

WELCOME TO THE JUNGLE: **THE FRAGILE STATE OF GLOBAL TRADE AND CANADA'S CHALLENGES**

Queen's Institute on Trade Policy
Kingston, Ontario
November 17, 2019

Stephen Tapp,
Deputy Chief Economist, Export Development Canada

Canada



David Parkins



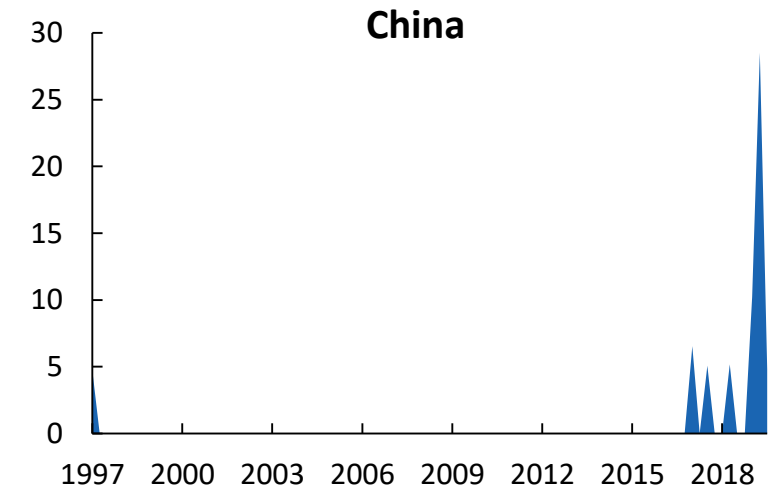
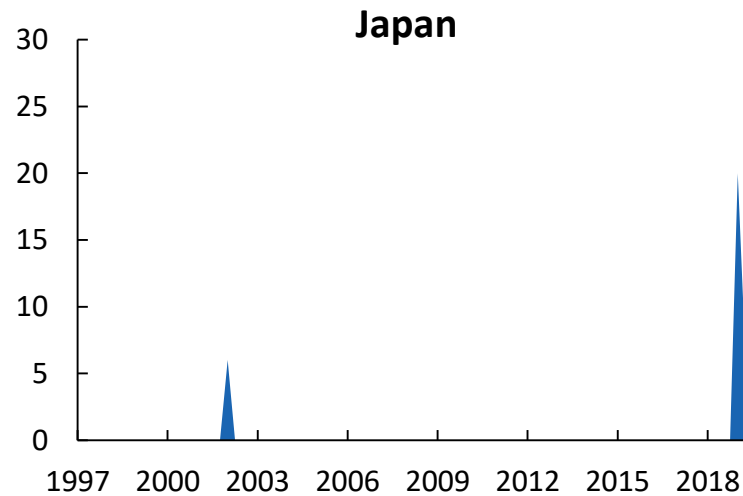
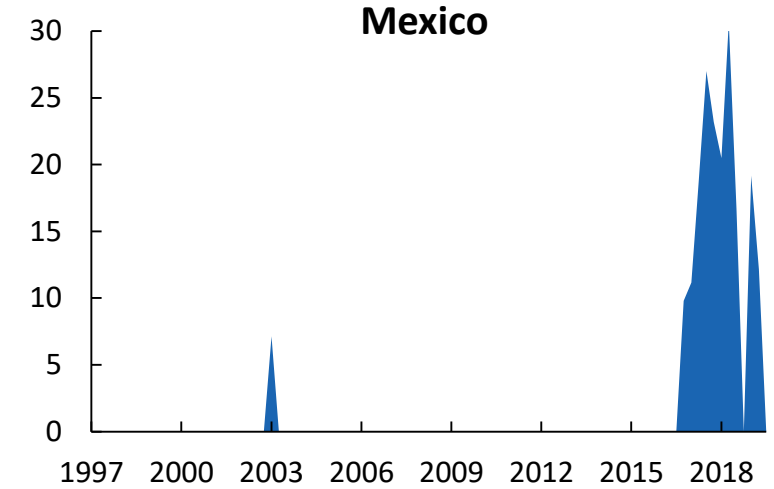
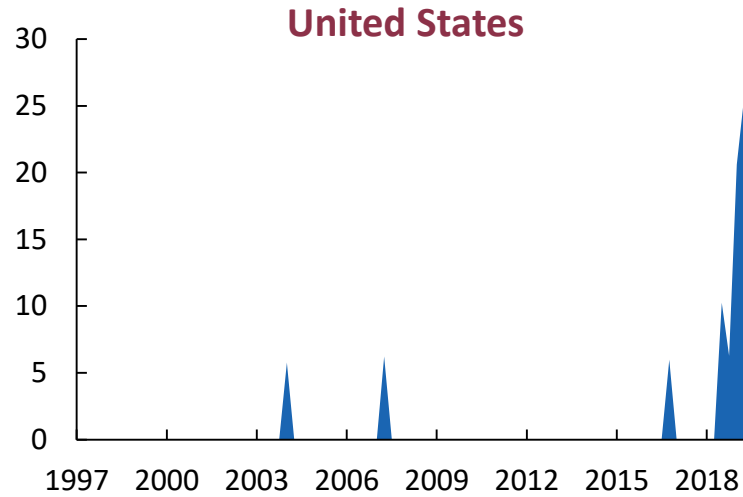
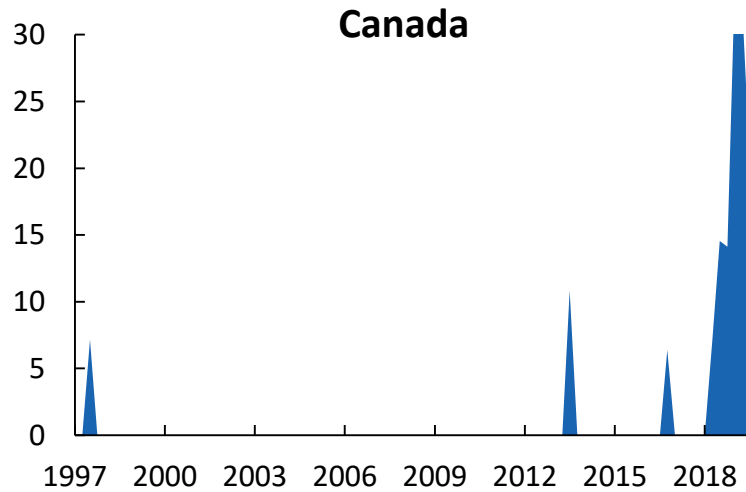
FRAGILE STATE OF GLOBAL TRADE

MAN OF STEEL ...



“WEAPONIZED” TRADE UNCERTAINTY

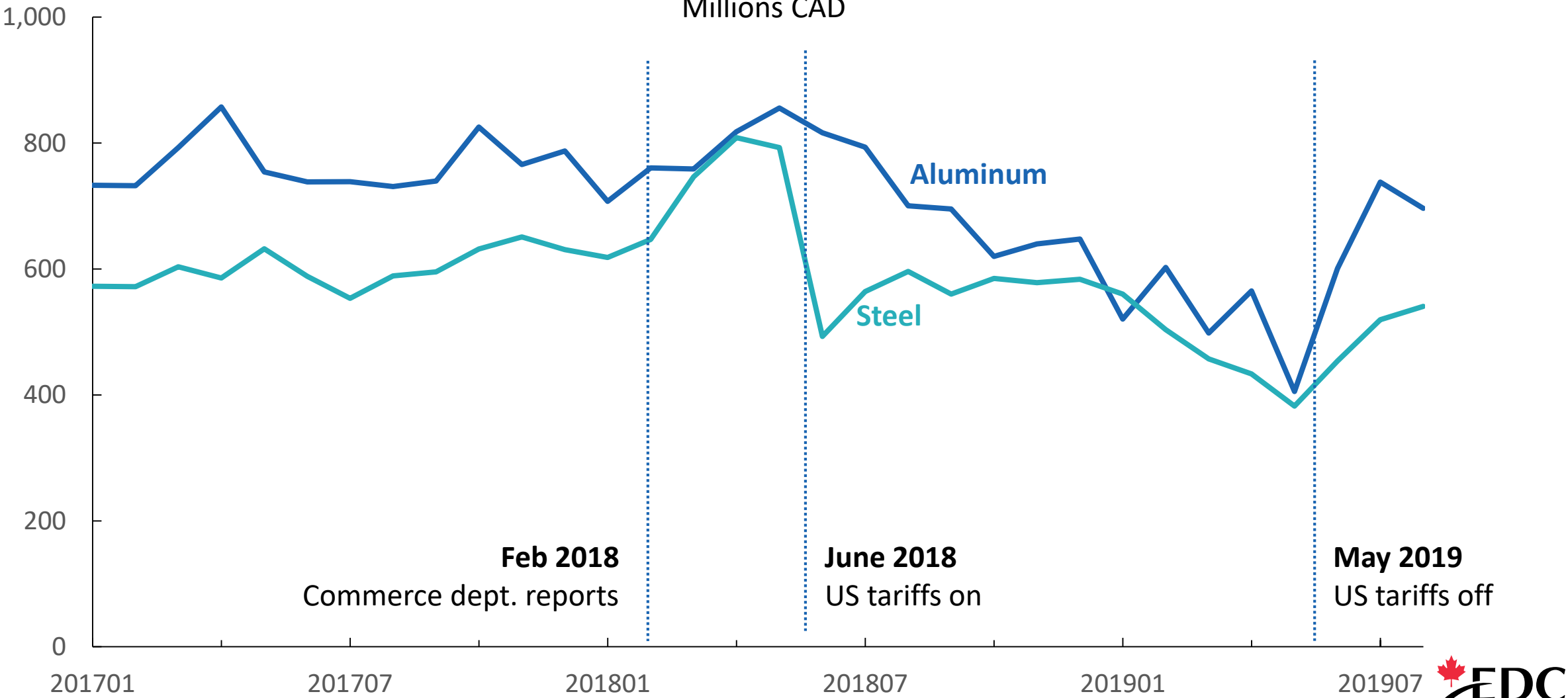
Trade uncertainty indices



STEEL AND ALUMINUM TARIFF IMPACTS

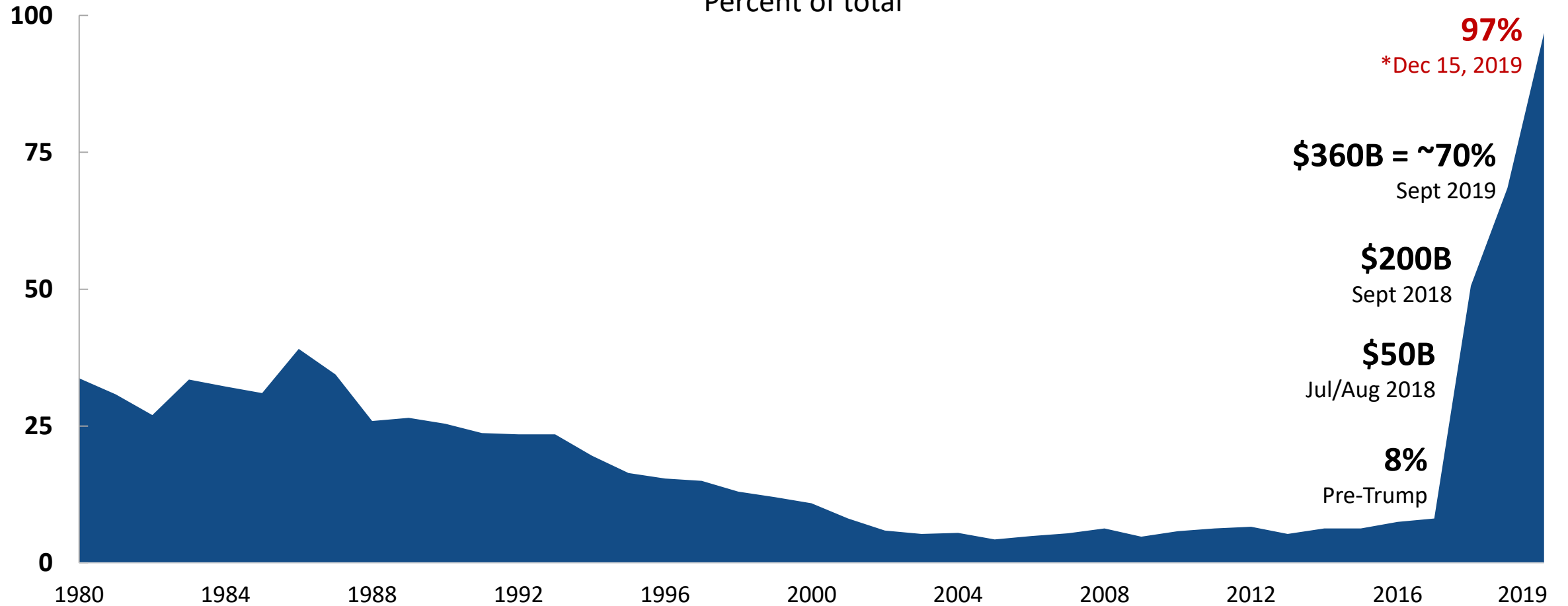
Canadian steel and aluminum exports to US

