ 394,436,140,602.00 | $ 116,224,226,341.00 | 41.78% | $ 288,027,802,314.00 | $ 414,750,043,237.00 | $ 126,722,240,923.00 | 44.00% |
| **Mexico** | $ 31,199,668,306.00 | $ 6,641,069,530.00 | $ (24,558,598,776.00) | -78.71% | $ 33,182,414,352.00 | $ 7,632,080,296.00 | $ (25,550,334,056.00) | -77.00% | $ 35,492,107,794.00 | $ 7,853,134,279.00 | $ (27,638,973,515.00) | -77.87% |
| **Japan** | $ 14,776,256,429.00 | $ 9,777,527,930.00 | $ (4,998,728,499.00) | -33.83% | $ 15,797,446,019.00 | $ 10,719,687,363.00 | $ (5,077,758,656.00) | -32.14% | $ 17,521,375,145.00 | $ 11,831,294,724.00 | $ (5,690,080,421.00) | -32.48% |
| **United Kingdom** | $ 9,197,676,119.00 | $ 15,953,004,352.00 | $ 6,755,328,233.00 | 73.45% | $ 8,258,379,817.00 | $ 17,098,333,419.00 | $ 8,839,953,602.00 | 107.04% | $ 8,892,918,924.00 | $ 17,695,399,134.00 | $ 8,802,480,210.00 | 98.98% |
| **Korea, South** | $ 8,241,130,332.00 | $ 4,019,327,416.00 | $ (4,221,802,916.00) | -51.23% | $ 10,602,101,292.00 | $ 4,378,613,591.00 | $ (6,223,487,701.00) | -58.70% | $ 8,712,596,531.00 | $ 5,305,670,879.00 | $ (3,406,925,652.00) | -39.10% |
| **Taiwan** | $ 5,456,189,509.00 | $ 1,457,131,343.00 | $ (3,999,058,166.00) | -73.29% | $ 5,077,781,116.00 | $ 1,585,327,433.00 | $ (3,492,453,683.00) | -68.78% | $ 5,441,726,230.00 | $ 1,693,901,346.00 | $ (3,747,824,884.00) | -68.87% |
| **Vietnam** | $ 4,089,210,365.00 | $ 656,603,566.00 | $ (3,432,606,799.00) | -83.94% | $ 4,955,004,353.00 | $ 528,036,514.00 | $ (4,426,967,839.00) | -89.34% | $ 5,083,955,256.00 | $ 1,053,106,457.00 | $ (4,030,848,799.00) | -79.29% |
| **Thailand** | $ 3,108,136,580.00 | $ 889,723,981.00 | $ (2,218,412,599.00) | -71.37% | $ 3,150,010,735.00 | $ 901,366,816.00 | $ (2,248,643,919.00) | -71.39% | $ 3,303,355,268.00 | $ 731,414,792.00 | $ (2,571,940,476.00) | -77.86% |
| **Malaysia** | $ 2,638,285,594.00 | $ 788,792,462.00 | $ (1,849,493,132.00) | -70.10% | $ 2,592,048,436.00 | $ 709,668,976.00 | $ (1,882,379,460.00) | -72.62% | $ 2,787,779,002.00 | $ 718,904,296.00 | $ (2,068,874,706.00) | -74.21% |
| **Chile** | $ 1,852,618,732.00 | $ 790,149,237.00 | $ (1,062,469,495.00) | -57.35% | $ 1,687,168,757.00 | $ 725,471,462.00 | $ (961,697,295.00) | -57.00% | $ 2,013,191,210.00 | $ 885,122,978.00 | $ (1,128,068,232.00) | -56.03% |
| **Australia** | $ 1,679,799,890.00 | $ 1,894,748,937.00 | $ 214,949,047.00 | 12.80% | $ 2,004,611,223.00 | $ 1,956,112,265.00 | $ (48,498,958.00) | -2.42% | $ 1,896,629,820.00 | $ 2,000,277,294.00 | $ 103,647,474.00 | 5.46% |
| **Peru** | $ 3,260,160,323.00 | $ 858,286,859.00 | $ (2,401,873,464.00) | -73.67% | $ 2,457,388,091.00 | $ 764,492,174.00 | $ (1,692,895,917.00) | -68.89% | $ 1,798,399,489.00 | $ 711,216,944.00 | $ (1,087,182,545.00) | -60.45% |
| **Indonesia** | $ 1,671,796,445.00 | $ 1,815,455,782.00 | $ 143,659,337.00 | 8.59% | $ 1,620,027,362.00 | $ 1,458,265,163.00 | $ (161,762,199.00) | -9.99% | $ 1,730,277,500.00 | $ 1,729,855,735.00 | $ (421,765.00) | -0.02% |
