

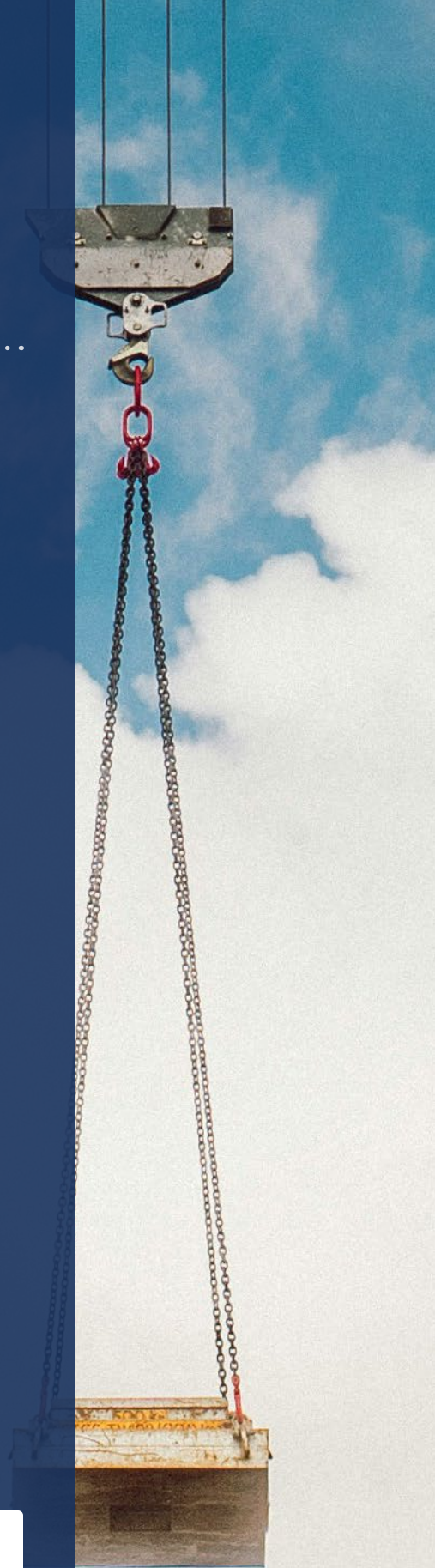
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INTERNATIONAL TRADE & INVESTMENT REPORT

The Impact of the CPTPP on Trade Between Canada and the Asia Pacific

NOVEMBER 2024



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KEY TAKEAWAYS

1

Overall, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has enhanced Canada’s merchandise and services trade with the agreement’s seven Asia Pacific economies: Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam (“the AP7”). In the five years post-ratification (2019-23), Canada’s merchandise trade with these economies grew by 38% (from around C\$48B in 2018 to over C\$66B in 2023), primarily driven by imports of consumer goods and industrial machinery. Canada-Vietnam trade has seen the most growth, with merchandise trade increasing by 117%, driven primarily by imports.

2

Since the CPTPP’s ratification, Canada’s merchandise trade with the AP7 has outpaced its trade with the other CPTPP members — Chile, Mexico, and Peru — reversing the pre-CPTPP dynamic. Canada’s merchandise trade with the AP7 grew by 38% from 2019 to 2023, while its merchandise trade with the other CPTPP members increased by 29% during the same period. Major gains in Canada-AP7 trade can be attributed to Canada not having existing free trade agreements (FTAs) with any of the AP7 countries, while it already had agreements with Chile, Mexico, and Peru.

3

Overall, CPTPP has had a more limited impact on Canada’s services trade with AP6 (the Asia Pacific members minus Brunei, as service trade data for Brunei are not available) compared to merchandise trade. Canada-AP6 service trade has increased by 6% since the CPTPP’s ratification, from around C\$13B in 2018 to C\$13.8B in 2022. Commercial services were Canada’s leading service export to the AP6, while its main imports were transportation and government services.

4

While Canada’s services trade with the AP6 is higher in terms of total value than its trade with Chile and Mexico, the two had similar growth trajectories. Pre-CPTPP, Canada’s services trade with the AP6 (C\$10.5B in 2014) was higher than with Chile and Mexico (C\$4.3B) and remained higher in 2022, with the former accounting for C\$13.8B and the latter C\$6.2B. Since CPTPP’s ratification, the gap between Canada’s services trade with AP6 and Mexico and Chile has remained relatively stable.

5

The global pandemic has negatively impacted Canada's merchandise trade with the AP7 and service trade with the AP6. Although the COVID-19 pandemic negatively impacted Canada-AP7 merchandise trade in 2020, trade levels rebounded by 2022, signalling the resilience of these relationships. COVID-19 had a more prolonged impact on services, with 2022 service trade volumes between Canada and AP6 remaining below 2019 trade volumes. Canada-Japan merchandise and services trade was the most affected — with merchandise trade decreasing by 11% and service trade decreasing by 27% between these two economies from 2019 to 2020.

6

While all provinces and territories have been active in merchandise trade with the AP7, three provinces — British Columbia, Ontario, and Quebec — accounted for over 82% of two-way merchandise trade with the AP7 from 2019 to 2023. Ontario's merchandise trade is import-driven, primarily in electronics and motor vehicles and parts. British Columbia and Quebec have maintained a relatively balanced trade relationship with the AP7 from 2019 to 2023, generally importing slightly more than exporting into the region (driven by imports of consumer goods). Meanwhile, Alberta and Saskatchewan, which accounted for 12% of two-way merchandise trade with AP7, have had export-driven trade, primarily in agriculture and energy products.

This report relies on data from [Trade Data Online](#) and [Statistics Canada](#). Throughout this report, we have used data for total exports when referring to Canadian exports. [Innovation, Science and Economic Development Canada \(ISED\)](#) defines total exports as domestic exports and re-exports.

Domestic exports include all goods grown, produced, extracted, or manufactured in Canada or the U.S. but leaving Canada through customs for a foreign destination. Re-exports refer to goods that have previously entered Canada or the U.S. and are exported in the same condition as when imported.

Note: Data from Brunei and Peru on trade in services are missing from the Statistics Canada website. Therefore, we do not include these two economies in our calculations of services trade.

NOTES ON TERMINOLOGY



CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership:

A free trade agreement between seven economies in the Asia Pacific (Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam), and Canada, Chile, Mexico, and Peru.

The CPTPP has an [accession protocol](#), meaning its membership may expand, as was demonstrated by the [United Kingdom's accession](#) in July 2023. [China and Taiwan](#) have applied to join the CPTPP, and several other Asian economies have expressed interest, including [South Korea](#) and [Indonesia](#), with the latter just recently submitting its application. However, the [accession process is lengthy](#) and it may take several years for these economies to become members.