Millions CAD



U.S. TARIFFS ON CHINA

Share of US goods imports from China subject to special tariffs
Percent of total

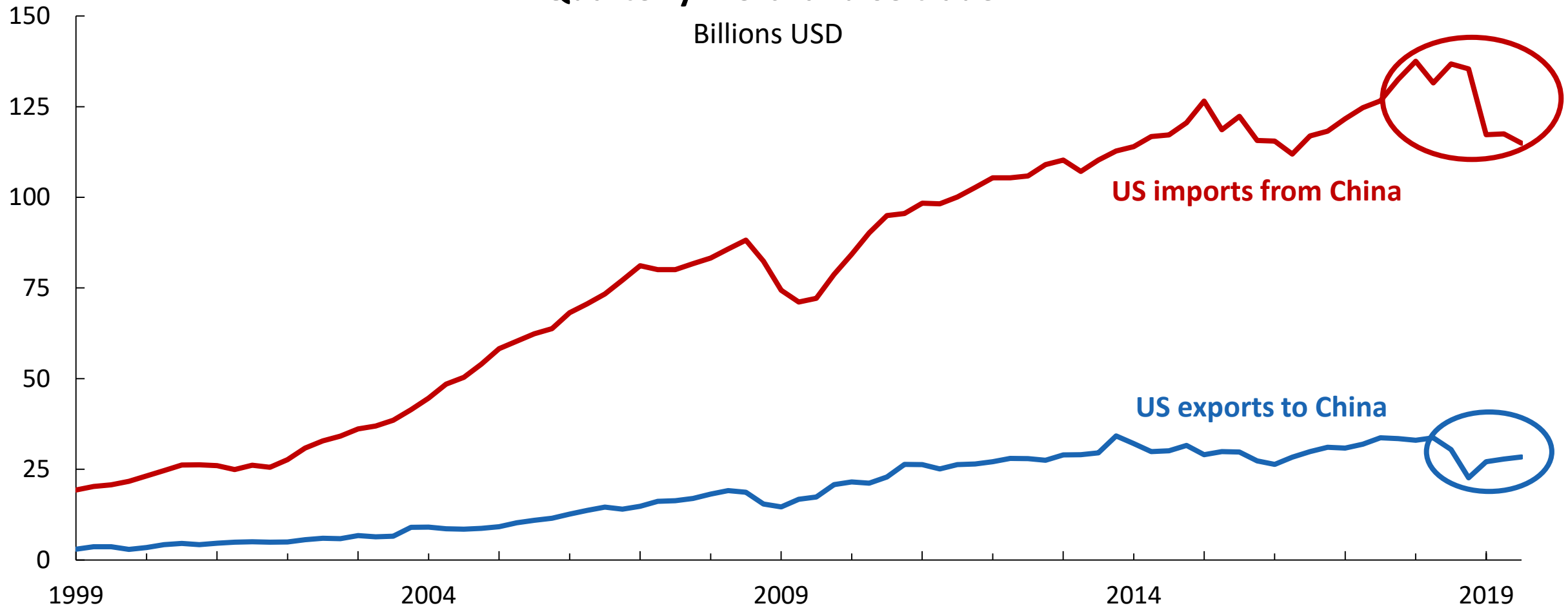


Source: Peterson Institute of International Economics.

TARIFFS HURTING BILATERAL TRADE

Quarterly merchandise trade

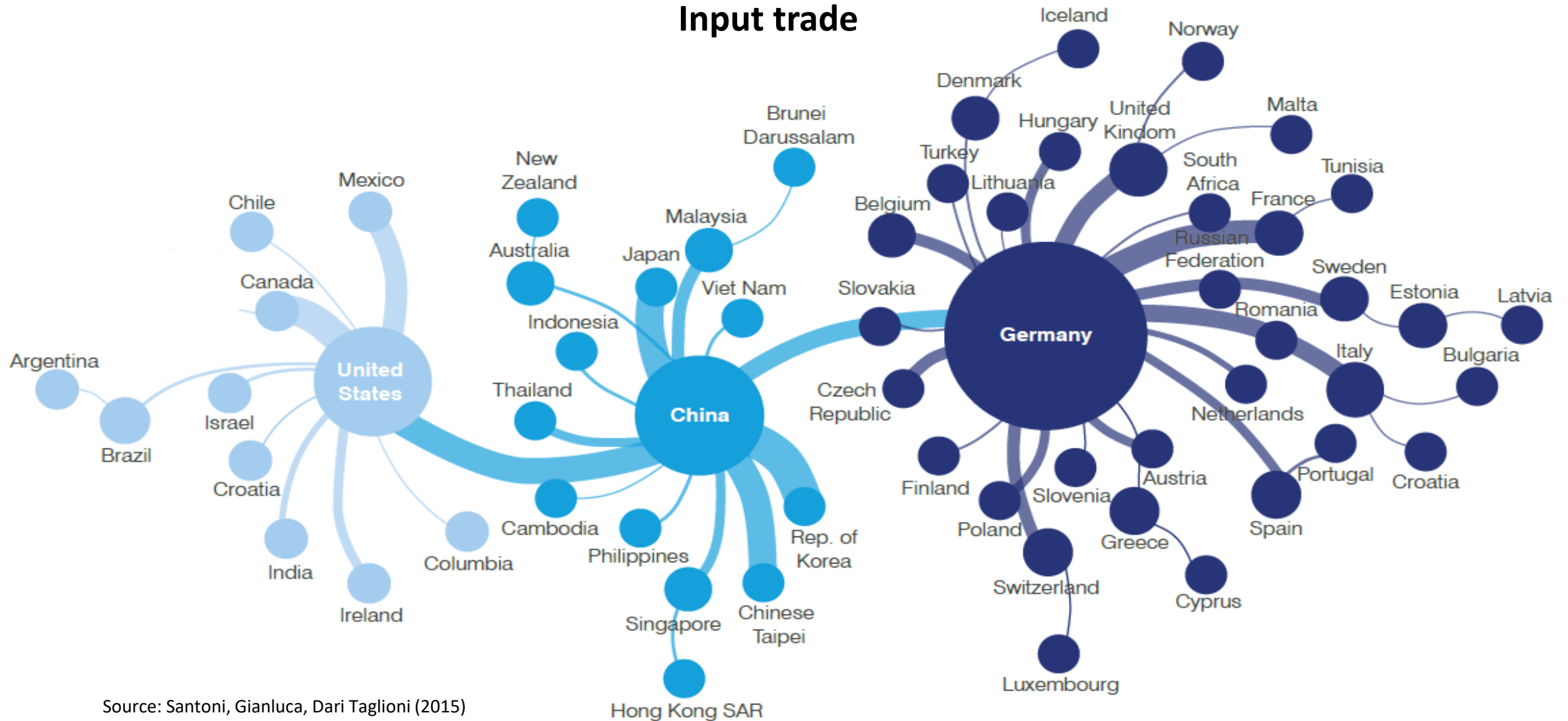
Billions USD



Source: US Bureau of Economic Analysis.

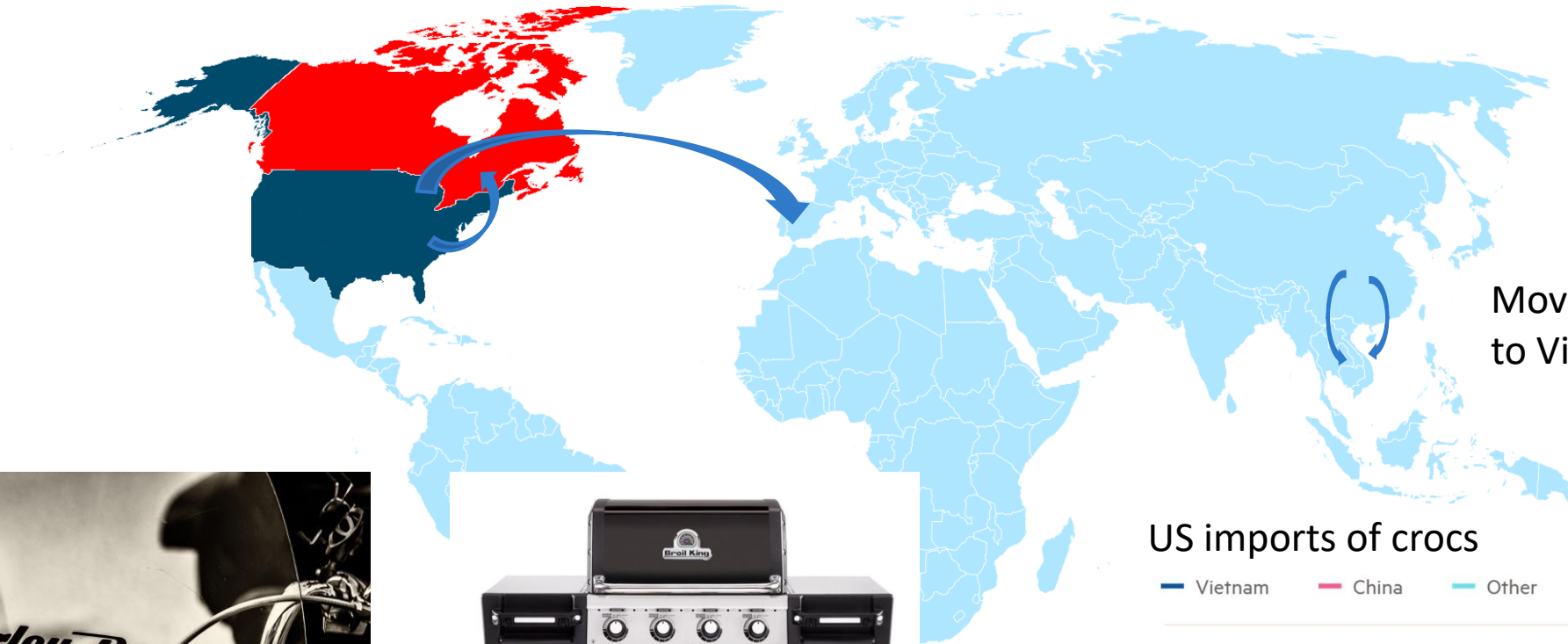
KEY SUPPLY CHAIN HUBS

Input trade



Source: Santoni, Gianluca, Dari Taglioni (2015)

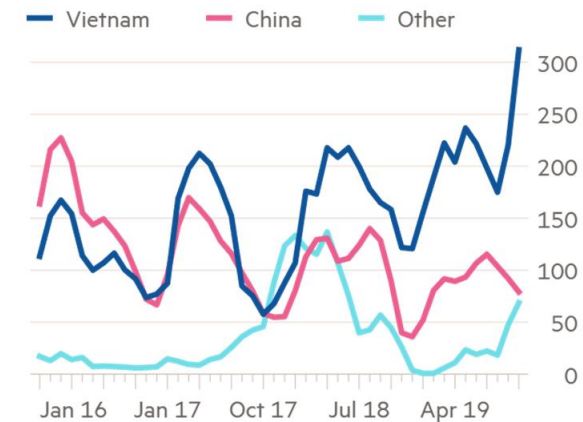
FIRMS SHIFTING PRODUCTION



Moves from China to Vietnam, Thailand, etc.