| **Philippines** | $ 1,418,739,053.00 | $ 731,697,981.00 | $ (687,041,072.00) | -48.43% | $ 1,355,229,063.00 | $ 626,327,611.00 | $ (728,901,452.00) | -53.78% | $ 1,392,832,634.00 | $ 842,466,746.00 | $ (550,365,888.00) | -39.51% |
| **Singapore** | $ 953,387,131.00 | $ 1,506,947,268.00 | $ 553,560,137.00 | 58.06% | $ 984,388,667.00 | $ 1,342,525,776.00 | $ 358,137,109.00 | 36.38% | $ 1,003,248,435.00 | $ 1,360,167,987.00 | $ 356,919,552.00 | 35.58% |
| **Colombia** | $ 829,013,665.00 | $ 782,812,786.00 | $ (46,200,879.00) | -5.57% | $ 787,066,042.00 | $ 783,757,443.00 | $ (3,308,599.00) | -0.42% | $ 982,540,570.00 | $ 745,832,000.00 | $ (236,708,570.00) | -24.09% |
| **New Zealand** | $ 682,606,185.00 | $ 475,091,447.00 | $ (207,514,738.00) | -30.40% | $ 662,839,766.00 | $ 465,041,248.00 | $ (197,798,518.00) | -29.84% | $ 708,261,369.00 | $ 493,666,915.00 | $ (214,594,454.00) | -30.30% |
| **Sri Lanka** | $ 333,844,993.00 | $ 315,625,736.00 | $ (18,219,257.00) | -5.46% | $ 348,779,285.00 | $ 272,619,871.00 | $ (76,159,414.00) | -21.84% | $ 371,169,946.00 | $ 208,828,819.00 | $ (162,341,127.00) | -43.74% |
| **Brunei Darussalam** | $ 4,385,305.00 | $ 2,907,686.00 | $ (1,477,619.00) | -33.69% | $ 2,081,935.00 | $ 12,032,677.00 | $ 9,950,742.00 | 477.96% | $ 5,411,490.00 | $ 3,197,967.00 | $ (2,213,523.00) | -40.90% |

*Appendix 3*

## Canada's Top 50 Trading Partners

| | | | 2016 (CAD) | | | | | 2017 (CAD) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rank | Country | CPTPP Partners | 2016 Total Trade Valu | Total Exports | Total Imports | Trade Balance | Trade Balance % | 2017 Total Trade Valu | Total Exports | Total Imports | Trade Balance | Trade Balance % |
| 1 | United States | Potentially Joining CPTPP | 672,648,054,863.00 | 394,436,140,602.00 | 278,211,914,261.00 | 116,224,226,341.00 | 42% | 702,777,845,551.00 | 414,750,043,237.00 | 288,027,802,314.00 | 126,722,240,923.00 | 44% |
| 2 | China | | 85,358,057,806.00 | 20,973,749,340.00 | 64,384,308,466.00 | (43,410,559,126.00) | -67% | 94,538,466,758.00 | 23,609,143,848.00 | 70,929,322,910.00 | (47,320,179,062.00) | -67% |
| 3 | Mexico | CPTPP Member | 40,814,494,648.00 | 7,632,080,296.00 | 33,182,414,352.00 | (25,550,334,056.00) | -77% | 43,345,242,073.00 | 7,853,134,279.00 | 35,492,107,794.00 | (27,638,973,515.00) | -78% |
| 4 | Japan | CPTPP Member | 26,517,133,382.00 | 10,719,687,363.00 | 15,797,446,019.00 | (5,077,758,656.00) | -32% | 29,352,669,869.00 | 11,831,294,724.00 | 17,521,375,145.00 | (5,690,080,421.00) | -32% |
| 5 | United Kingdom | Potentially Joining CPTPP | 25,356,713,236.00 | 17,098,333,419.00 | 8,258,379,817.00 | 8,839,953,602.00 | 107% | 26,588,318,058.00 | 17,695,399,134.00 | 8,892,918,924.00 | 8,802,480,210.00 | 99% |
| 6 | Germany | | 21,287,341,851.00 | 4,065,667,014.00 | 17,221,674,837.00 | (13,156,007,823.00) | -76% | 22,077,309,945.00 | 4,137,393,583.00 | 17,939,916,362.00 | (13,802,522,779.00) | -77% |
