The Conference Board of Canada
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Canada's "Missing" Trade with the European Union

Conference
A Canada-EU Free Trade Agreement: Public Good or Private Interest?

Carleton University
October 28, 2010

Louis Thériault
Director, International Trade and Investment Centre

Canada-EU Trade Negotiations

- Rapid progress, now at a critical point
- Public debate defensive, businesses not engaged
- Typical analyses narrowly focused on goods exports
- We go beyond conventional measures
- The stakes are enormous, according to our more comprehensive trade measures

The BlackBerry

- Where is it made?
- In reality, globally integrated product
- R&D – Canada
- Manufacturing – Canada, Hungary, Mexico
- Parts from all over the world
- Device + voice and data services sold globally
- Trade statistics show: “An import from Hungary or Mexico”

Trade Takes Place Via Many Routes

- Two-way “trade in tasks”
- Services increasingly tradable
- People movements
- Internet, mobile phone sales
- “Virtual goods” or digital services
- Sales by foreign affiliates – key for Canada-EU

Integrative Trade

- Integrative trade “missing” from conventional analysis
- Integrative trade boosts productivity/competitiveness
- Expansion abroad increases trade, domestic investment
- Not all policies reflect integrative trade
- Integrative trade policy → constructive position

Integrative Trade:
A Creative Approach

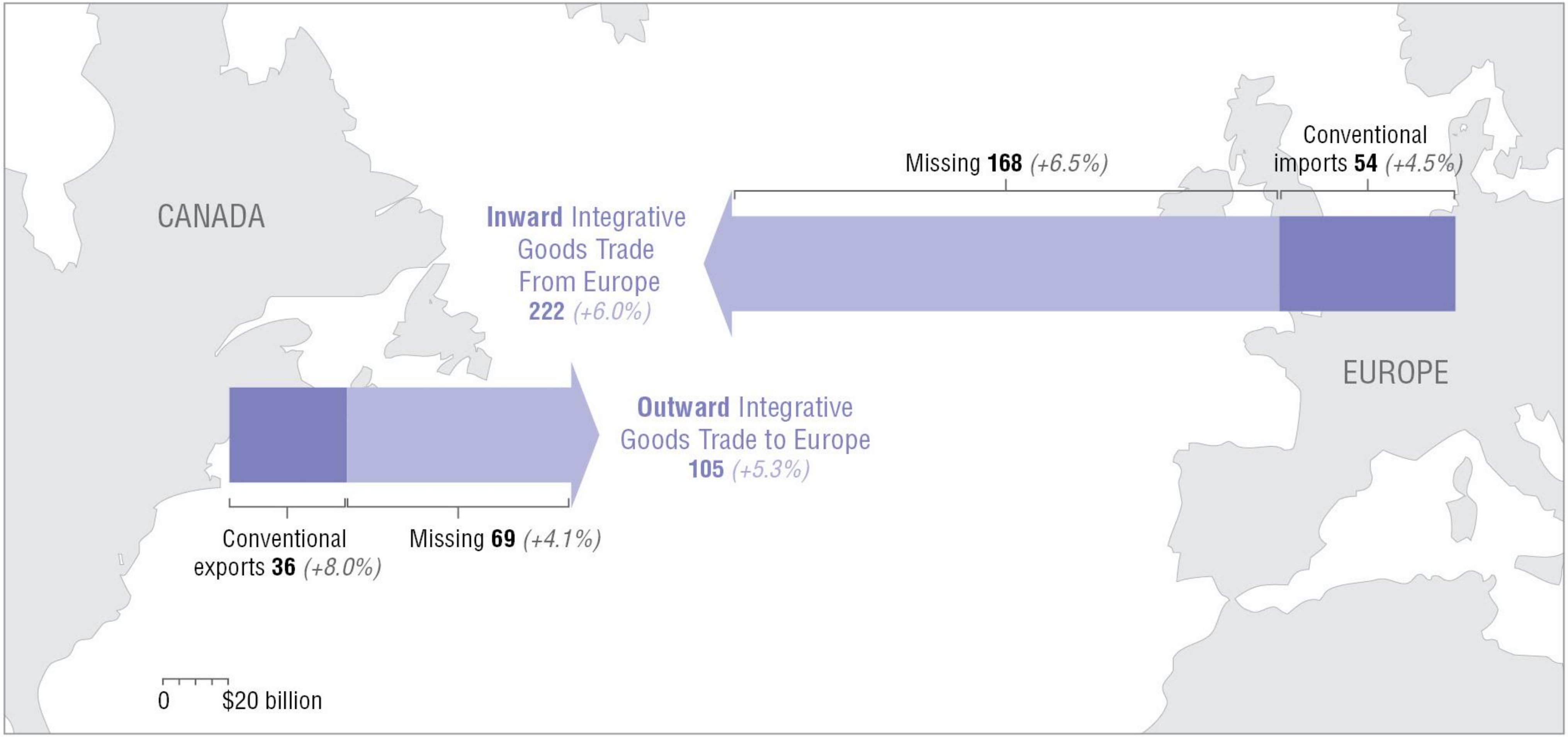
- Aims:
  - Enhance existing statistics and expand conception of trade (not trying to change national accounts)
  - Relevance, not perfection
  - Conservative, broad magnitudes, trends

