

Brexit and Canada-EU/UK Economic Relations

Global Economic Relations in the Trump Era and After, Carleton University
January 31, 2020

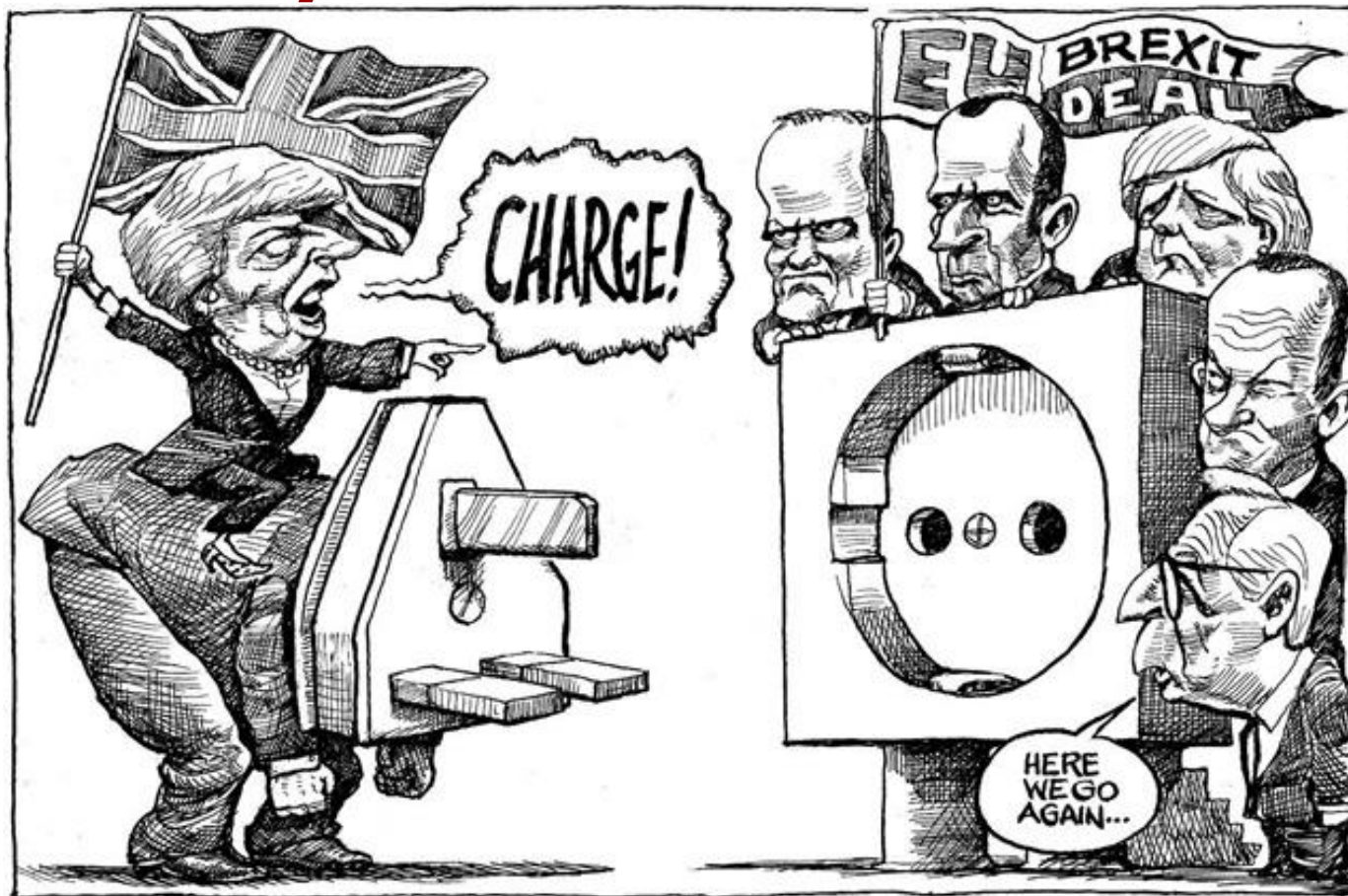
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Peace,
prosperity
and
Friendship
with all
nations