AP7: Asia Pacific Seven:

The seven CPTPP signatory states in the Asia Pacific — Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam.



AP6: Asia Pacific Six:

Due to data availability, we excluded Brunei from some of our analyses of the AP7. We refer to this grouping as “the AP6.”



Free Trade Agreement (FTA):

A treaty between two or more countries to facilitate trade and eliminate trade barriers.



Exports:

Goods, products, or services produced in one country and sold to buyers in another.



Imports:

Goods, products, or services bought/brought by one country and produced in another.



Trade:

The transfer of goods, products, or services from one entity to another. In the case of international trade, exports and imports are sent from one country to another.

INTRODUCTION

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a [mega-regional agreement](#) signed in December 2018 between 11 signatory states: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The agreement is [designed to](#) facilitate trade by reducing tariff and non-tariff trade barriers ([NTBs](#)), providing market-access commitments for goods and services trade, promoting investment and labour mobility, facilitating government procurement, and strengthening economic relations with the signatory states.

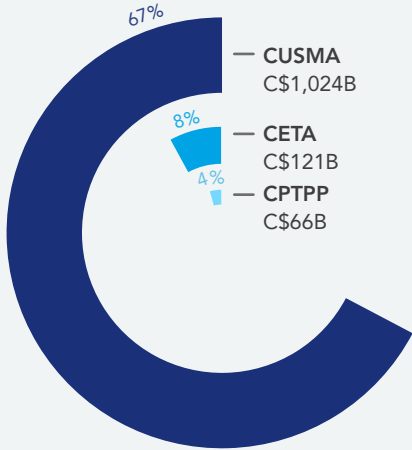
Statistics from Canada’s 2022 [State of Trade](#) report suggested that Canada’s FTAs have significantly contributed to increasing its trade with FTA partners compared to countries with which Canada has no FTA. Our study reaffirms this finding, by observing that Canada’s trade relationship with CPTPP members with which it had no FTA before the CPTPP has increased at a faster rate than with the countries with which it already had an FTA.

THE CPTPP IN COMPARISON TO OTHER TRADE AGREEMENTS

The CPTPP is one of the three regional trade agreements (RTAs) that Canada has signed; the other two are the Canada-United States-Mexico Agreement ([CUSMA](#)) (in force since 2020) and the Comprehensive Economic Trade Agreement ([CETA](#)) (in force between Canada and the European Union since 2017). Comparing the total merchandise trade volume in 2023 between these three agreements, the CPTPP was smaller than CETA and CUSMA in terms of trade volume (Figure 1). In that year, merchandise trade between Canada and the CPTPP economies

stood at around C\$66.3B, which pales in comparison to our C\$1.024T in trade with the two other CUSMA countries and is roughly half the size of our merchandise trade with CETA economies (Figure 1). The CPTPP represents just 4.4% of Canada’s global trade, whereas CUSMA accounts for over 67%, and CETA approximately 8%.

FIGURE 1
Canada’s Two-Way Merchandise Trade with Regional Trade Agreement Partners, by Trade Volume in 2023



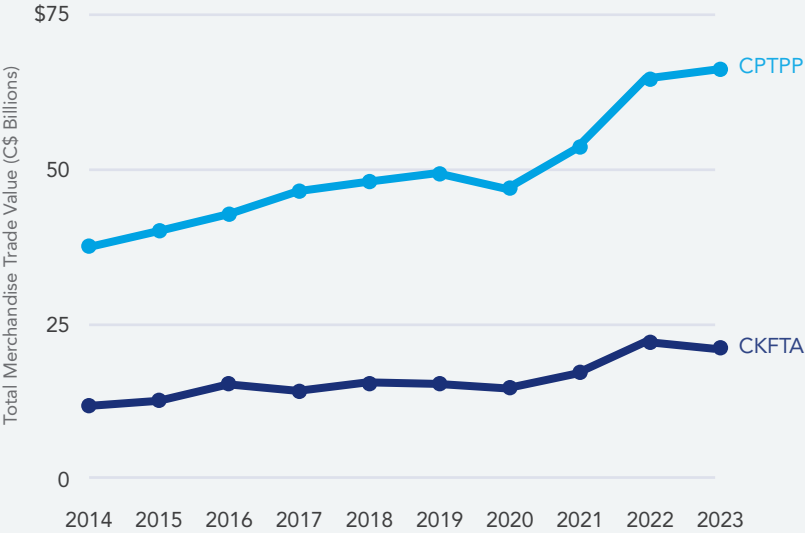
Source: Statistics Canada (accessed July, 2024)

In the Indo-Pacific region, Canada is actively working to expand its FTA network. The CPTPP is Canada’s second FTA in the Asia Pacific region — its only other such agreement is the [Canada-Korea Free Trade Agreement](#) (CKFTA), which is a bilateral agreement between Canada and South Korea that came into

effect in January 2015 — and the only regional agreement in the region. By 2023, two-way merchandise trade between those two economies had almost doubled from around C\$12.3B in 2015 to around C\$20.8B. While impressive, this growth pales in comparison with the total trade value of Canada’s trade with the CPTPP economies, yet for both the trade has almost doubled when comparing the 2014 trade value with the 2023 trade value (Figure 2). In fact, Canada’s trade with South Korea over that period increased by 83%, whereas Canada’s trade with CPTPP economies increased by 78% over the same period.

As of 2024, the CPTPP had entered into force for all of the original signatory parties, including, most recently, [Brunei](#) (on July 12, 2023) and [Malaysia](#) (on November 29, 2022). Two other regional economies have applied to join the CPTPP — [China and Taiwan](#) — and [South Korea](#) and [Indonesia](#) have expressed interest. Moreover, Canada just [concluded](#) trade talks with Indonesia towards a Comprehensive Economic Partnership Agreement and is currently negotiating a trade agreement with the 10-member Association of Southeast Asian Nations (ASEAN). Canada was also negotiating an FTA with India, although the process has been [paused since 2023](#).

FIGURE 2
Total Merchandise Trade between Canada and its FTA Agreement Partners in the Indo-Pacific, 2014-2023



Source: Trade Data Online (accessed July, 2024)

THE CPTPP’S IMPACT ON TARIFFS

Once fully implemented, [99%](#) of goods and services trade among CPTPP parties will be [duty-free](#). The distribution of these tariff lines will be differentiated between export sectors. For example, whereas around [94%](#) of Canada’s agriculture and agri-food export products will have duty-free access to the CPTPP economies, duty-free access will impact [100%](#) of Canada’s fish and seafood exports and [100%](#) of its forest product exports. Based on [WTO data](#), the CPTPP regime has increased duty-free access to Canada, from 6,556 products in 2019 to 7,028

products in 2023. (These numbers refer to all CPTPP economies, as the effect of the agreement on each individual economy cannot be ascertained; Figure 3.)