| 7 | Korea, South | Potentially Joining CPTPP | 14,980,714,883.00 | 4,378,613,591.00 | 10,602,101,292.00 | (6,223,487,701.00) | -59% | 14,018,267,410.00 | 5,305,670,879.00 | 8,712,596,531.00 | (3,406,925,652.00) | -39% |
| 8 | Italy | | 9,879,682,428.00 | 2,340,091,352.00 | 7,539,591,076.00 | (5,199,499,724.00) | -69% | 10,443,923,966.00 | 2,292,195,447.00 | 8,151,728,519.00 | (5,859,533,072.00) | -72% |
| 9 | France | | 9,336,829,196.00 | 3,404,088,448.00 | 5,932,740,748.00 | (2,528,652,300.00) | -43% | 9,592,252,002.00 | 3,410,363,809.00 | 6,181,888,193.00 | (2,771,524,384.00) | -45% |
| 10 | India | | 8,021,364,846.00 | 3,983,003,431.00 | 4,038,361,415.00 | (55,357,984.00) | -1% | 8,436,203,485.00 | 4,277,762,777.00 | 4,158,440,708.00 | 119,322,069.00 | 3% |
| 11 | Netherlands | | 6,513,651,330.00 | 2,843,333,157.00 | 3,670,318,173.00 | (826,985,016.00) | -23% | 7,143,066,574.00 | 3,133,805,797.00 | 4,009,260,777.00 | (875,454,980.00) | -22% |
| 12 | Taiwan | Potentially Joining CPTPP | 6,663,108,549.00 | 1,585,327,433.00 | 5,077,781,116.00 | (3,492,453,683.00) | -69% | 7,135,627,576.00 | 1,693,901,346.00 | 5,441,726,230.00 | (3,747,824,884.00) | -69% |
| 13 | Belgium | | 5,427,992,327.00 | 3,214,741,583.00 | 2,213,250,744.00 | 1,001,490,839.00 | 45% | 6,687,734,854.00 | 3,515,497,749.00 | 3,172,237,105.00 | 343,260,644.00 | 11% |
| 14 | Switzerland | | 5,816,508,256.00 | 1,316,890,573.00 | 4,499,617,683.00 | (3,182,727,110.00) | -71% | 6,475,748,437.00 | 2,074,734,125.00 | 4,401,014,312.00 | (2,326,280,187.00) | -53% |
| 15 | Brazil | | 5,904,589,727.00 | 2,045,081,437.00 | 3,859,508,290.00 | (1,814,426,853.00) | -47% | 6,424,449,735.00 | 1,711,624,000.00 | 4,712,825,735.00 | (3,001,201,735.00) | -64% |
| 16 | Vietnam | CPTPP Member | 5,483,040,867.00 | 528,036,514.00 | 4,955,004,353.00 | (4,426,967,839.00) | -89% | 6,137,061,713.00 | 1,053,106,457.00 | 5,083,955,256.00 | (4,030,848,799.00) | -79% |
| 17 | Spain | | 4,161,083,145.00 | 1,804,608,731.00 | 2,356,474,414.00 | (551,865,683.00) | -23% | 4,460,052,879.00 | 1,655,040,119.00 | 2,805,012,760.00 | (1,149,972,641.00) | -41% |
| 18 | Norway | | 3,096,841,275.00 | 1,520,467,244.00 | 1,576,374,031.00 | (55,906,787.00) | -4% | 4,084,208,785.00 | 1,968,325,469.00 | 2,115,883,316.00 | (147,557,847.00) | -7% |
| 19 | Saudi Arabia | | 2,944,724,180.00 | 1,239,240,756.00 | 1,705,483,424.00 | (466,242,668.00) | -27% | 4,077,130,565.00 | 1,453,168,021.00 | 2,623,962,544.00 | (1,170,794,523.00) | -45% |
| 20 | Thailand | Potentially Joining CPTPP | 4,051,377,551.00 | 901,366,816.00 | 3,150,010,735.00 | (2,248,643,919.00) | -71% | 4,034,770,060.00 | 731,414,792.00 | 3,303,355,268.00 | (2,571,940,476.00) | -78% |
| 21 | Re-Imports (Canada) | | 3,908,670,128.00 | - | 3,908,670,128.00 | (3,908,670,128.00) | -100% | 4,021,107,117.00 | - | 4,021,107,117.00 | (4,021,107,117.00) | -100% |
| 22 | Australia | CPTPP Member | 3,960,723,488.00 | 1,956,112,265.00 | 2,004,611,223.00 | (48,498,958.00) | -2% | 3,896,907,114.00 | 2,000,277,294.00 | 1,896,629,820.00 | 103,647,474.00 | 5% |