31 January 2020

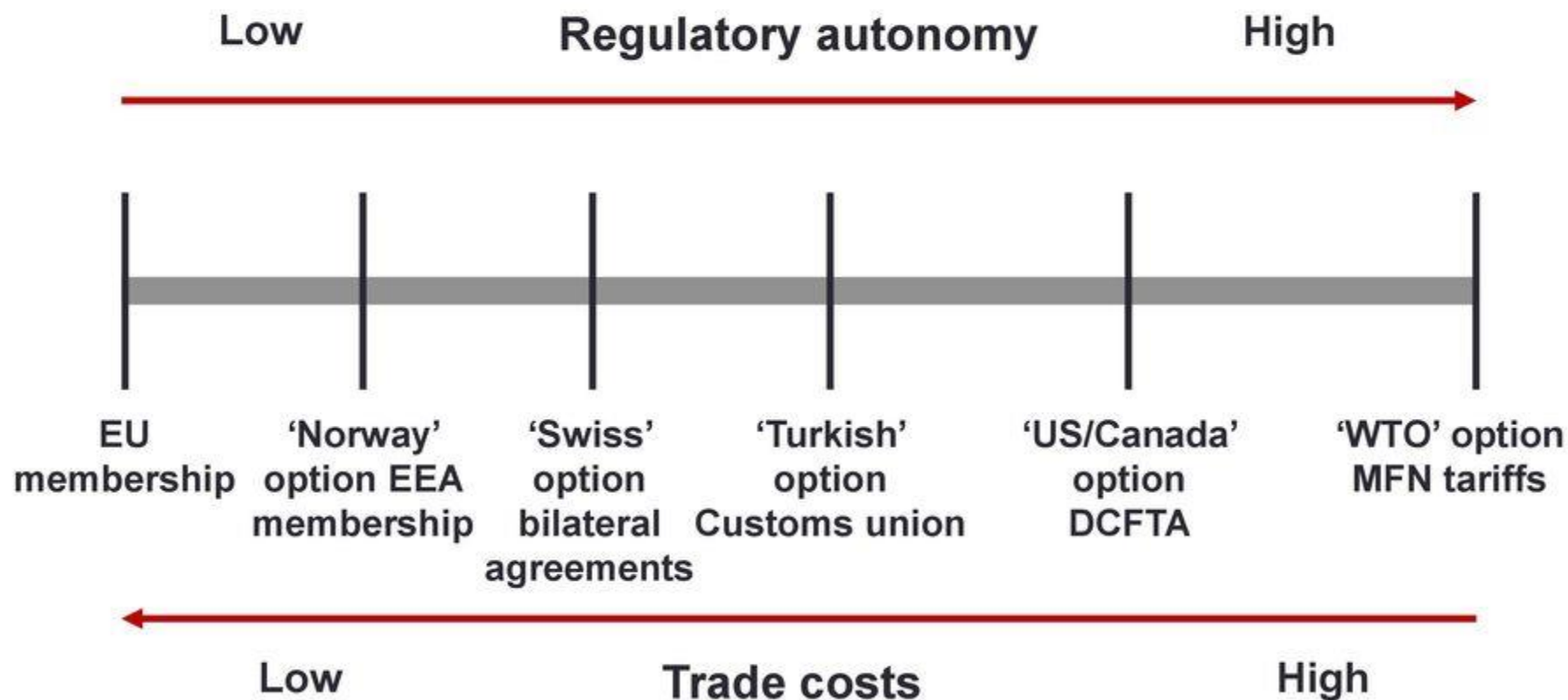
Brexit in the name of regulatory autonomy...