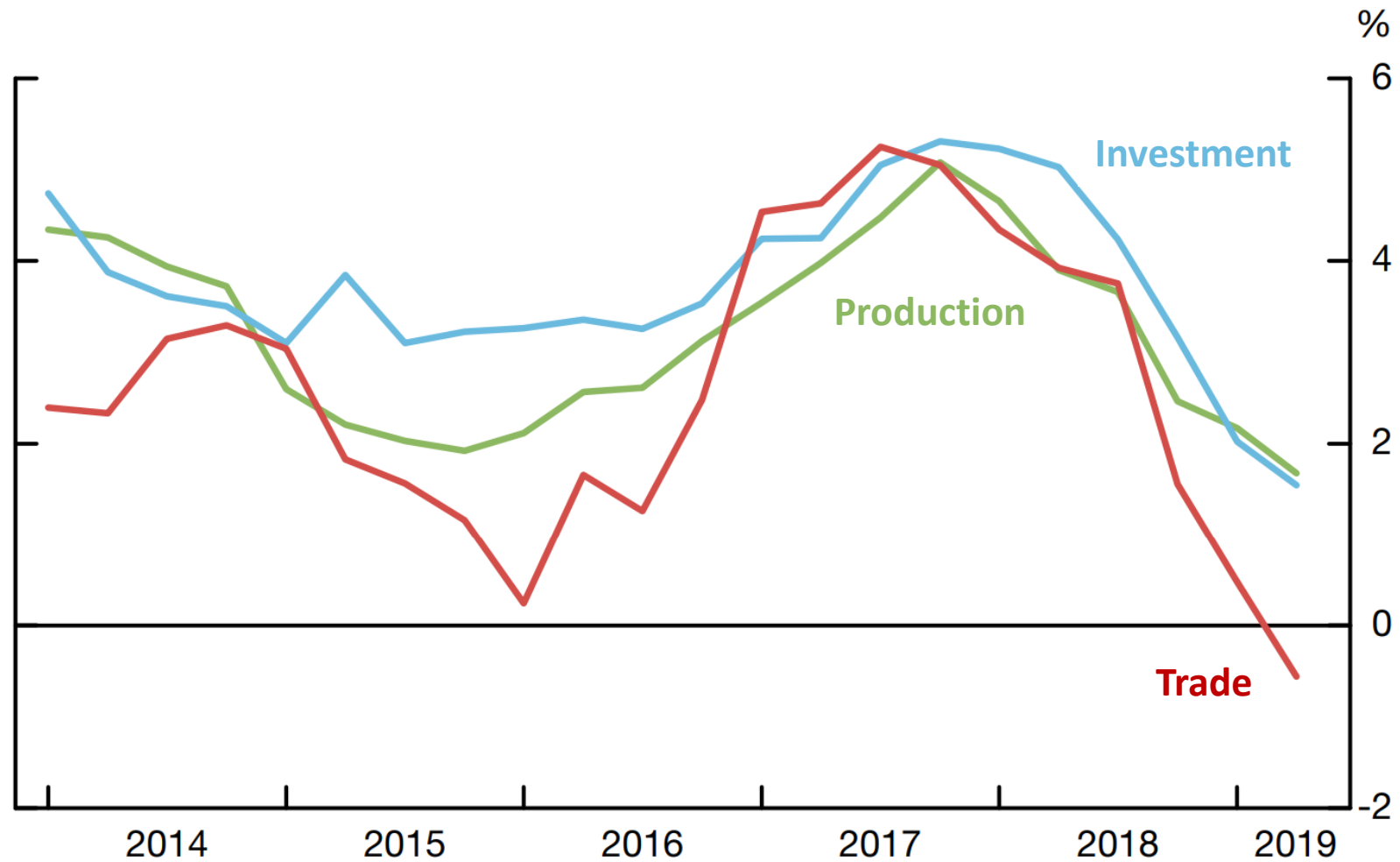


US imports of crocs

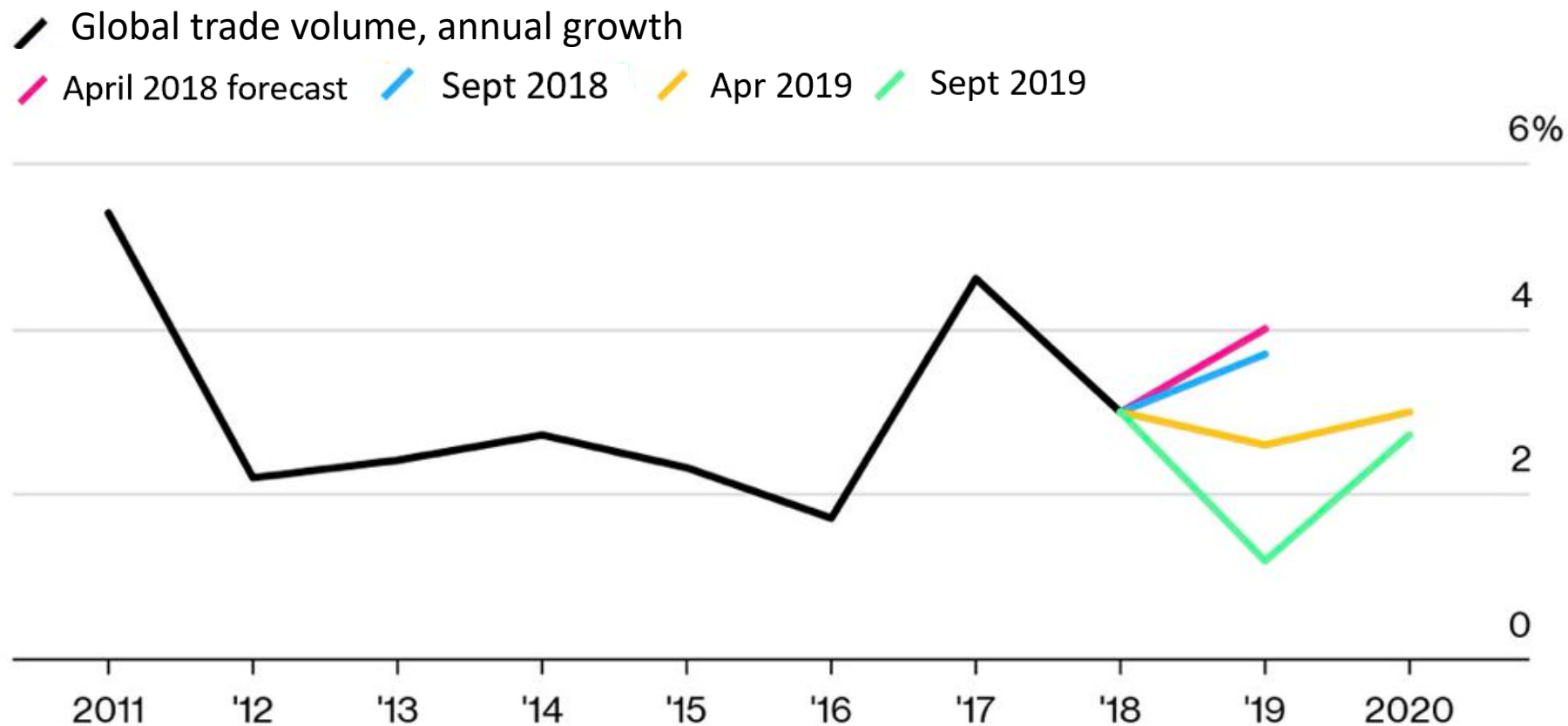


GLOBAL MOMENTUM SLOWING

Year-over-year percent change



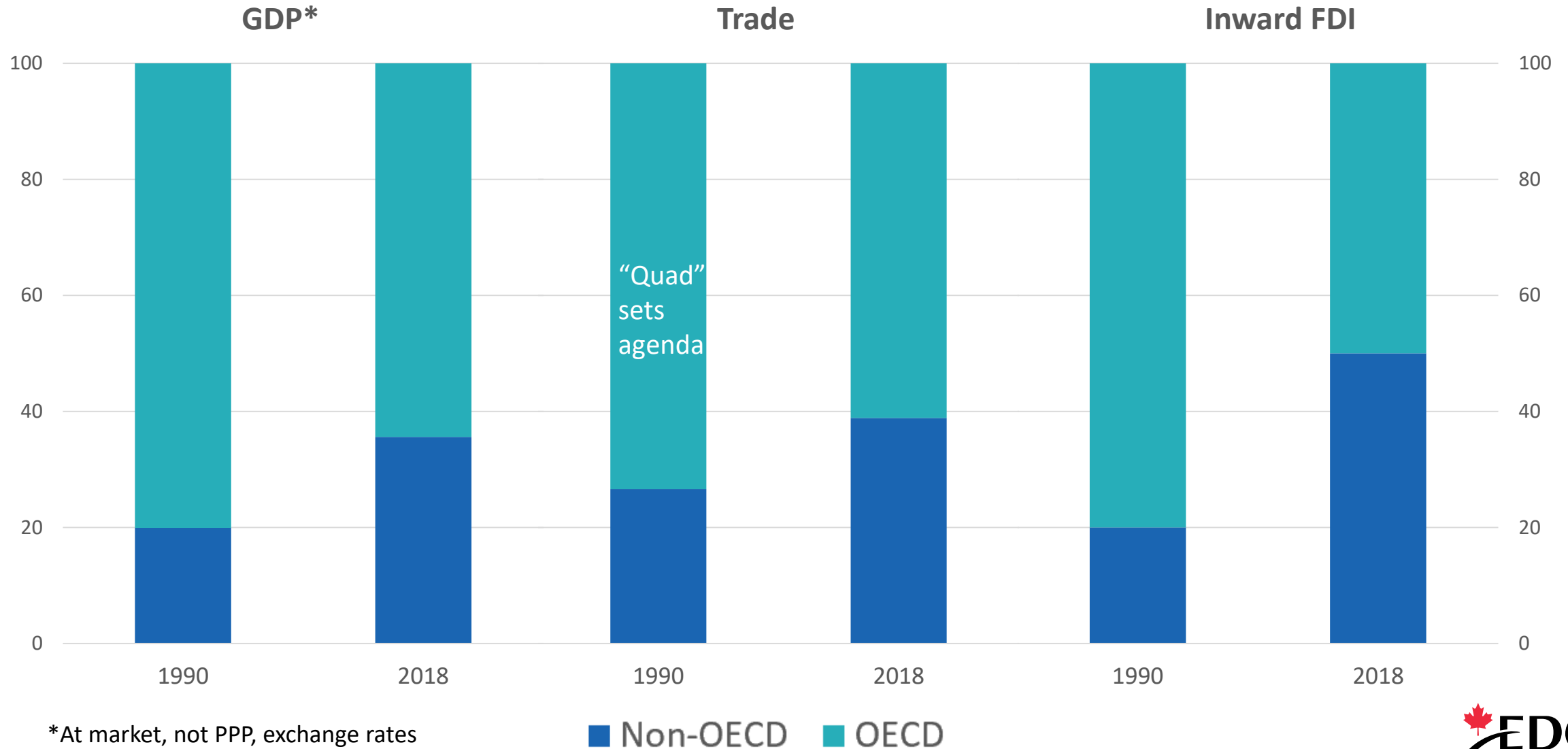
GLOBAL TRADE FORECAST MARKDOWNS



Source: WTO

GLOBAL GROWTH SHIFT

POWER SHIFT TO EMERGING MARKETS

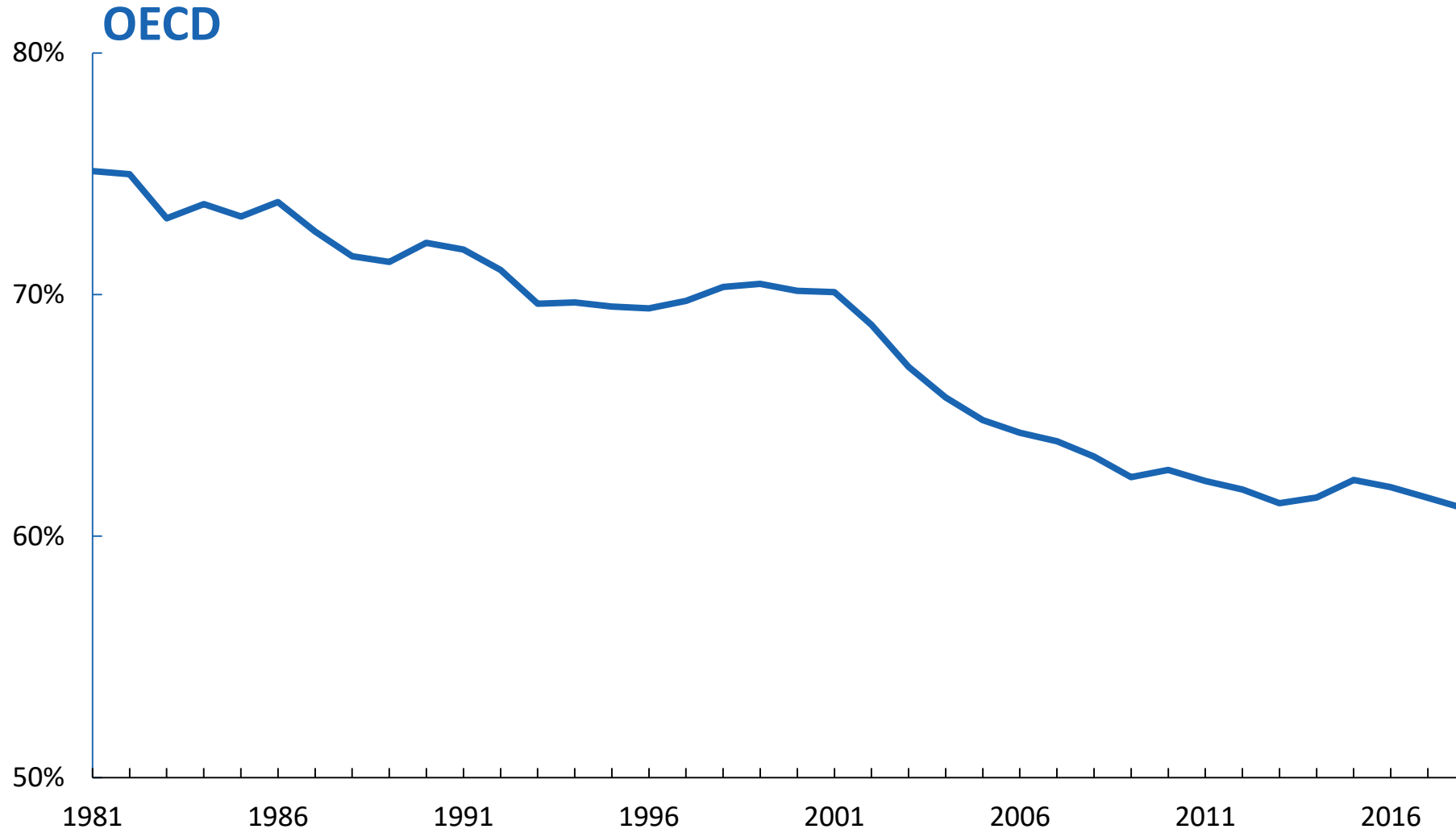


*Next 5 years, PPP basis:
EMs expected to drive ~70% of global GDP growth!*

CANADA FALLING BEHIND

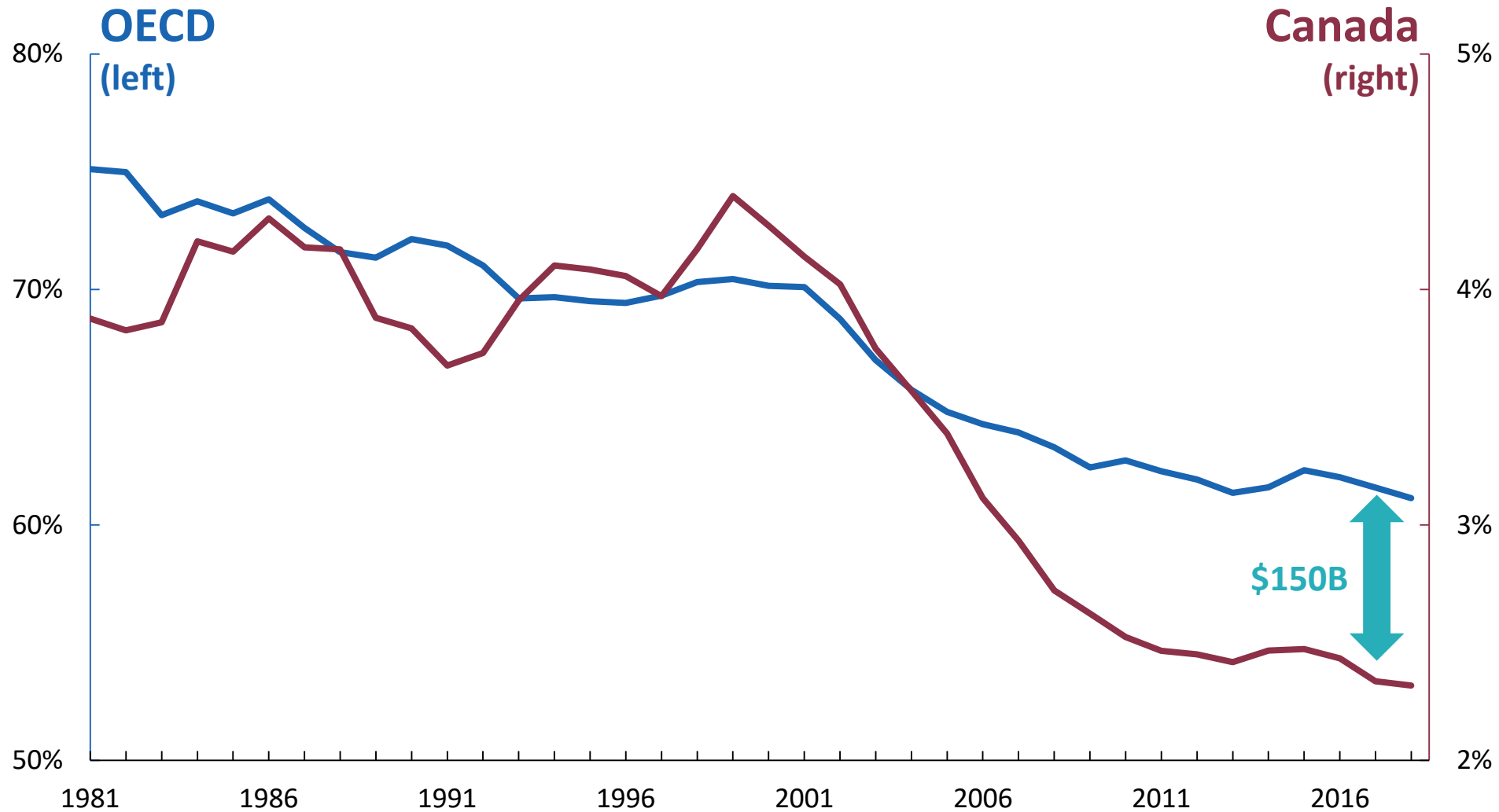
OECD'S FALLING SHARE OF GLOBAL EXPORTS

Goods and service export volumes, percent of global total



CANADA LAGS OECD

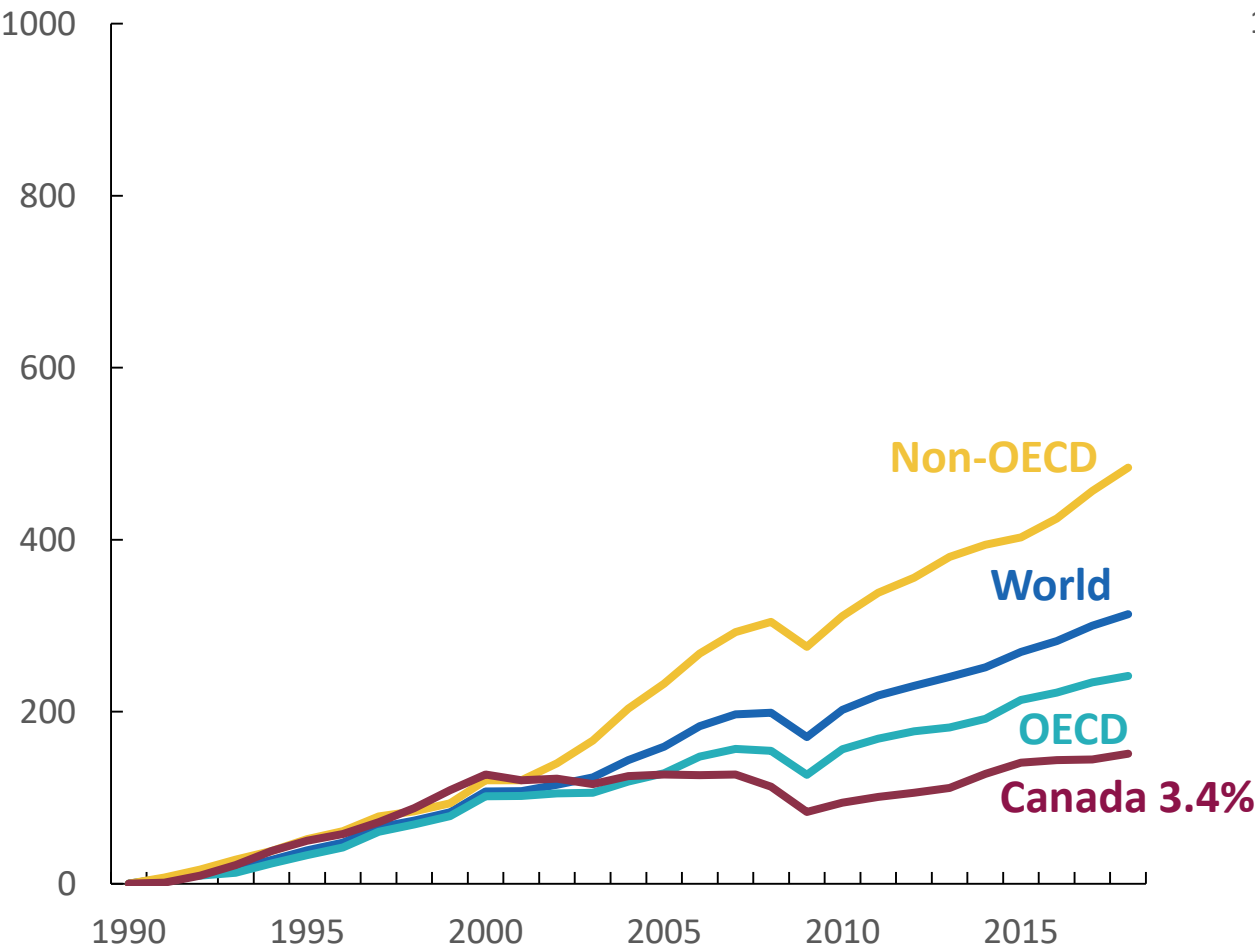
Goods and service export volumes, percent of global total



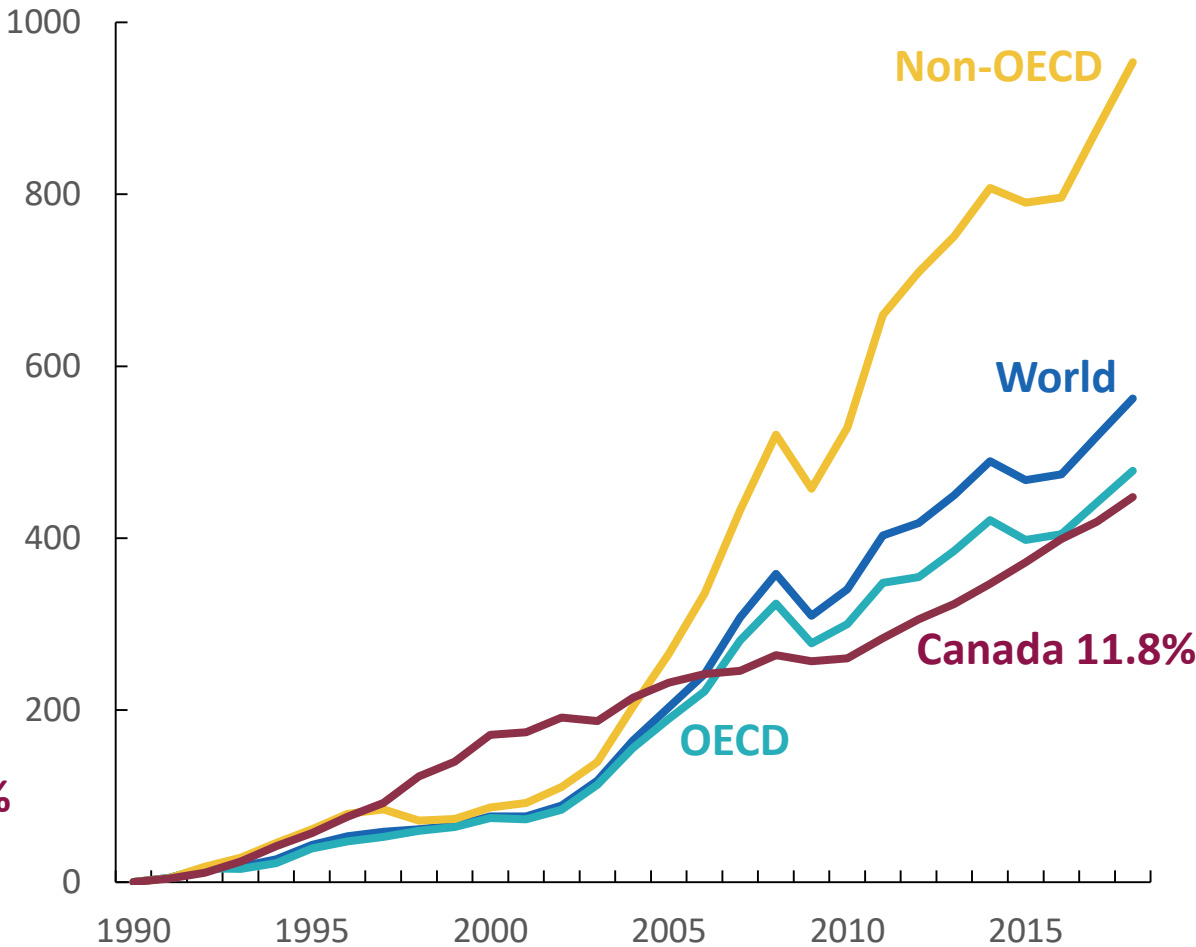
CANADA-OECD GAP IN GOODS, NOT SERVICE EXPORTS