- This is only one possible approach

What We Do

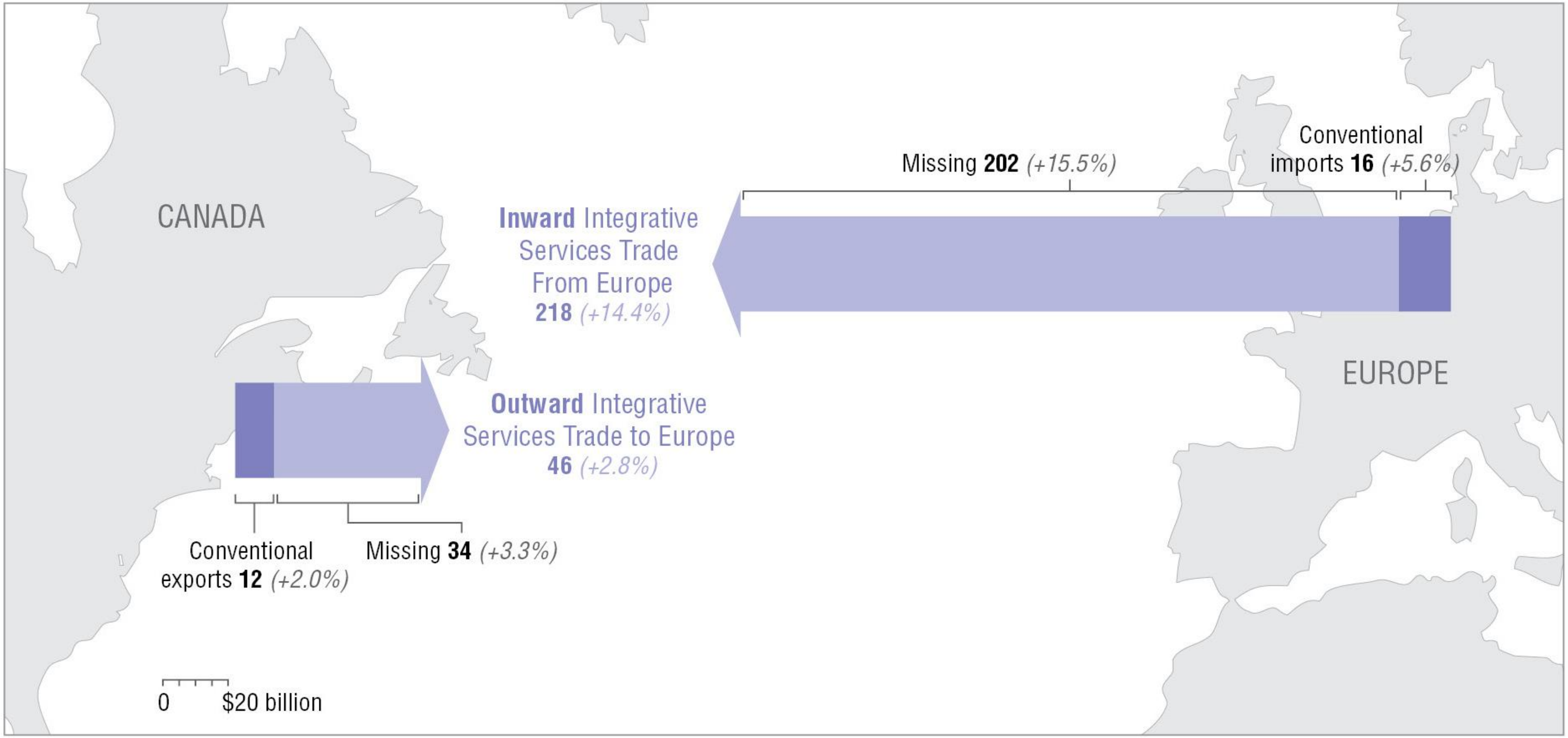
- Correct for undercounted services
- Adjust for Canada’s undercounted non-US trade
- Estimate two-way foreign affiliate trade
- Complement with supply chain, intermediate trade, value-added trade analysis
- Take a regional supply chain approach

Exhibit 1
A Broader Picture of Canada–Europe Goods Trade, 2008
($ billions; growth, per cent)