| 23 | Malaysia | CPTPP Member | 3,301,717,412.00 | 709,668,976.00 | 2,592,048,436.00 | (1,882,379,460.00) | -73% | 3,506,683,298.00 | 718,904,296.00 | 2,787,779,002.00 | (2,068,874,706.00) | -74% |
| 24 | Indonesia | Potentially Joining CPTPP | 3,078,292,525.00 | 1,458,265,163.00 | 1,620,027,362.00 | (161,762,199.00) | -10% | 3,460,133,235.00 | 1,729,855,735.00 | 1,730,277,500.00 | (421,765.00) | 0% |
| 25 | Turkey | | 2,520,600,927.00 | 1,152,581,145.00 | 1,368,019,782.00 | (215,438,637.00) | -16% | 3,050,520,007.00 | 1,265,146,298.00 | 1,785,373,709.00 | (520,227,411.00) | -29% |
| 26 | Sweden | | 2,584,364,127.00 | 530,270,194.00 | 2,054,093,933.00 | (1,523,823,739.00) | -74% | 2,963,551,140.00 | 762,672,570.00 | 2,200,878,570.00 | (1,438,206,000.00) | -65% |
| 27 | Ireland | | 2,429,040,867.00 | 496,018,016.00 | 1,933,022,851.00 | (1,437,004,835.00) | -74% | 2,942,561,169.00 | 588,112,468.00 | 2,354,448,701.00 | (1,766,336,233.00) | -75% |
| 28 | Chile | CPTPP Member | 2,412,640,219.00 | 725,471,462.00 | 1,687,168,757.00 | (961,697,295.00) | -57% | 2,898,314,188.00 | 885,122,978.00 | 2,013,191,210.00 | (1,128,068,232.00) | -56% |
| 29 | Poland | | 2,535,976,607.00 | 616,593,186.00 | 1,919,383,421.00 | (1,302,790,235.00) | -68% | 2,632,554,341.00 | 695,266,988.00 | 1,937,287,353.00 | (1,242,020,365.00) | -64% |
| 30 | Hong Kong | | 2,629,346,459.00 | 2,334,865,182.00 | 294,481,277.00 | 2,040,383,905.00 | 693% | 2,624,784,506.00 | 2,237,947,336.00 | 386,837,170.00 | 1,851,110,166.00 | 479% |
| 31 | Peru | CPTPP Member | 3,221,880,265.00 | 764,492,174.00 | 2,457,388,091.00 | (1,692,895,917.00) | -69% | 2,509,616,433.00 | 711,216,944.00 | 1,798,399,489.00 | (1,087,182,545.00) | -60% |
| 32 | Bangladesh | | 2,393,057,828.00 | 771,710,268.00 | 1,621,347,560.00 | (849,637,292.00) | -52% | 2,376,647,682.00 | 727,997,348.00 | 1,648,650,334.00 | (920,652,986.00) | -56% |
| 33 | Singapore | CPTPP Member | 2,326,914,443.00 | 1,342,525,776.00 | 984,388,667.00 | 358,137,109.00 | 36% | 2,363,416,422.00 | 1,360,167,987.00 | 1,003,248,435.00 | 356,919,552.00 | 36% |
| 34 | Argentina | | 1,909,048,905.00 | 307,602,834.00 | 1,601,446,071.00 | (1,293,843,237.00) | -81% | 2,266,499,009.00 | 445,716,106.00 | 1,820,782,903.00 | (1,375,066,797.00) | -76% |
| 35 | Austria | | 1,978,888,937.00 | 229,145,468.00 | 1,749,743,469.00 | (1,520,598,001.00) | -87% | 2,243,515,690.00 | 346,654,506.00 | 1,896,861,184.00 | (1,550,206,678.00) | -82% |
| 36 | Philippines | Potentially Joining CPTPP | 1,981,556,674.00 | 626,327,611.00 | 1,355,229,063.00 | (728,901,452.00) | -54% | 2,235,299,380.00 | 842,466,746.00 | 1,392,832,634.00 | (550,365,888.00) | -40% |
| 37 | Finland | | 1,524,360,565.00 | 670,932,078.00 | 853,428,487.00 | (182,496,409.00) | -21% | 1,820,526,324.00 | 648,469,046.00 | 1,172,057,278.00 | (523,588,232.00) | -45% |
