

Establish a New Proactive Trade Policy in Canada

Issue

Since 2009, the long-standing Canadian trade balance shifted to deficit as imports value increased more than exports. The United States is by far Canada's largest trading partner, accounting for about 75% of exports and 66% of imports as of 2015 (Trading Canada). Canada has experienced a 15-year slump in exports, among the worst track records within developed economies (Financial Post December 5, 2016). In order to restore trade balance, Canada needs a new proactive international trade policy that works for businesses.

Background

Canada is one of the most trade-dependent nations in the world but our performance is weakening. As a percentage of GDP, trade has fallen from a record 84% in 2000 to about 66% in 2016. The country's export growth rate is averaging just below 1% in volume terms since 2000, the worst in the Group of 20 and second-worst among developed economies. During the same period, Canadian exports as a share of GDP fell by 14 % to about 31%.

According to available data, Canada is struggling to improve its international trade balance and its 15-year exporting slump. Canada's overall international trade performance, including the two-way trade with the U.S., is a threat to long-term economic stability. Canada's trade with the U.S. was more than eight times our trade with the European Union, more than 12 times our trade with China, and more than 36 times our trade with Japan

Moreover, the uncertainty resulting from the extensive renegotiation of the North American Free Trade Agreement poses an added risk to Canada with potential disruption to our largest trading relationship.

Canada's business community must be aided by a more proactive trade strategy at the Federal level and in better alignment with the Provinces and Territories. Policy development must prioritize boosting the ability of our businesses to export, compete within global trade regulations and as a principle they must enjoy equal privileges afforded to imported goods.

The business community is looking for immediate actions that will take a closer look at our industrial strategy, our international trade standing and that would produce a detailed plan for addressing any deficiencies that have been identified as critical in improving our trade performance. Concurrently, the government must also facilitate the current and future participation of Canadian goods within global supply chains. For example, within the NAFTA agreement, sectors including auto and resource based manufacturing rely on efficient transportation of goods within North America.

Canada can only prosper if we embrace and improve our international trade competitiveness and this must be an urgent priority for the Canadian government.

Recommendations

That the federal government, in the model of the Trade Estimates Report by the U.S., conduct an annual inventory of the most important foreign barriers affecting Canadian exports of goods and services, foreign direct investment by residents, and protection of intellectual property rights. Such an inventory will improve awareness and transparency of these trade barriers and allow the business community to collaborate towards improving competitiveness.