Economist.com

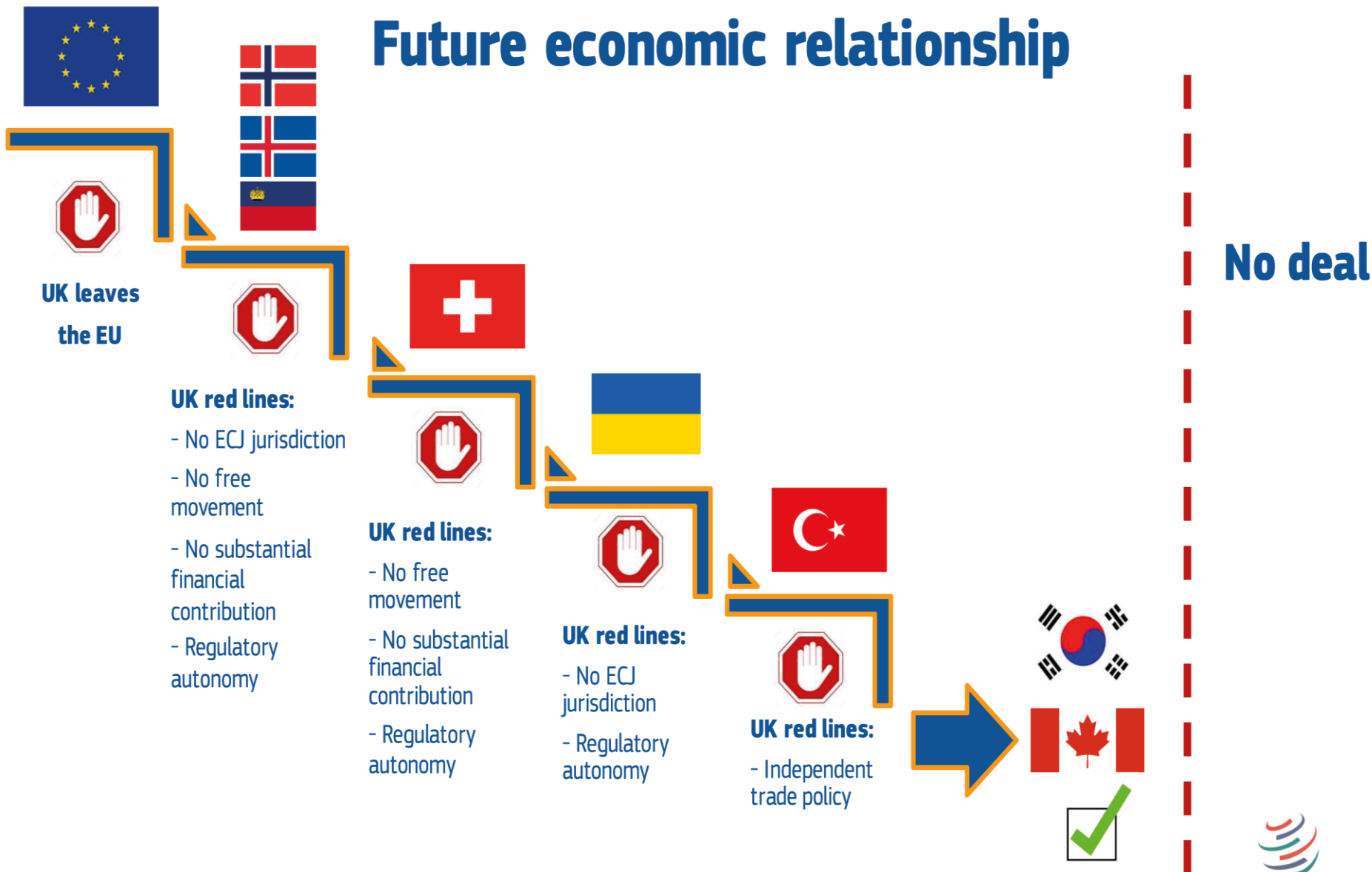
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The trade policy dilemma