Cumulative percent growth

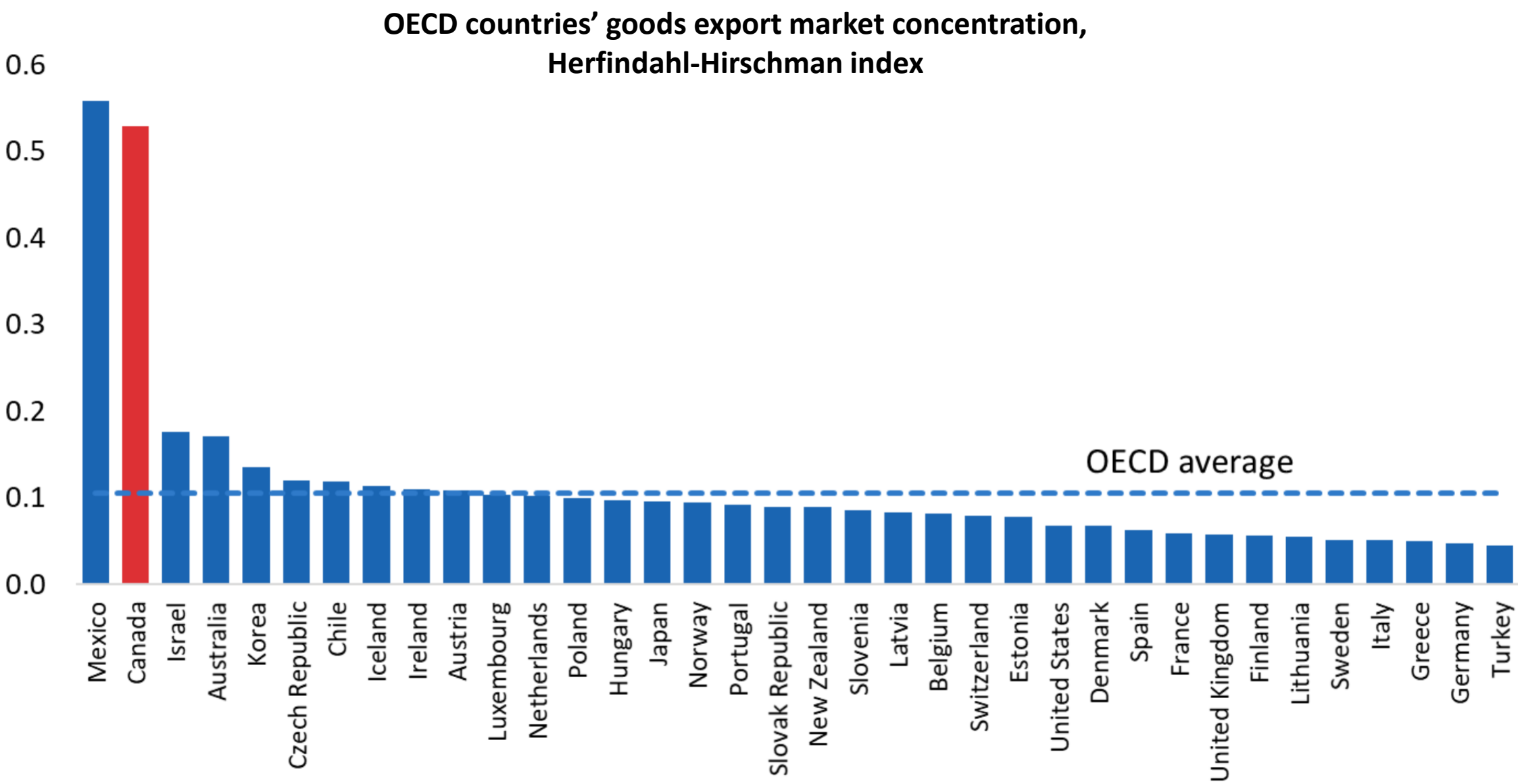
Goods



Services

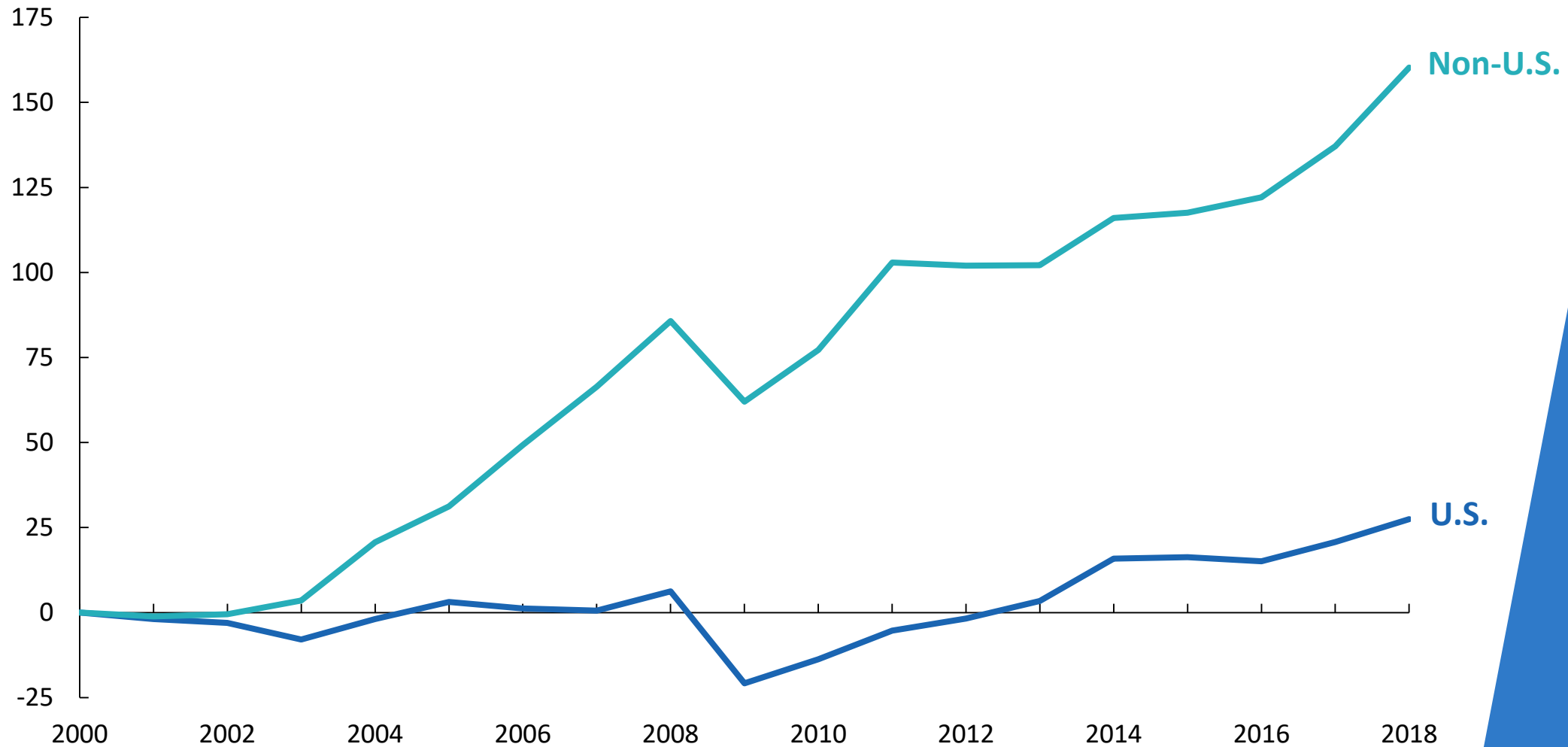


CANADA'S GOODS EXPORTS HIGHLY US-CONCENTRATED



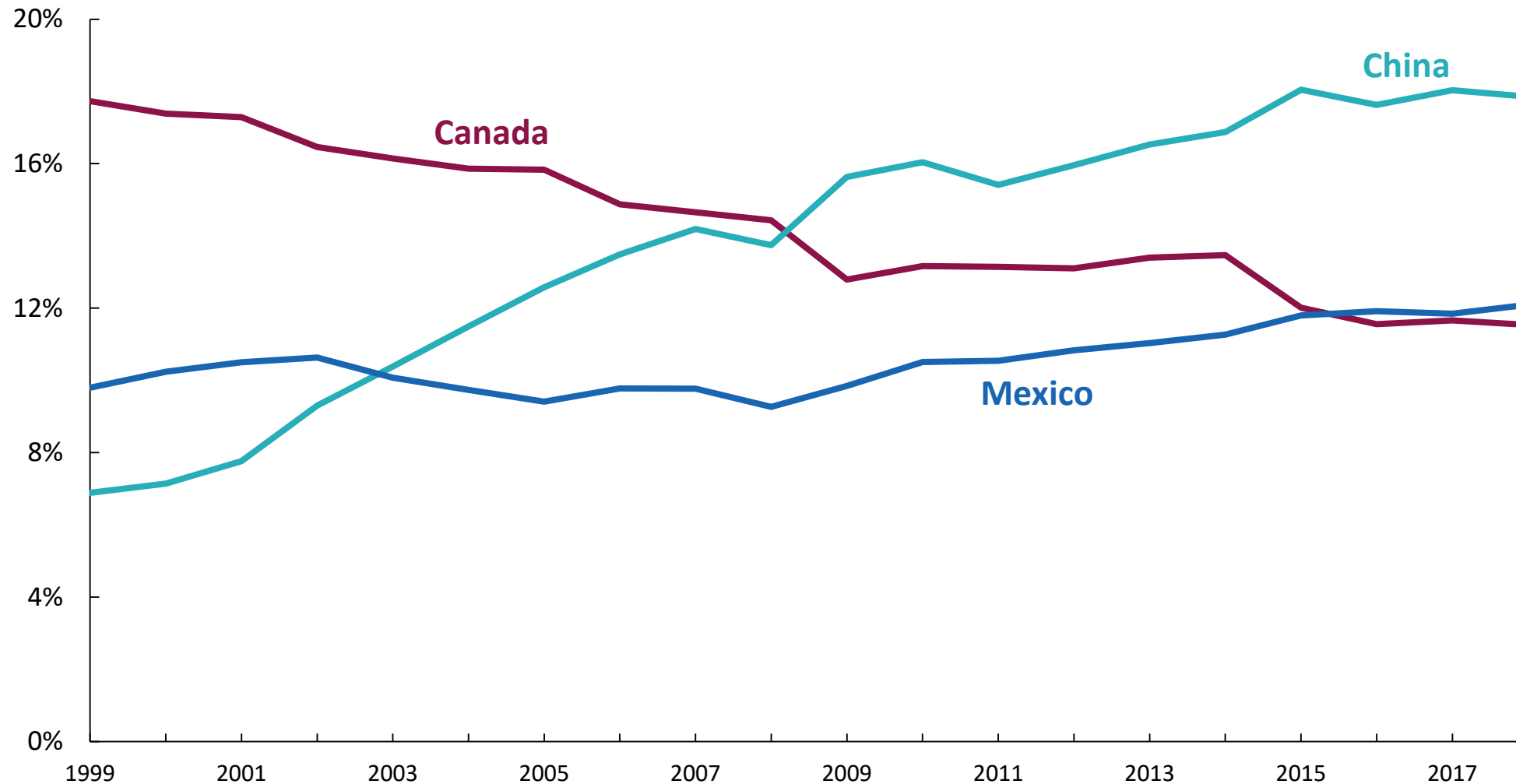
CANADA'S EXPORTS TO US STALLED

Cumulative percent growth



CANADA LOSING US MARKET SHARE

Share of U.S. goods and services imports



CANADA'S EXPORT DESTINATIONS

Losing

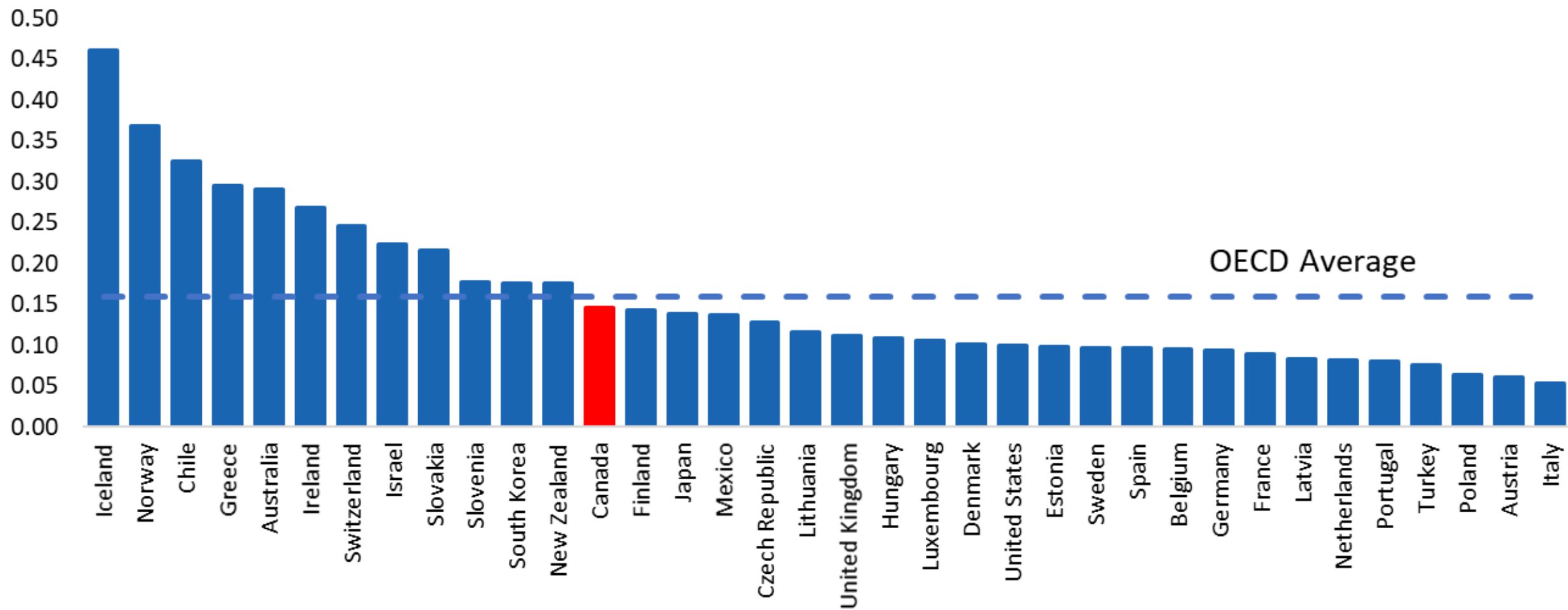
	Share of Canadian exports		Δ export share ppts
	2000	2018	
1. U.S.	84.6%	73.9%	-10.7%
2. Japan	2.3%	2.1%	-0.3%

Winning?