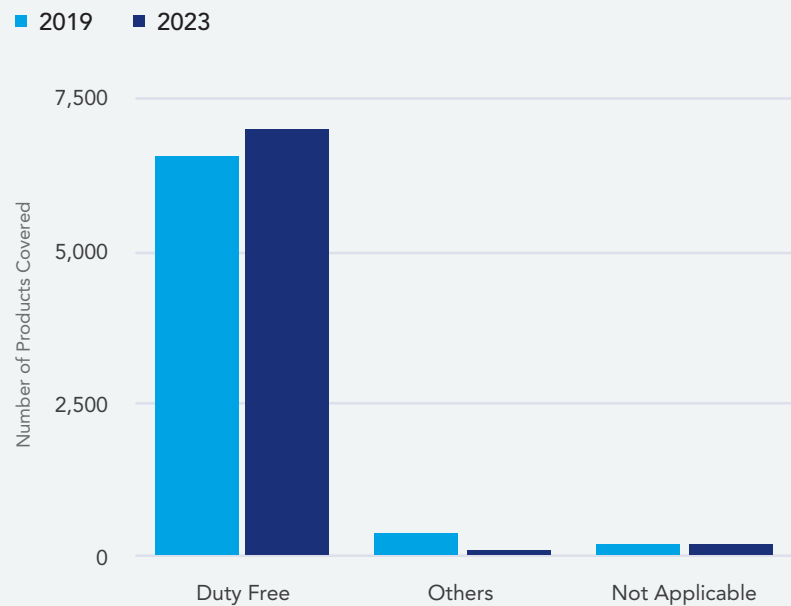
Tariff reductions lead to an increase in trade by lowering prices for the products that are traded on international markets and were previously subject to tariff barriers. After reviewing the impact of the CPTPP’s tariff reductions on trade three years after the CPTPP’s ratification, [Canada’s Office of the Chief Economist](#) noted a positive trend between lower tariffs and Canada’s imports from and exports to the CPTPP economies. This report expands on the analysis by the Office of the Chief Economist of the CPTPP’s impact on trade five years post-ratification and focuses solely on Canada’s trade with the AP7 economies.

EXPECTATIONS OF THE CPTPP’S IMPACT PRE-RATIFICATION

When the CPTPP was signed at the end of 2018, Canada did not have any bilateral or multilateral FTAs with any of the AP7. Global Affairs Canada expected that the CPTPP would expand Canada’s exports by [C\\$3.2B](#) by 2040 to four of the CPTPP economies — Australia, Japan, Malaysia, and Vietnam. The economy-by-economy increases were estimated as follows: Japan by C\$1.8B, Australia by C\$689M, Vietnam by C\$271M, and Malaysia by C\$200M.

FIGURE 3

Canada’s Duty Regime under CPTPP, 2019 vs 2023



Source: WTO, *Tariff and Trade Profiles* (accessed July, 2024)

Other regional economies also anticipated substantial gains from the CPTPP. However, following the U.S.’s withdrawal in 2017 from the proposed Trans-Pacific Partnership (a precursor to the CPTPP), Japan, Malaysia, and Vietnam all tempered their expectations. Japan anticipated that the CPTPP would generate an estimated [C\\$195.5B in growth](#) by 2030 among the remaining member countries, even without the U.S., and was determined to press ahead with negotiations. Malaysia, however, expected that its [imports would rise dramatically compared to exports](#), worsening its trade balance. Malaysia, which ratified the agreement only in late 2022, now estimates that its total trade will increase to [C\\$910B](#) by 2040 as a result of joining the CPTPP.

CANADA-AP7 MERCHANDISE TRADE

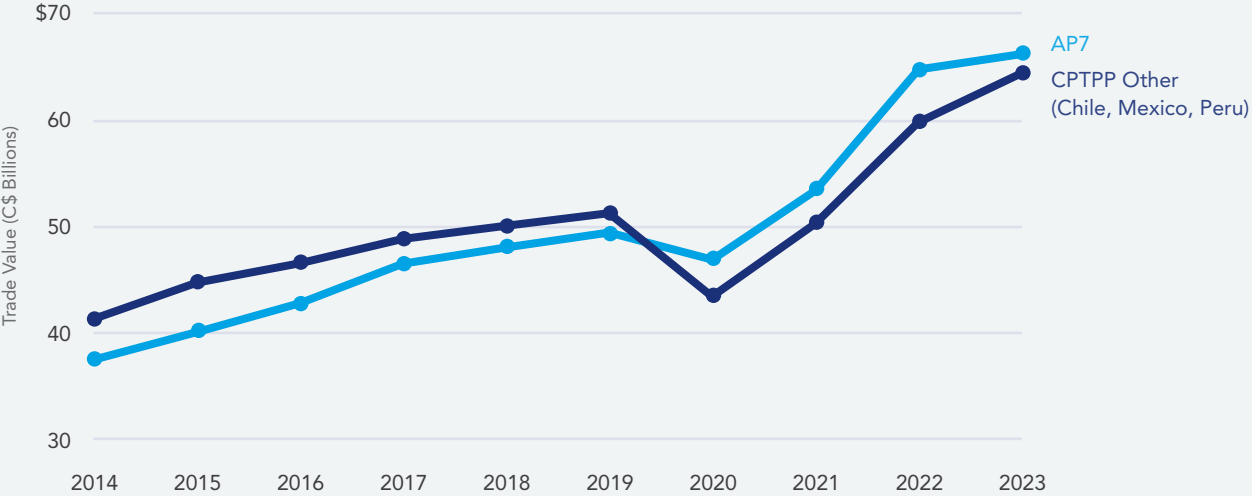
Merchandise trade between Canada and the AP7 has increased by 38% since the CPTPP’s ratification, from around C\$48B in 2018 to over C\$66B in 2023 (Figure 4). If we compare merchandise trade in the five years before CPTPP ratification (2014-18) with the five years after (2019-23), we observe total trade volumes with AP7 growing from around C\$214.3B (2014-18) to over C\$280B (2019-23).

Canada’s merchandise trade with the AP7 had trailed behind our trade with Mexico and the two South

American CPTPP member economies (Chile and Peru) before CPTPP ratification, as the latter economies had an FTA with Canada. Within a year of the CPTPP coming into force on December 30, 2018, Canada’s merchandise trade with the AP7 had exceeded its trade with the other CPTPP economies (Figure 4). That year (2020), Canada’s two-way merchandise trade with the AP7 overtook its trade with the other CPTPP members, with the former accounting for around C\$46.8B and the latter for around C\$43.3B.