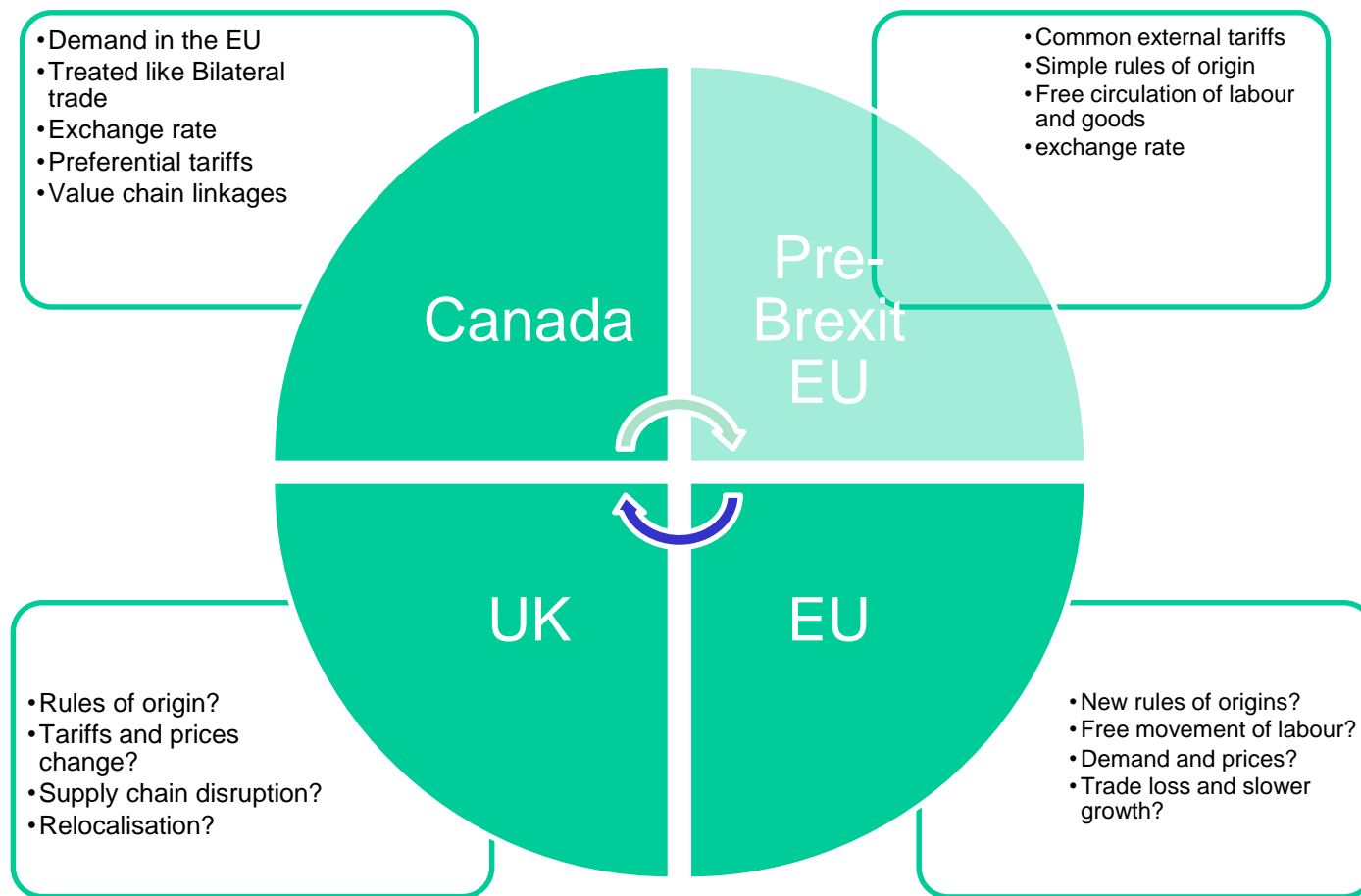


Not drawn to scale

Future economic relationship



Some parameters of trade between Canada and the EU/UK pre- and post-Brexit



Basic facts in the Canada-UK economic relationship

- Trade
 - Canada is a net importer from the EU
 - Canada is a net exporter to the UK
 - UK represents 37 % of Canadian exports to the EU
- Investment
 - Canada's top 3 FDI destination countries in the EU in 2017 are Luxembourg, the Netherlands and the UK.
 - Canada's FDI is predominantly flowing to the financial services and manufacturing sectors