| 38 | Denmark | | 1,393,742,261.00 | 378,125,341.00 | 1,015,616,920.00 | (637,491,579.00) | -63% | 1,803,466,200.00 | 466,936,107.00 | 1,336,530,093.00 | (869,593,986.00) | -65% |
| 39 | United Arab Emirates | | 1,918,616,246.00 | 1,790,592,729.00 | 128,023,517.00 | 1,662,569,212.00 | 1299% | 1,791,651,023.00 | 1,603,047,872.00 | 188,603,151.00 | 1,414,444,721.00 | 750% |
| 40 | Russia | | 1,533,625,000.00 | 601,795,897.00 | 931,829,103.00 | (330,033,206.00) | -35% | 1,786,184,803.00 | 670,998,433.00 | 1,115,186,370.00 | (444,187,937.00) | -40% |
| 41 | Israel | | 1,716,621,044.00 | 423,060,943.00 | 1,293,560,101.00 | (870,499,158.00) | -67% | 1,737,077,481.00 | 450,153,725.00 | 1,286,923,756.00 | (836,770,031.00) | -65% |
| 42 | Colombia | Potentially Joining CPTPP | 1,570,823,485.00 | 783,757,443.00 | 787,066,042.00 | (3,308,599.00) | 0% | 1,728,372,570.00 | 745,832,000.00 | 982,540,570.00 | (236,708,570.00) | -24% |
| 43 | Algeria | | 2,375,238,338.00 | 518,350,970.00 | 1,856,887,368.00 | (1,338,536,398.00) | -72% | 1,534,098,653.00 | 704,493,287.00 | 829,605,366.00 | (125,112,079.00) | -15% |
| 44 | Nigeria | | 1,888,083,466.00 | 313,507,349.00 | 1,574,576,117.00 | (1,261,068,768.00) | -80% | 1,472,744,455.00 | 435,378,052.00 | 1,037,366,403.00 | (601,988,351.00) | -58% |
| 45 | Dominican Republic | | 1,317,965,416.00 | 151,287,072.00 | 1,166,678,344.00 | (1,015,391,272.00) | -87% | 1,391,719,715.00 | 165,920,790.00 | 1,225,798,925.00 | (1,059,878,135.00) | -86% |
| 46 | Cambodia | | 1,229,665,064.00 | 41,273,380.00 | 1,188,391,684.00 | (1,147,118,304.00) | -97% | 1,345,044,147.00 | 51,484,258.00 | 1,293,559,889.00 | (1,242,075,631.00) | -96% |
| 47 | Azerbaijan | | 147,857,399.00 | 12,986,327.00 | 134,871,072.00 | (121,884,745.00) | -90% | 1,334,534,811.00 | 14,389,326.00 | 1,320,145,485.00 | (1,305,756,159.00) | -99% |
| 48 | Egypt | | 1,364,906,609.00 | 331,940,558.00 | 1,032,966,051.00 | (701,025,493.00) | -68% | 1,281,853,858.00 | 290,884,021.00 | 990,969,837.00 | (700,085,816.00) | -71% |
| 49 | South Africa | | 1,320,884,097.00 | 468,815,643.00 | 852,068,454.00 | (383,252,811.00) | -45% | 1,270,368,123.00 | 353,813,496.00 | 916,554,627.00 | (562,741,131.00) | -61% |
| 50 | New Zealand | CPTPP Member | 1,127,881,014.00 | 465,041,248.00 | 662,839,766.00 | (197,798,518.00) | -30% | 1,201,928,284.00 | 493,666,915.00 | 708,261,369.00 | (214,594,454.00) | -30% |
| 51 | Pakistan | | 1,442,474,954.00 | 1,078,499,750.00 | 363,975,204.00 | 714,524,546.00 | 196% | 1,157,467,926.00 | 746,648,616.00 | 410,819,310.00 | 335,829,306.00 | 82% |
| 63 | Sri Lanka | Potentially Joining CPTPP | 621,399,156.00 | 272,619,871.00 | 348,779,285.00 | (76,159,414.00) | -22% | 579,998,765.00 | 208,828,819.00 | 371,169,946.00 | (162,341,127.00) | -44% |
| 169 | Brunei Darussalam | CPTPP Member | 14,114,612.00 | 12,032,677.00 | 2,081,935.00 | 9,950,742.00 | 478% | 8,609,457.00 | 3,197,967.00 | 5,411,490.00 | (2,213,523.00) | -41% |

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