FIGURE 4

Canada’s Two-way Merchandise Trade AP7 vs CPTPP Other, 2014-2023



Source: Statistics Canada (accessed July, 2024)

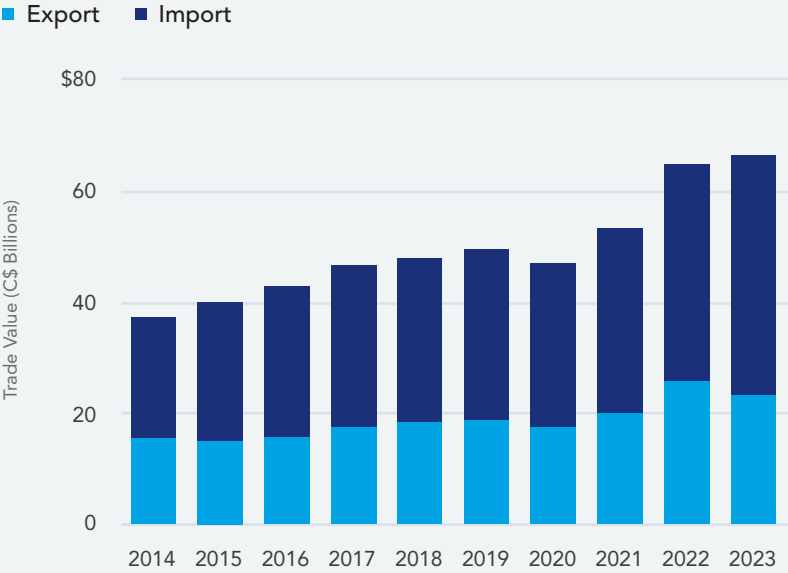
Canada’s two-way merchandise trade with the AP7 has been driven mainly by a consistent rise in imports.

Canada and the AP7’s two-way merchandise trade from 2019 to 2023 reached C\$280.6B, with around C\$105.6B generated by exports and C\$175B generated by imports (Figure 5). In the first year after the CPTPP came into effect, imports increased by 4% and exports increased by around 1%, compared to 2018. In 2020, the COVID-19 pandemic caused a decline in trade, with imports shrinking by over C\$1.5B (from around C\$30.7B in 2019 to C\$29.1B in 2020) and exports decreasing by C\$1B during the same period. This impact, however, was temporary, with Canada’s imports and exports from the AP7 rebounding in 2021 and 2022. Post-pandemic growth was driven by imports, with imports accounting for 62% of total trade in 2021 and 60% in 2022.

COUNTRY-LEVEL ANALYSIS

In assessing two-way merchandise trade between Canada and the AP7, we see an increase in trade with each of these economies post-CPTPP ratification (Figure 6). During this period (2019-23), Canada’s merchandise exports to the individual AP7 economies had a positive average annual growth rate, except for Vietnam. Canada’s exports to Vietnam had a negative average annual growth rate of around 4.3%.

FIGURE 5
Two-Way Merchandise Trade Canada-AP7, 2014-2023



Source: Statistics Canada (accessed July, 2024)

Canada’s merchandise imports from the AP7 have, on average, had positive growth in the five years post-ratification. In 2023, Canada’s imports from all of the AP7 economies increased, except from Malaysia, which declined by 16%. The decline in imports from Malaysia can be attributed to a 71% decline in rubber imports from 2022 to 2023, due to [production issues](#) in Malaysia and concerns about [forced labour in rubber supply chains](#). While Canada’s imports from Vietnam increased by only 3% in 2023, for the 2019-23 period overall, Vietnamese exports saw the most significant growth, increasing by 90%.

In 2023, Canada's top AP7 partners for two-way merchandise trade were Japan (C\$36.5B), Vietnam (C\$14B), and Australia (C\$6.4B). Since the CPTPP was ratified, this trade with Japan increased by around 22%, growing from around C\$29.1B in 2019 to C\$36.5B in 2023. Although Japan is Canada's largest AP7 partner for merchandise trade (a position it has held since 2019) and two-way trade has been increasing, the share of Canada-Japan trade in Canada's trade relationship with the AP7 has declined since the CPTPP was ratified as other economies expanded their trade with Canada at a faster rate than Japan. In contrast, as noted above, Canada-Vietnam merchandise trade has increased (Figure 6) by around 117%, growing from C\$7.9B in 2019 to C\$14B in 2023, taking a larger share of Canada's trade with the AP7.

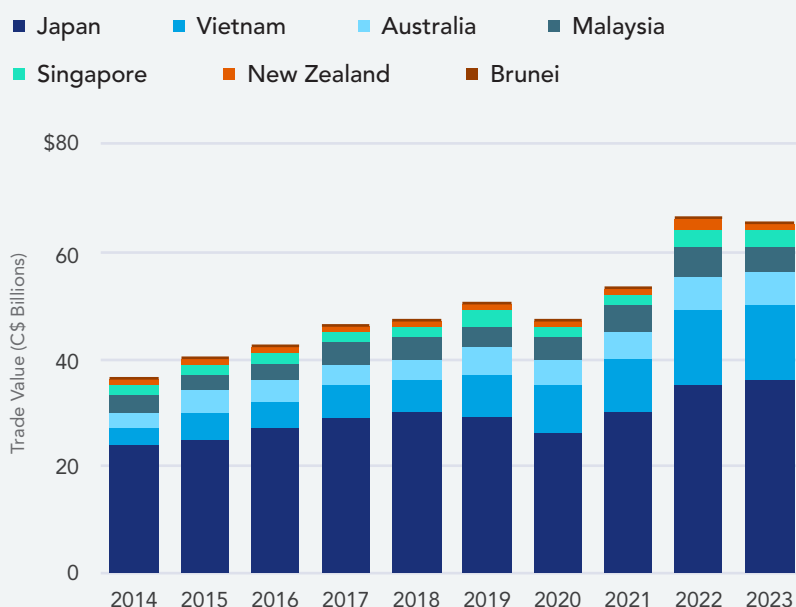
CANADA'S MERCHANDISE EXPORTS TO THE AP7

From 2019 to 2023, Canada's merchandise exports to AP7 were dominated by the minerals, agriculture, and energy sectors (Figure 7).