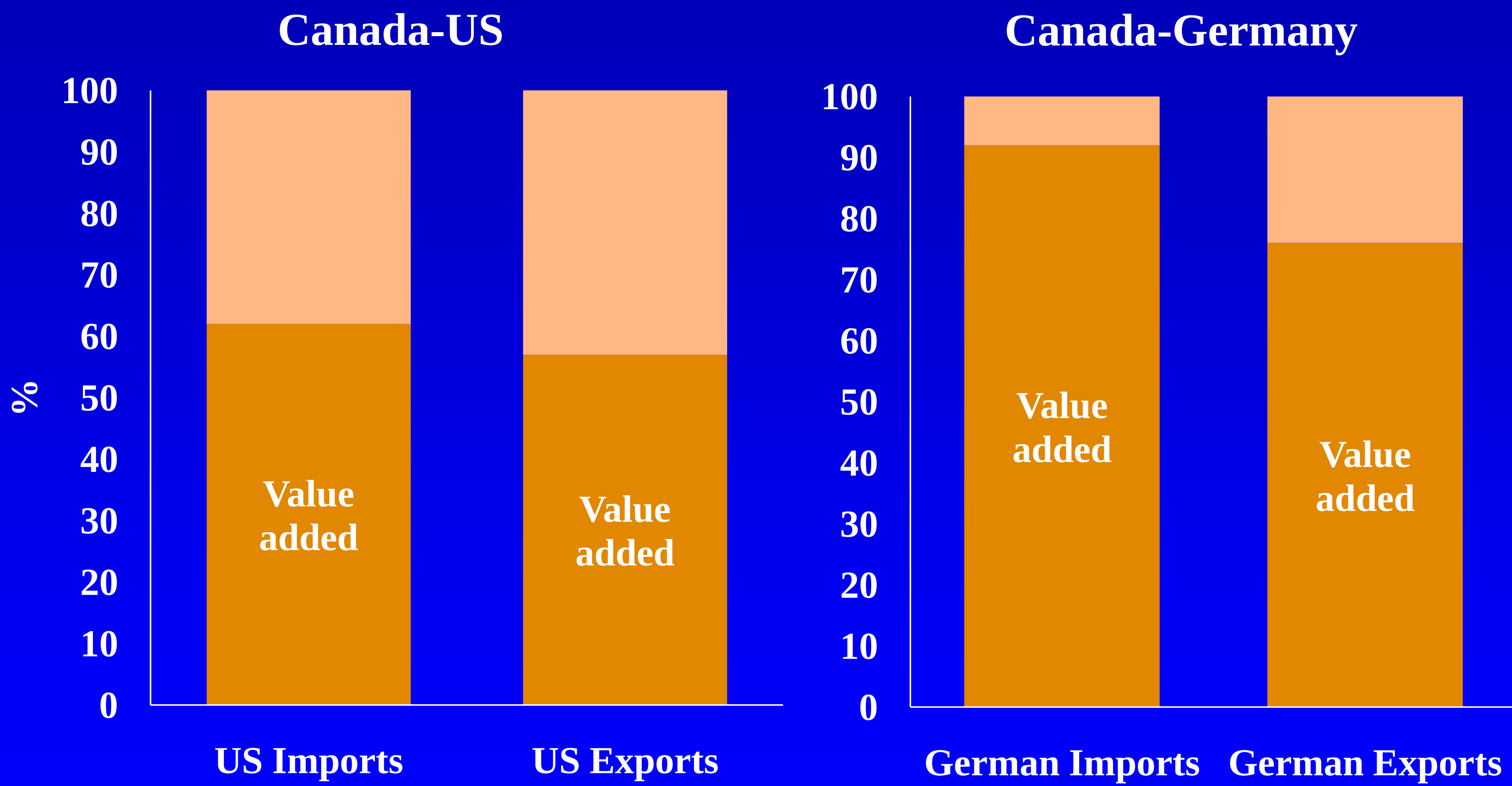
Note: Trade is for 2008 (shown in bold); growth is annual average compound rate over 2000–08 (shown in brackets).
Source: The Conference Board of Canada.

Exhibit 2
A Broader Picture of Canada–Europe Services Trade, 2008
($ billions; growth, per cent)



Note: Trade is for 2008 (shown in bold); growth is annual average compound rate over 2000–08 (shown in brackets).
Source: The Conference Board of Canada.

Limited Canada-EU Supply Chains



Source: Johnson and Noguera, Conference Board of Canada.

A Broader Canada-EU Trade Picture

- Can-EU integrative trade larger than traditional
  - Canada's sales to EU $150 billion (vs $36 billion in goods exports)
  - EU sales to Canada $440 billion (vs $16 billion in goods imports)
- EU active and expanding in Canada, much less growth other way around

A Broader Canada-EU Trade Picture

- Investment/foreign affiliate sales are dominant mode of Canada-EU trade
- Services trade
  - not marginal but central
  - growing faster than goods
- Canada-EU supply chains not as integrated as Canada-US but growing faster

A Broader Approach to the Canada-EU Deal

- Canada-EU agreement not just about improving access for Canadian products sent to EU
- Benefits from exchange of inputs, services, investment, expertise, people, etc
- These are far larger than typically appreciated
- Narrow approach to deal may protect short-term jobs at expense of broad long-term gains

A Broader Approach to the Canada-EU Deal

- Prioritize services trade and investment
  - Significant untapped potential, especially outward
  - Policies are different (visas, professional qualifications)
- Eliminate local content rules for goods and services
- Help workers adjust, protect Canadians' health/safety
- Rapid progress, but now the difficult issues

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