	Share of Canadian exports		Δ export share ppts
	2000	2018	
1. China	1.0%	4.2%	3.3%
2. U.K.	2.0%	3.7%	1.7%
3. Mexico	0.5%	1.2%	0.7%
4. India	0.2%	0.8%	0.7%
5. Switzerland	0.2%	0.6%	0.4%
6. South Korea	0.6%	1.0%	0.4%

CANADA'S EXPORT PRODUCTS SURPRISINGLY DIVERSIFIED

OECD countries' goods export product concentration,
Herfindahl-Hirschman index



CANADA'S EXPORT PERFORMANCE, KEY INDUSTRIES

Losing

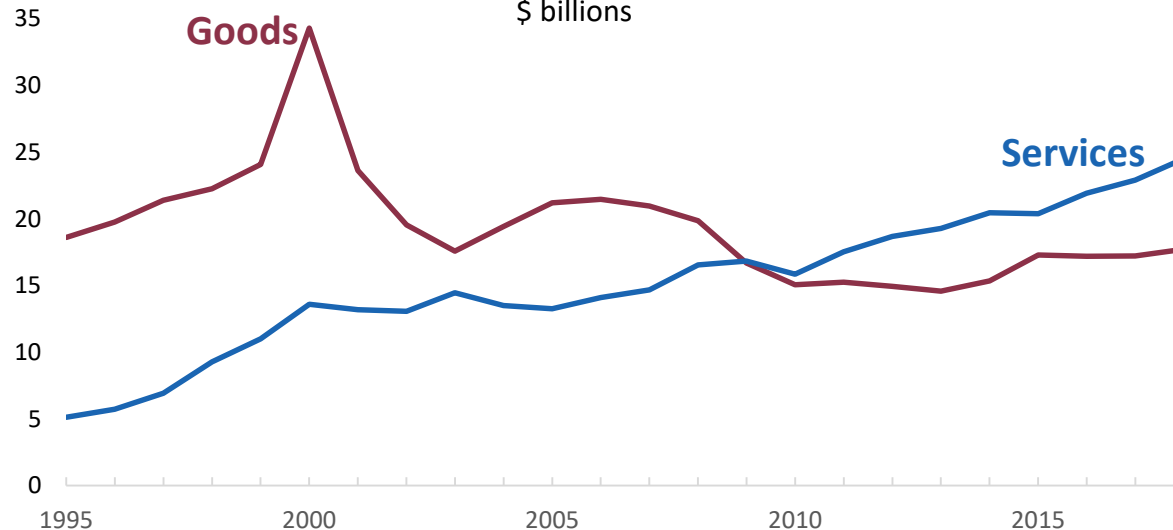
	Share of Canadian exports*		Δ export share ppts
	2000	2018	
1. Autos	19.5%	11.5%	-8.0%
2. Forestry & products	11.5%	6.2%	-5.3%
3. Tech hardware	7.3%	2.5%	-4.7%
4. Clothes, textiles	1.2%	0.6%	-0.6%

Winning

	Share of Canadian exports*		Δ export share ppts
	2000	2018	
1. Energy	10.3%	16.7%	6.4%
2. Mining, minerals, metals	6.4%	11.2%	4.8%
3. Agriculture	4.8%	8.7%	3.9%
4. High-skill services	4.6%	7.7%	3.1%
5. Pharma, medical equip	0.5%	1.8%	1.3%
6. Tourism	2.8%	3.6%	0.8%

Canadian tech exports

\$ billions

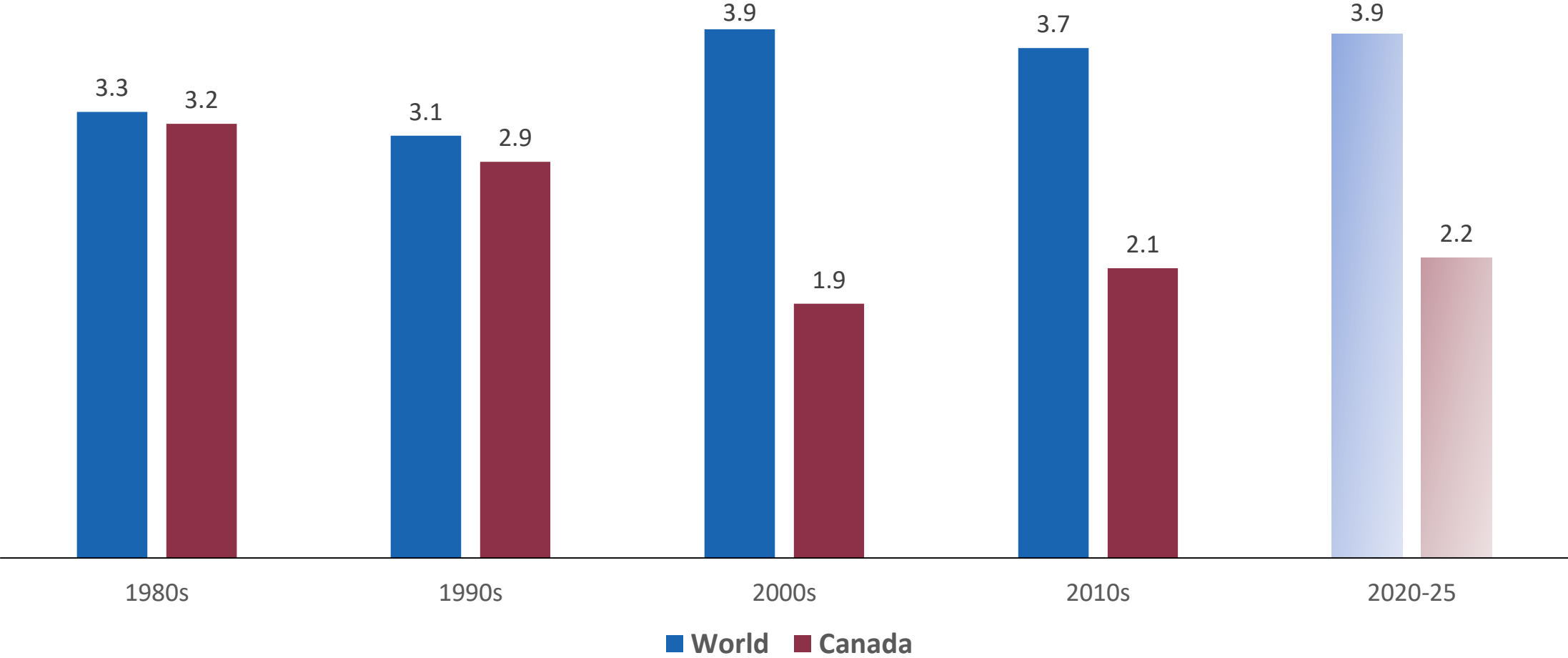




THE BEAVER HAS WORK TO DO

CANADA NOT TAKING ADVANTAGE OF GLOBAL GROWTH

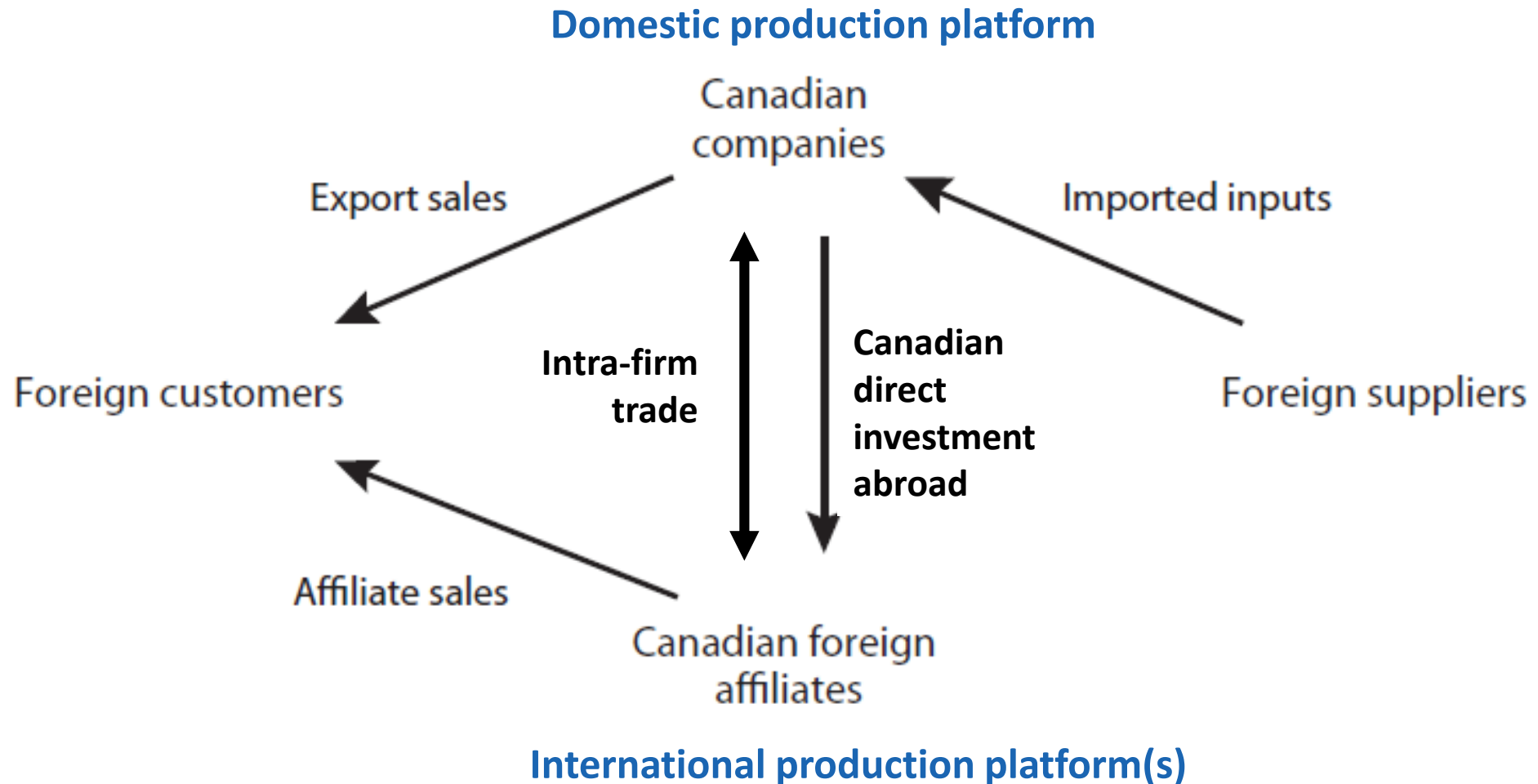
Global and Canadian export-weighted GDP growth
Average annual growth, percent