Minerals, including fuels, oils, and products of their distillation, were the largest exports to the AP7, at around C\$17.6B (accounting for 18% of Canada's exports to the region during that period). These exports increased significantly in 2022 and remained relatively high in 2023 (Figure 7), due mainly to growing demand from Japan for Canadian bituminous coal, propane, and petroleum products. Exports of Canadian bituminous coal to Japan more

FIGURE 6

Canada-AP7 Two-Way Merchandise Trade, 2014-2023



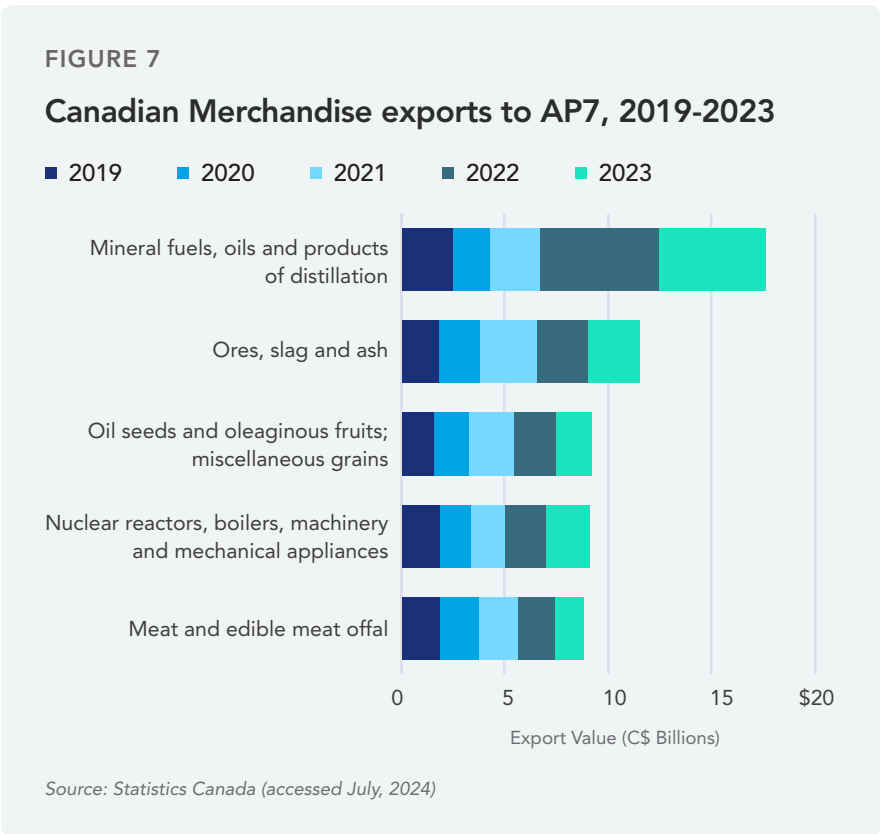
Source: Statistics Canada (accessed July, 2024)

than doubled from C\$1.8B in 2019 to C\$3.7B in 2023, and its exports of petroleum to Singapore increased from just over C\$8.2M to around C\$75.9M during the same period.

Ores, slag, and ash were Canada's second-largest export category to the AP7, with the total value during this five-year period reaching C\$11.5B, peaking in 2021 at C\$2.7B, then declining to C\$2.4B in 2022 and 2023 (Figure 7). Despite this decline, the export volumes of these products remain higher than their 2019 levels. Of the AP7 economies, Japan was the single largest importer of Canadian ores: in 2023, its imports of Canadian copper iron ores were worth C\$2.2B, an increase of 34% compared to C\$1.69B in 2019.

Canadian exports of oilseeds and other grains to the AP7 rose steadily from 2019 to 2021, then declined in 2022, with 2023 values falling below the 2020 levels but remaining higher than in 2019

(Figure 7). Canada’s soybean and rapeseed exports were among its leading exports to the AP7. For example, rapeseed exports to Australia grew from C\$2.3M in 2019 to over C\$5.9M in 2023. Demand for Canada’s soybeans has grown steadily in five of the AP7 economies — Brunei, Japan, Malaysia, Singapore, and Vietnam — but exports to Australia declined after 2020. Similarly, Canadian rapeseed exports to Japan began declining in 2021. The change in demand for specific commodities helps to account for the broader changes seen in Canadian exports of products in this category.



Rounding out the top five categories for Canadian exports to the AP7 are items under the broad category of nuclear reactors, boilers, machinery, and mechanical appliances, as well as exports of meat and edible meat offal, with the former generating over C\$9.1B and the latter around C\$8.8B in exports from 2019 to 2023 (Figure 7). Canada’s most significant exports in the former category are turbo jets, turbo-propellers, and other gas turbines, with Singapore the largest AP7 destination for these products. Canada’s exports of meat offal to the AP7 have slowly declined since the CPTPP’s ratification, from around C\$1.9B in 2019 to C\$1.4B in 2023. Japan and Vietnam were among Canada’s main customers for these products in 2023, importing C\$1.2B and C\$93M, respectively.

CANADA’S MERCHANDISE IMPORTS FROM THE AP7

Canada’s top imports from the AP7 in the past five years (from 2019 to 2023) have been

dominated by high-value-added products, such as machinery and vehicles (Figure 8).

After the CPTPP’s ratification, Canadian imports of electrical machinery and equipment parts from the AP7 countries increased significantly, growing from C\$5.5B in 2019 to around C\$8.7B in 2023 (Figure 8). Vietnam became the main source of these imports, increasing by 137% from C\$1.9B to C\$4.7B. Smartphones accounted for around C\$1.7B of these Canadian imports, with the majority of this value coming from Vietnam.

In 2023, vehicles were Canada’s second-largest import product from the AP7 since CPTPP ratification, reaching C\$9.1B (Figure 8). The growth of these imports was driven by a 49% increase in imports of Japanese personal vehicles, which grew from C\$4.6B in 2019 to around C\$6.9B in 2023. Canada’s auto imports from Vietnam also increased, rising from C\$4.1M (2019) to C\$90M (2023), driven by an increase

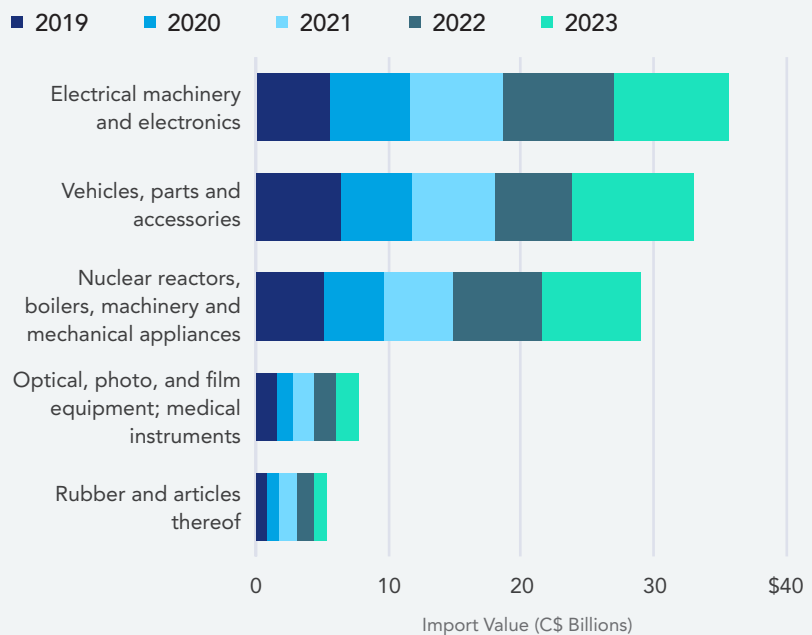
in electric vehicle (EV) imports. Canada's total EV imports from all its trading partners increased nearly five times between 2019 and 2023, from C\$1.7B to C\$8.1B. Looking only at the EV imports from the AP7, the number of imported EVs rose from C\$0.285M to C\$640M during this period.