Canada's top exports to the UK

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	57.0	63.2	70.5	71.8	61.7	61.5	61.9	68.3	72.4	65.3
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	1.4	0.6	1.2	2.5	5.3	5.7	2.6	3.1	2.7	7.6
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	4.5	3.2	2.7	2.4	3.0	3.7	3.8	3.5	3.4	4.4
Wood and articles of wood; wood charcoal	0.8	0.9	1.0	0.9	1.6	1.7	1.8	2.2	2.1	2.3
Aircraft, spacecraft, and parts thereof	8.7	8.4	2.1	2.9	2.2	4.1	3.7	3.8	2.9	2.2
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	3.7	2.8	2.4	2.3	2.3	2.6	2.6	2.0	1.8	2.0
Ores, slag and ash	1.5	0.9	0.4	0.5	1.4	1.1	1.2	1.2	1.8	1.7
Nickel and articles thereof	1.3	5.2	5.5	4.1	5.2	6.2	8.0	4.7	2.8	1.7
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	7.1	5.5	5.9	5.4	6.7	2.8	2.4	1.0	0.6	1.7
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	1.7	1.5	1.3	1.1	1.5	2.1	2.4	1.7	1.4	1.6

Share of the top 10 Canadian export products to the UK in EU27 and World markets

	EU27	World
All products	36.9	2.8
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	86.2	45.0
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	26.9	1.0
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	18.0	1.6
Wood and articles of wood; wood charcoal	65.8	2.0
Aircraft, spacecraft, and parts thereof	12.3	2.6



- Gold represents the largest Canadian export to the UK (in terms of value)
 - But the UK's gold exports to Europe represent only 2% of its total exports
- On average the top Canadian export products to the UK are involved in 40% of UK's export in the EU market
- In total, roughly 750,000 Canadian workers are directly or indirectly affected by the Canada-UK trade in 5 main sectors:
 - Mining and quarrying (277K); automotive (380K); aerospace (90K); machinery manufacturing (162K); electrical and electronic equipment manufacturing (183K)
- The automotive industry is likely to be seriously affected by the outcome of the Brexit
- Canadian financial services are also likely to be affected, depending on access to the EU



Top UK exports to the EU

	EU-27	WTO-123	EU %
Mineral fuels, mineral oils and pro	29032012	43543785	67
Natural, cultured pearls; precious,	5678998	46402471	12
Diamonds	1448295	2059579	70
Gold	702739	30956822	2
Aluminium and articles thereof	1966683	3206630	61
Nuclear reactors, boilers, machinery	27174663	70053246	39
Turbines	16623	70597	24
Turbines; hydraulic water wheels	15	16899	0
Bulldozers, graders, levellers	1439665	2403352	60
Electrical machinery and equipment	14985539	28096762	53
Railway, tramway locomotives,	142970	386252	37
Vehicles; other than railway or train	23801495	53022429	45
Vehicles; public transport passenger	113422	179876	63
Motor cars and other motor vehicles	15873349	40710580	39
Vehicles; for the transport of good	867425	1963262	44
Aircraft, spacecraft and parts thereof	10770994	18827173	57
Aircraft n.e.c. in heading no. 8801	113862	2315967	5

Top 10 vehicles parts and accessories exports to UK in 2018 (HS 6-digit level)