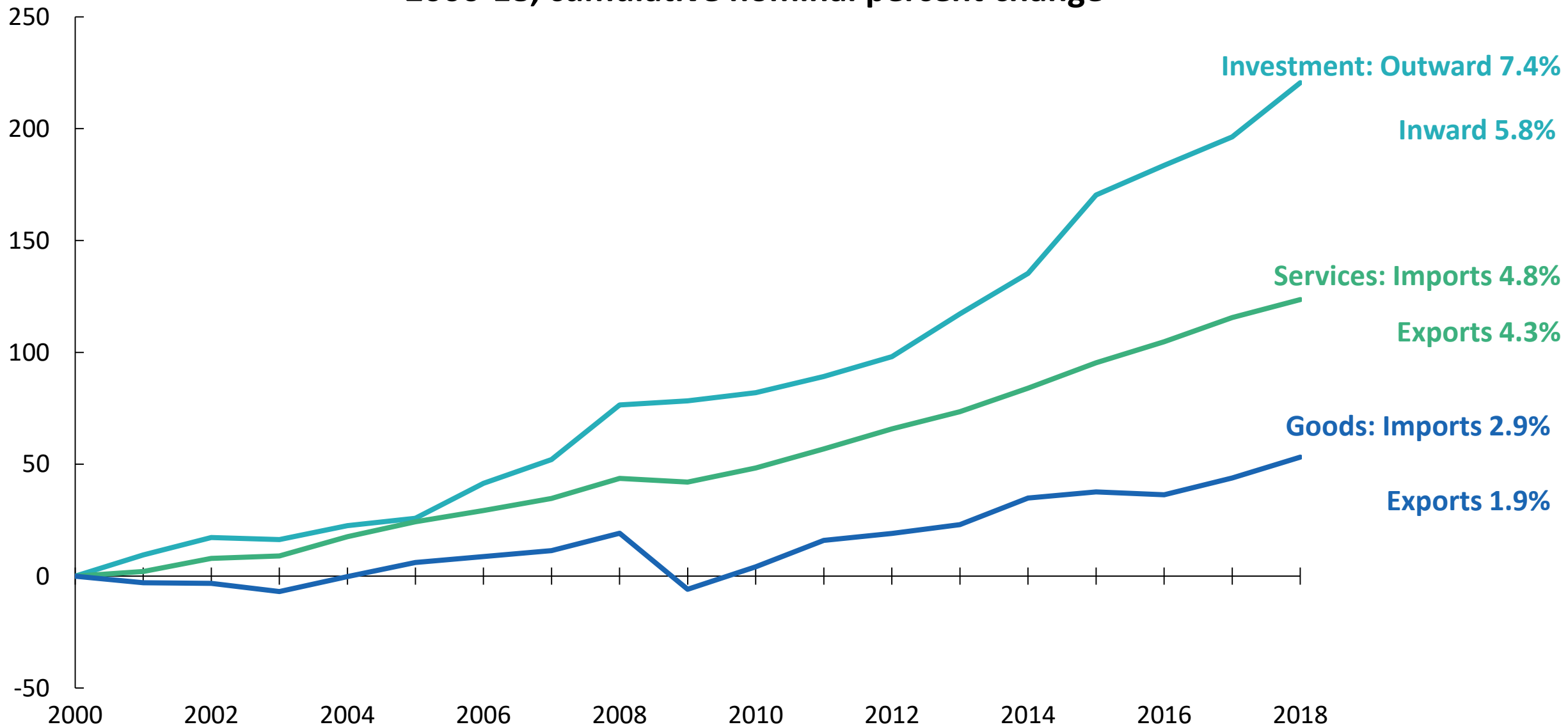
CANADIAN FIRMS ARE ADJUSTING HOW THEY SERVE FOREIGN MARKETS

EDC'S INTEGRATIVE TRADE APPROACH



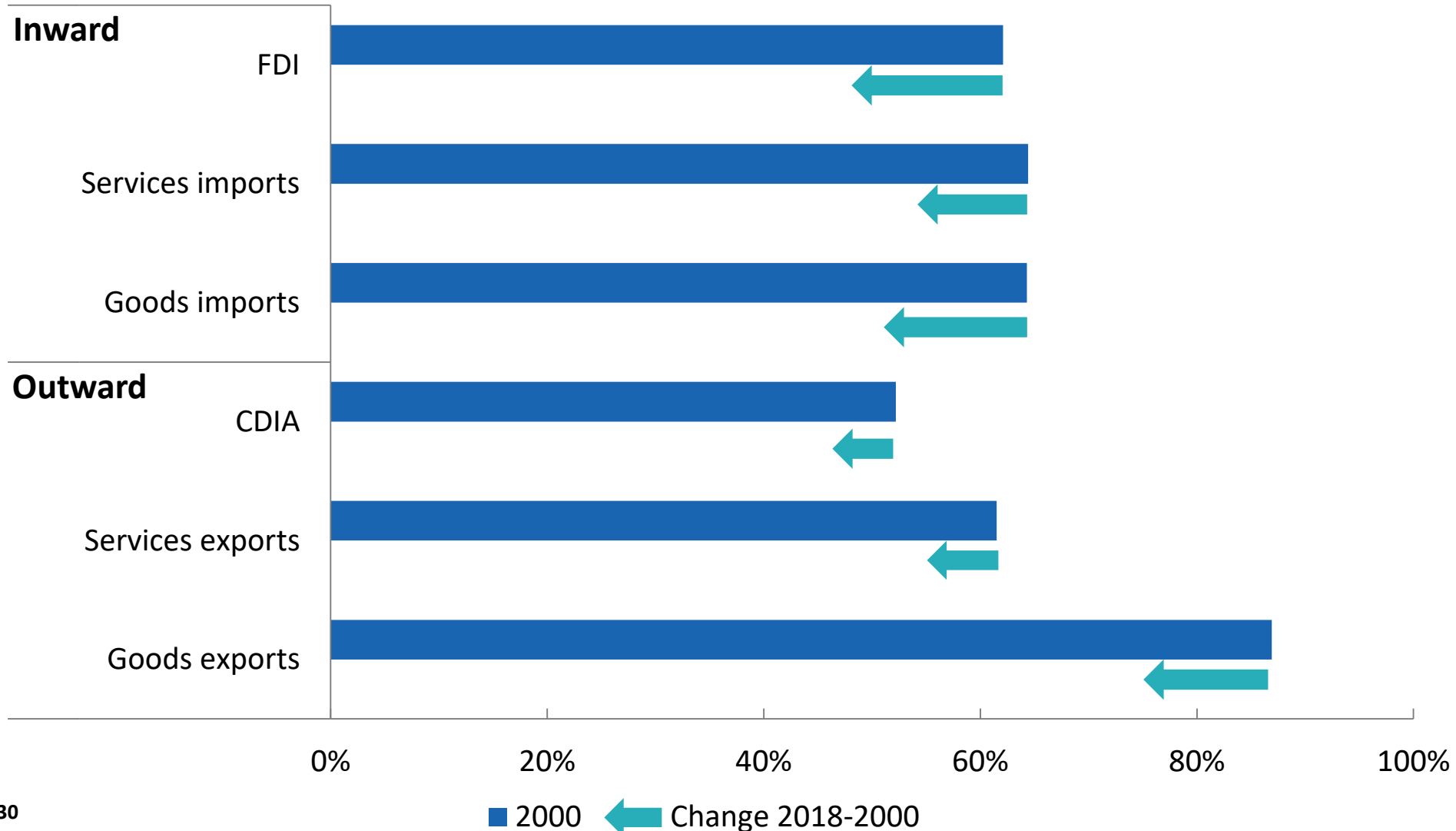
FASTEST GROWING ACTIVITIES: INVESTMENT & SERVICES

2000-18, cumulative nominal percent change



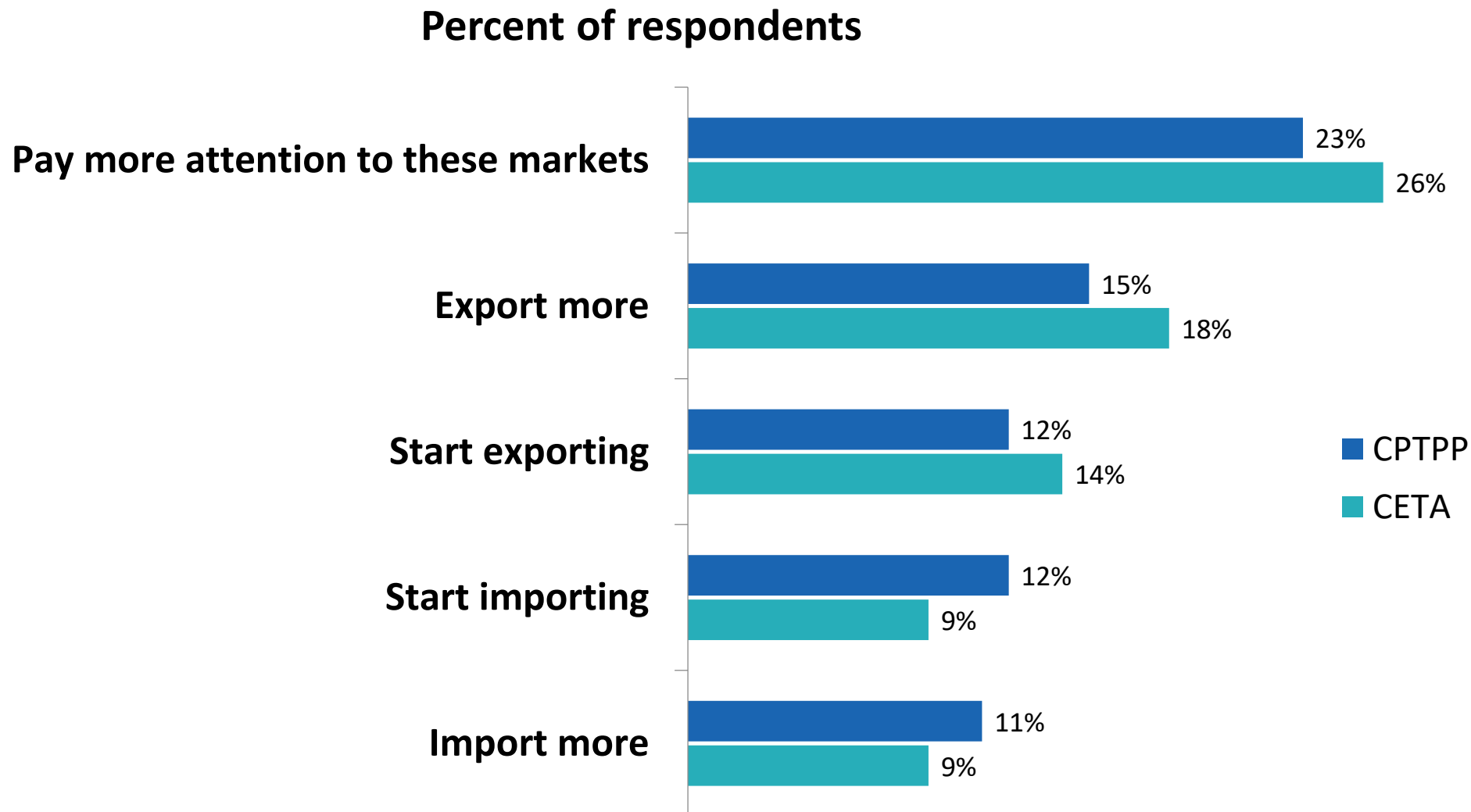
CANADA SHIFTING AWAY FROM U.S.