Canada's imports under the category of nuclear reactors, boilers, industrial machinery, and mechanical appliances from the AP7 economies have increased steadily since 2019, despite a brief pandemic-related decline in 2020 (Figure 8). Canada's imports under HS code 84, which includes industrial machinery and mechanical appliances, have also increased during this time, from C\$5B to C\$7.4B, with imports spread across several types of mechanical appliances. Heavy machinery, such as bulldozers, angledozers, graders, and excavators, were among Canada's largest imports in this category from the AP7. Japan was the largest AP7 supplier: Canada's imports of this machinery from Japan nearly doubled from C\$761M in 2019 to C\$1.4B in 2023.

Optical/photo instruments and rubber articles (for example, rubber tires and rubber apparel) were Canada's fourth- and fifth-most imported products from the AP7 (Figure 8). Canada's imports of optical products have remained relatively consistent, with imports edging up just slightly, from C\$1.5B in 2019 to C\$1.7B in 2023. Canada's biggest imports under this category are instruments and applications used in veterinarian, medical, surgical, and dental

FIGURE 8

Canadian Merchandise Imports from AP7, 2019-2023



Source: Statistics Canada (accessed July, 2024)

procedures, with the majority of these products coming from Japan and increasing from around C\$180M in 2019 to C\$232M in 2023.

Canada's imports of rubber articles also increased from 2019 to 2021 before declining (Figure 8). However, despite this recent decline, Canadian imports of rubber products from the AP7 (worth C\$951M) are still higher than in 2019 (when they were worth around C\$762M). Among the notable imports from the AP7 in this category are pneumatic tires, which Canada imports mainly from Japan. Canada's imports of Japanese tires increased from C\$347M in 2019 to C\$495M in 2023. Another example in this category is rubber gloves, with Canada importing about C\$120M worth from Malaysia in 2023.

CANADA-AP6 SERVICES TRADE

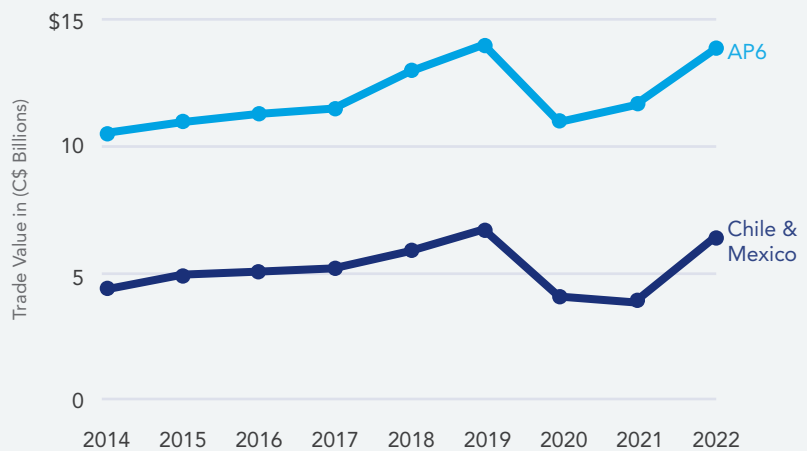
Services trade between Canada and the AP6 has increased by 6% since the CPTPP's ratification, from around C\$13B in 2018 to C\$13.8B in

2022. Although Canada's two-way services trade with the AP6 increased in 2019, immediately after the CPTPP's ratification, it was negatively impacted by the COVID-19 pandemic (Figure 9). Canada's service trade with the AP6 had grown steadily between 2014 and 2019, rising from C\$10.5B and then peaking at C\$14.1B in 2019. However, the pandemic erased many of these gains, with two-way services trade dropping to C\$10.9B in 2020. The pandemic's impact has eased somewhat: in 2021, two-way services trade climbed to C\$11.6B, and in 2022, the most recent year for which such data are available, it reached C\$13.8B. In comparison to two-way merchandise trade, which increased by 31% from 2019 to 2022, indicating a rapid recovery post-COVID-19, services trade has gradually recovered, but the 2022 values are still 2% below 2019 two-way trade in services.

Canada's two-way services trade with the AP6 was higher than with Mexico and Chile even before CPTPP ratification and the impact of CPTPP has had limited impact on services trade with the AP6 so far (Figure 9). In 2014, Canada's two-way services trade with the AP6 stood

FIGURE 9

Canada's Two-way Services Trade with AP6 vs Mexico and Chile, 2014-2022



Source: Statistics Canada (accessed July, 2024)

at C\$10.5B, while its services trade with Mexico and Chile was around C\$4.3B. In 2022, four years after the CPTPP's ratification, the AP6 accounted for C\$13.8B in two-way services trade, which increased on average by 4% annually from 2014 to 2022, while Mexico and Chile accounted for only C\$6.2B, but increased on average by 8% annually during the same period. **Despite the overall negative impact COVID-19 had on Canada's services trade with CPTPP members, Canada's post-pandemic services trade with the AP6 recovered quickly. In addition, between 2014 and 2022, the gap between Canada's services trade with the AP6 and Mexico and Chile has remained relatively stable.**

Trade in services between Canada and the AP6 is import-driven (Figure 10). Even during the pandemic, imports constituted 55% of total service trade between Canada and the AP7 economies in 2020. Canada’s main imports from the region were transportation and government services (see Figure 10).

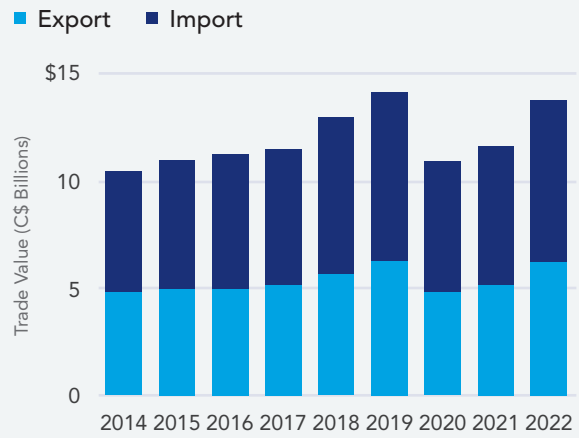
COUNTRY-LEVEL ANALYSIS

Two-way trade in services between Canada and the AP6 is a mixed picture due to the impact of COVID-19 (Figure 11). During the pandemic, it declined from C\$14.1B in 2019 to C\$10.9B in 2020. By 2022, the year for which the most recent data available, Canada’s two-way services trade with three of the AP6 economies — Australia, Malaysia, and Singapore — had rebounded and even exceeded pre-pandemic levels.