Rank	Trade Commodity	Value: (CAN\$) 2018
Total	Chapter Vehicles, o/t railway or tramway rolling-stock, and parts and accessories thereof	112,390,480
1	Parts and accessories, of bodies, for the motor vehicles of Nos 87.01 to 87.05, nes	43,629,774
2	Motor vehicles, spark-ignition int combu recip piston engine, cyl cap > 3,000cc, nes	24,716,518
3	Motor vehicles, compression-ignition int combu pst eng, cyl cap > 1,500 <= 2,500cc	16,772,350
4	Bumpers and parts, for the motor vehicles of Nos 87.01 to 87.05	5,704,369
5	Trailer and other vehicle parts, nes	5,481,964
6	Parts, for the motor vehicles of Nos 87.01 to 87.05, nes	3,162,304
7	Trailers, nes, for the transport of goods	2,469,546
8	Motor veh, spark-ignition int combustion recip piston engine, cyl cap <= 1,000cc, nes	1,823,459
9	Motor vehicles, spk-ign int combu recip piston engine, cyl cap > 1,500 <= 3,000cc, nes	1,521,728
10	Suspension systems, pts t/o, incl shock-absorbers, f mtr veh of Nos 87.01 to 87.05	1,347,315

Top 10 aircraft and spacecraft products exports to UK in 2018 (HS 6-digit level)

Rank	Trade Commodity	Value: (CAN\$) 2018
Total	Chapter Aircraft, spacecraft, and parts thereof	283,085,569
1	Aircraft under-carriages and parts thereof	89,923,164
2	Aircraft, nes, of an unladen weight > 2,000 kg but not exceeding 15,000 kg	82,231,340
3	Ground flying trainers and parts thereof, nes	51,107,958
4	Aircraft parts, nes	38,577,415
5	Helicopters of an unladen weight not exceeding 2,000 kg	10,598,354
6	Airplanes and other aircraft, of an unladen weight <= 2,000 kg	10,528,559
7	Parts of balloons, dirigibles, gliders, spacecraft, satellites, etc, nes	94,296
8	Parachutes, paragliders and parts and accessories thereof	17,061
9	Aircraft propellers and rotors and parts thereof	7,422

Top 10 nuclear machinery and mechanical appliances exported to UK in 2018 (HS 6-digit level)

Rank	Trade Commodity	Value: (CAN\$) 2018
Total	Chapter Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	510,459,585
1	Self-propelled works trucks, powered by an electric motor	83,650,320
2	Self-propelled works trucks, nes	65,916,563
3	Machines and mechanical appliances having individual functions, nes	36,543,319
4	Parts of turbo-jets or turbo-propellers	28,296,327
5	Gas turbines, nes, of a power exceeding 5,000 kW	21,279,838
6	Gas turbines, nes, of a power not exceeding 5,000 kW	15,676,248
7	Pts and access f: adpm,units t/o,magnt/opt readers,mach f transcr/process data,nes	13,075,217
8	Concrete or mortar mixers	12,050,598
9	Machinery, plant or laboratory equip for treat of mat by a change of temp, nes	12,001,923
10	Parts of gas turbines, nes	11,078,933

Top 10 electrical and electronics equipment exports to UK in 2018 (HS 6-digit level)

Rank	Trade Commodity	Value: (CAN\$) 2018
Total	Chapter Elec mchy,equip and pts;snd record and repro, tv image and snd record and repro, pts, acces	248,523,722
1	Boards, panels, including numerical control panels, for a voltage $\leq 1,000$ V	32,652,136
2	Machines, f reception/conversion/transmission/regeneration of voice/images/o data	21,994,746
3	Transmission apparatus incorporating reception apparatus	18,520,089
4	Electrical machines and apparatus, having individual functions, nes in Chapter 85	14,589,487
5	Aerials and aerial reflectors of all kinds; parts suitable for use therewith	11,623,420
6	Parts, suitable for use solely/principally w apparatus of Nos 85.25 to 85.28, nes	11,007,518
7	Electric motors, of an output not exceeding 37.5 W	9,394,478
8	Transmission apparatus for radio-teleph/telegr/broad or tv	7,754,134
9	Optical media, nes	7,622,847
10	Radio navigational aid apparatus	6,894,910