U.S. share of Canada's total activities, percent

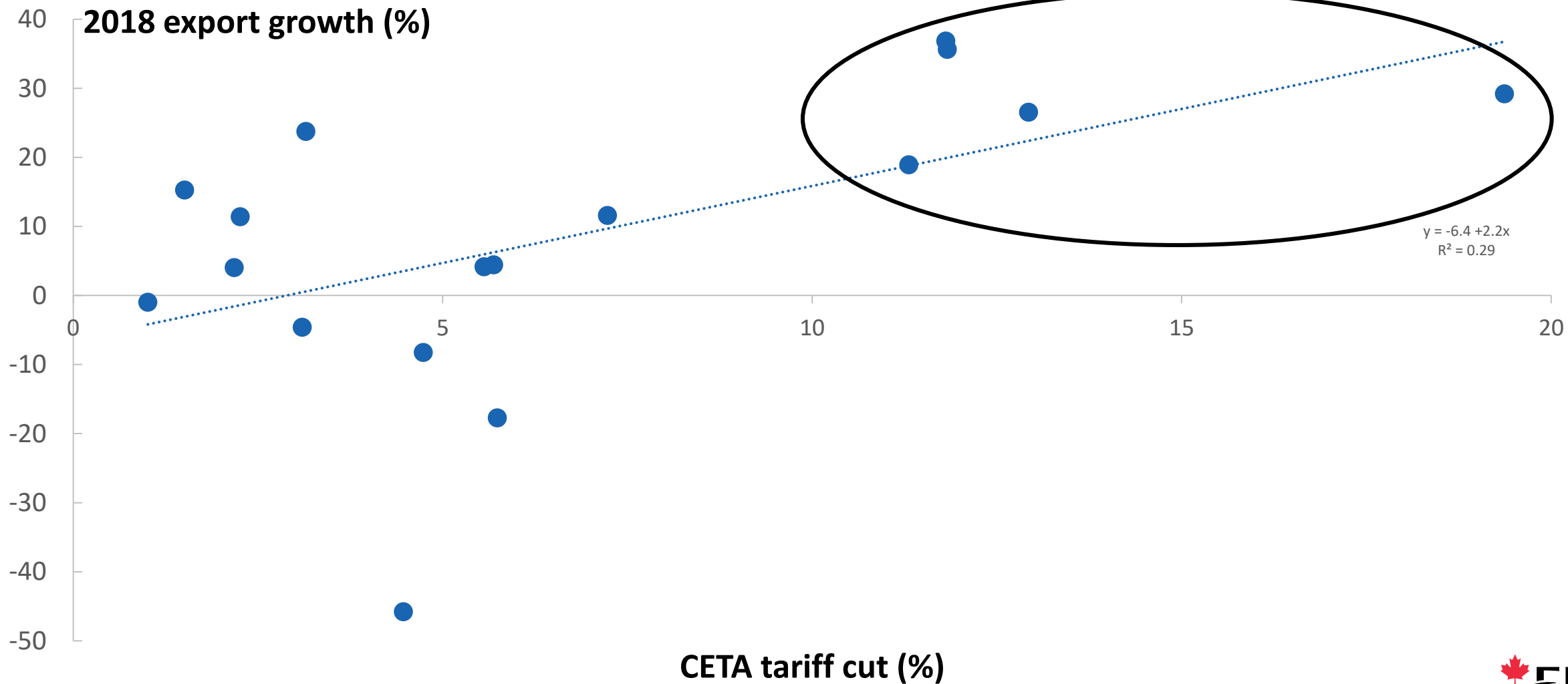


LEVERAGING CANADA'S NEW FTAS

EXPORTER RESPONSES TO NEW TRADE DEALS

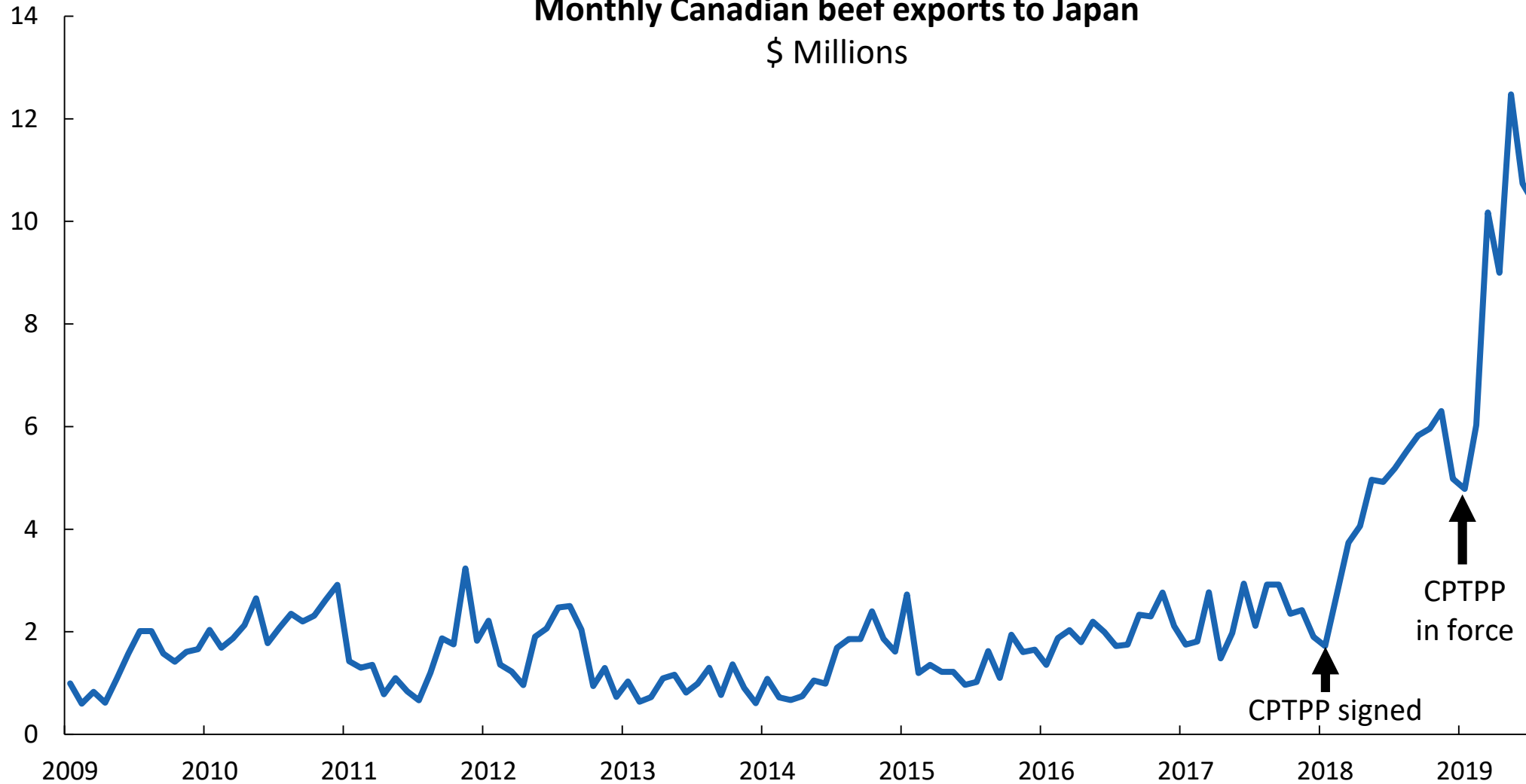


BIGGER CETA TARIFF CUTS, FASTER EXPORT GROWTH



BEEF EXPORTS MOOOVING UP

Monthly Canadian beef exports to Japan
\$ Millions





EMERGING MARKET FOCUS

Past two decades, EDC supported ~40% of Canada's exports and direct investment in emerging markets.

CAN CANADA DEFY GRAVITY?

Goods vs. Services

	Canadian exports	Goods exports	Service exports
Importer GDP	1.06***	1.06***	0.77***
Common language	0.82***	0.70***	1.25***
EDC exposure	0.08**	0.07**	-0.01
Distance	-0.76***	-0.91***	-0.45**
Landlocked	-0.42***	-0.33***	0.10
Observations	3,197	3,191	946
Countries	170	169	58
R ²	0.87	0.87	0.74

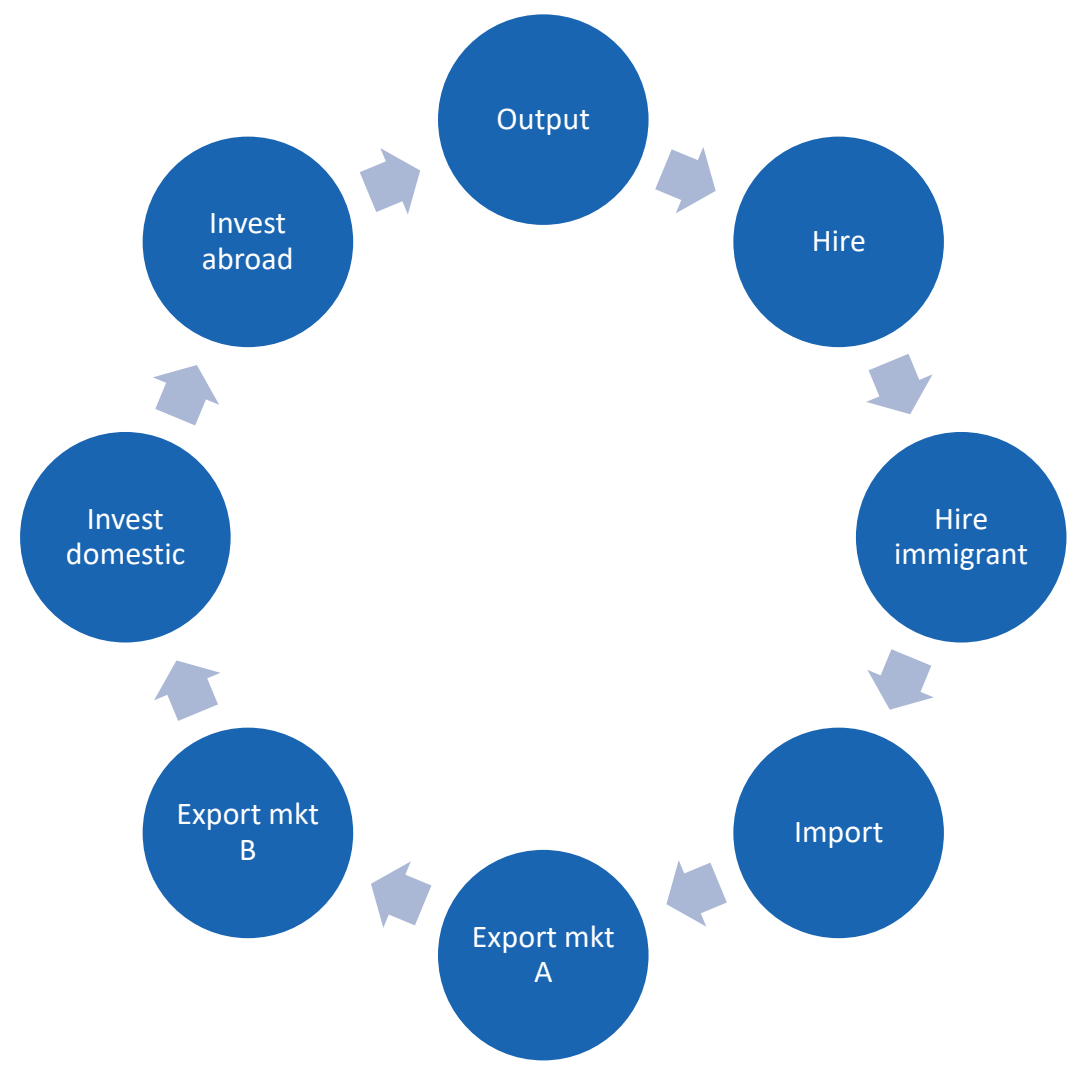
Developed vs. Emerging

Exports to DMs	Exports to EMs
1.05***	1.06***
0.90***	0.69***
0.02	0.08***
-0.56***	-1.11***
-0.42	-0.24
664	2,527
35	134
0.89	0.84

Variables in logs, except dummies. ***=1% significance level; **=5% level.

IMPORTANCE OF SCALE AND SCOPE

GLOBALLY-ENGAGED FIRMS DO BETTER IN MANY DIMENSIONS



SUPERSTARS VS. TYPICAL FIRMS

Number of exporters, share of total

Number of export products	Number of export markets		
	1-5	6-10	11+
1-5	72%	2%	1%
6-10	10%	2%	1%
11+	6%	2%	4%

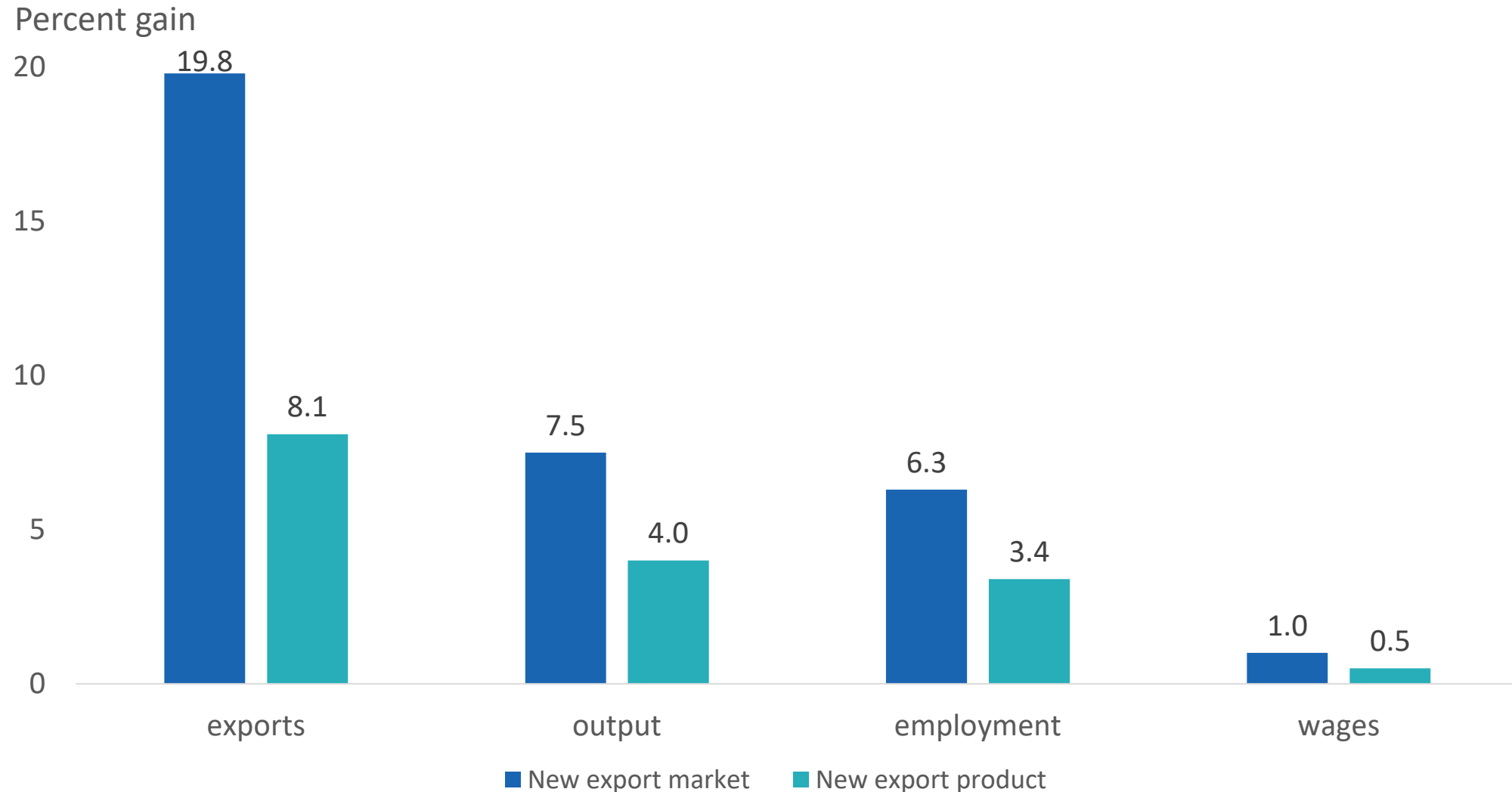
Most Canadian exporters:
 - reach one export market,
 - export a few products.

Merchandise export value, share of total

Number of export products	Number of export markets		
	1-5	6-10	11+
1-5	13%	1%	2%
6-10	8%	2%	3%
11+	17%	11%	42%

....but most export value is from
 those exporting many products.

BENEFITS OF ADDING NEW EXPORT MARKET OR PRODUCT



KEY MESSAGES

- **Fragile state of global trade.**
- **Global growth shifting to emerging markets.**
Canadian trade lags OECD, but is shifting from:
 - goods to services
 - trade to investment
 - advanced to emerging markets.
- **Diversification push: benefits, new FTA opportunities, but scale/scope challenges.**



Stephen Tapp

Deputy Chief Economist,
Export Development Canada

Email: STapp@edc.ca



[Stephen Tapp](#)



[@Stephen Tapp](#)

EDC ECONOMICS

- **Weekly Commentary**
- **Global Economic Outlook**
- **Global Export Forecast**
- **Country Risk Quarterly**
- **Trade Confidence Index**
- **Commodity and Global Market Trackers**
- **Research reports**
- **Economic Insights newsletter**



@ExportDevCanada

[Export Help Hub](#)
ExportHelp@edc.ca



edc.trade/economic-insights



the art of the state



Volume VI

Redesigning Canadian Trade Policies for New Global Realities

<https://irpp.org/research/trade/>



Edited by Stephen Tapp, Ari Van Assche and Robert Wolfe

TAKE ON **THE WORLD**