Canadian service exports to most of the AP6 have all experienced a positive average annual growth rate. The exception was Malaysia: Canada’s exports of services to that economy had a negative average annual growth rate of around 6.6%. In terms of service imports from the AP6, in the four years since the CPTPP’s ratification (2019-22), Canada had a positive average annual growth rate, except for Japan and New Zealand. These imports from Japan have on average declined by around 3% and from New Zealand by around 15%. In contrast, during the same period, Canada’s service imports from Malaysia grew by 6.7%, from Singapore by 9.7%, and from Vietnam by 6.4%.

FIGURE 10

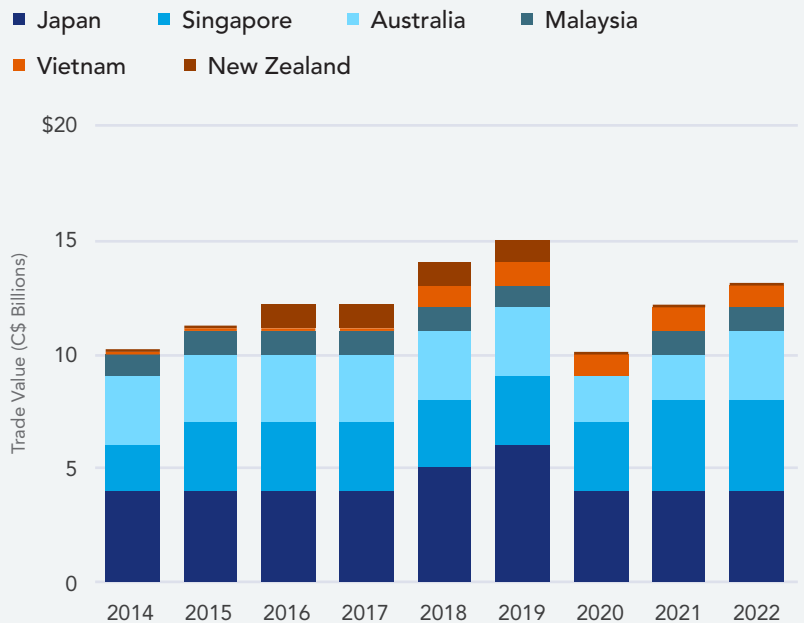
Two-way Services Trade Canada-AP6, 2014-2022



Source: Statistics Canada (accessed July, 2024)

FIGURE 11

Canada-AP7 Two-Way Services Trade, 2014-2022



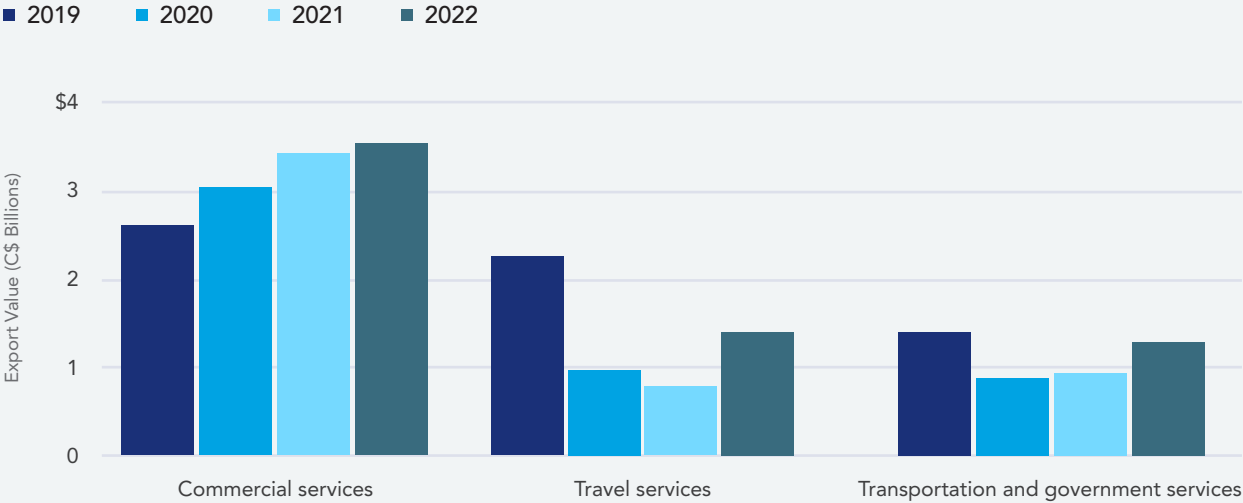
Source: Statistics Canada (accessed July, 2024)

CANADA'S SERVICE EXPORTS TO THE AP6

Commercial services, which encompass a diverse range of activities, including royalties and licences, management and administrative services, financial services, information and communication technology, and research and development, have been Canada's top services export to the AP6. Canada's exports of commercial services to the AP6 have increased consistently since CPTPP ratification in 2019 (Figure 12), growing by 35%, from C\$2.6B in 2019 to C\$3.5B in 2022, a trend that held steady even during the pandemic.

Canada's exports of travel services to the AP6 decreased post-CPTPP ratification due to COVID-19's negative impact on international travel, dropping from just under C\$2.3B in 2019 to C\$788M in 2021, before rebounding to C\$1.4B in 2022. Although Canada's travel exports increased in 2022, they remain significantly lower than before the pandemic (Figure 12). Canada's exports of transportation and government services also remain below pre-pandemic levels: exports of these services peaked in 2019 at around C\$1.4B, then rebounded, but only to around C\$1.3B in 2022.

FIGURE 12
Canadian Services Exports to AP6, 2019-2022



Source: Statistics Canada (accessed July, 2024)

CANADA'S SERVICE IMPORTS FROM THE AP6

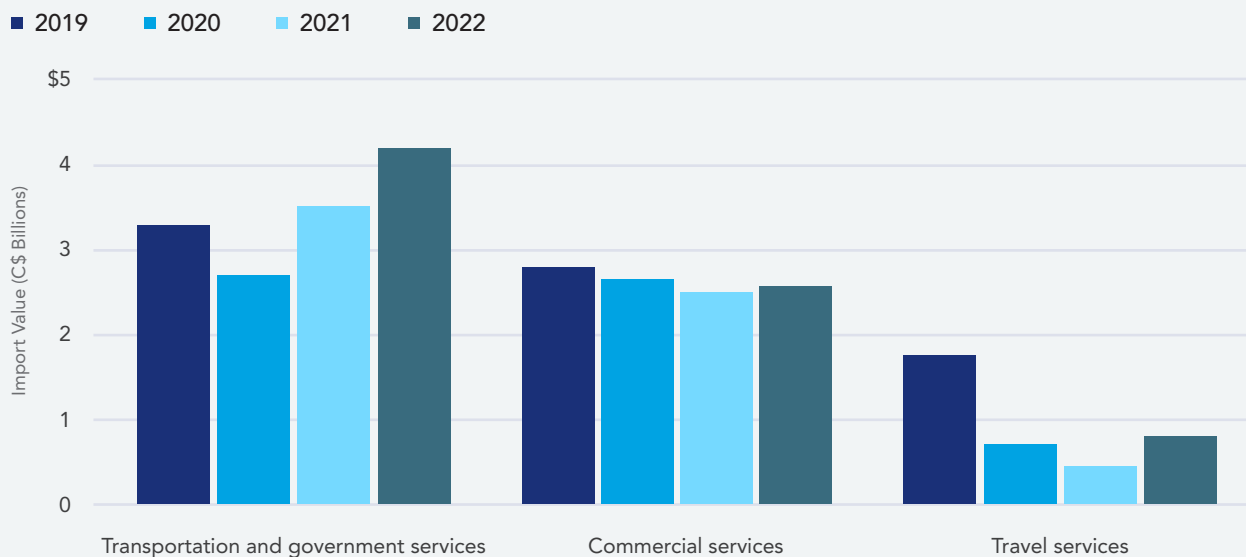
In terms of Canada's service imports from the AP6, transportation and government services dominated Canada's service imports. (Figure 13). Although demand for these services dipped at the height of the pandemic, they rebounded in 2021, growing from just under C\$2.7B in 2020 to over C\$3.5B in 2021, and continuing to rise in 2022 to around C\$4.2B.

From 2019-23, Canada's imports of commercial services from the AP6 declined slightly, from around C\$2.8B in 2019 to C\$2.6B in 2020, then taking another small dip in 2022 before bouncing back to around C\$2.6B in 2023 (Figure 13). In 2018, Canada's imports of commercial services from the AP6 were slightly lower, at C\$2.5B.

Unsurprisingly, the pandemic significantly affected Canada's imports of travel services from the AP6, decreasing from C\$1.7B in 2019 to C\$451M in 2021 (Figure 13). In 2022, Canadian exports — that is, travel to the region — remained modest, while the value of travel from the region to Canada increased to C\$786M. In addition to travel bans and quarantine requirements, economic uncertainty during the pandemic also contributed to the decline. However, the travel industry is recovering, albeit [slowly](#), and Canada-AP7 travel is likely to expand beyond pre-CPTPP levels, especially with the introduction of new [direct flights to the region](#).

FIGURE 13

Canadian Services Imports from AP6, 2019-2022



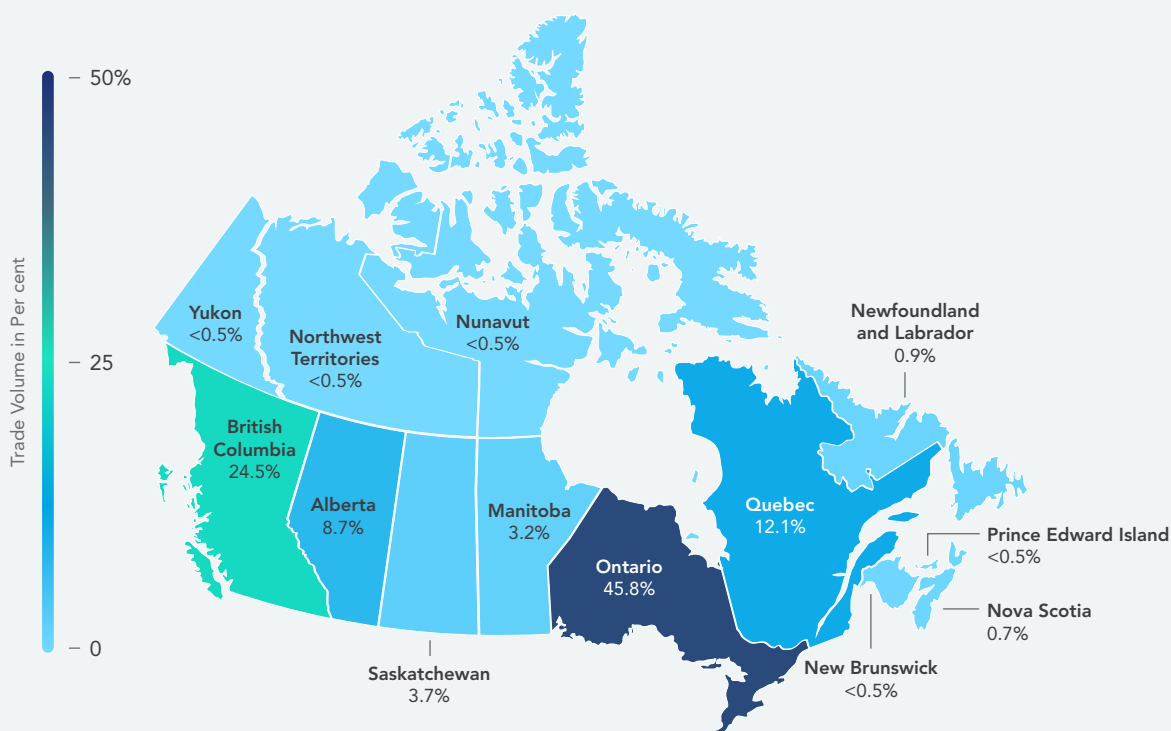
Source: Statistics Canada (accessed July, 2024)

THE CANADIAN PROVINCES BENEFITING FROM THE CPTPP

Three Canadian provinces — British Columbia, Ontario, and Quebec — have been the most active participants in Canada-AP7 merchandise trade, collectively accounting for over 82% of two-way merchandise trade from 2019 to 2023 (Figure 14). Ontario benefited the most, responsible for over 45%, followed closely by British Columbia, with almost 25%. Quebec, meanwhile, contributed around 12%, followed closely by Alberta, at 9%. In the fifth spot was Saskatchewan, which accounted for 3.7% of Canada’s two-way trade with these economies.

FIGURE 14

Canadian Provinces by Share of Total Canadian Trade with the AP7, 2019-2023



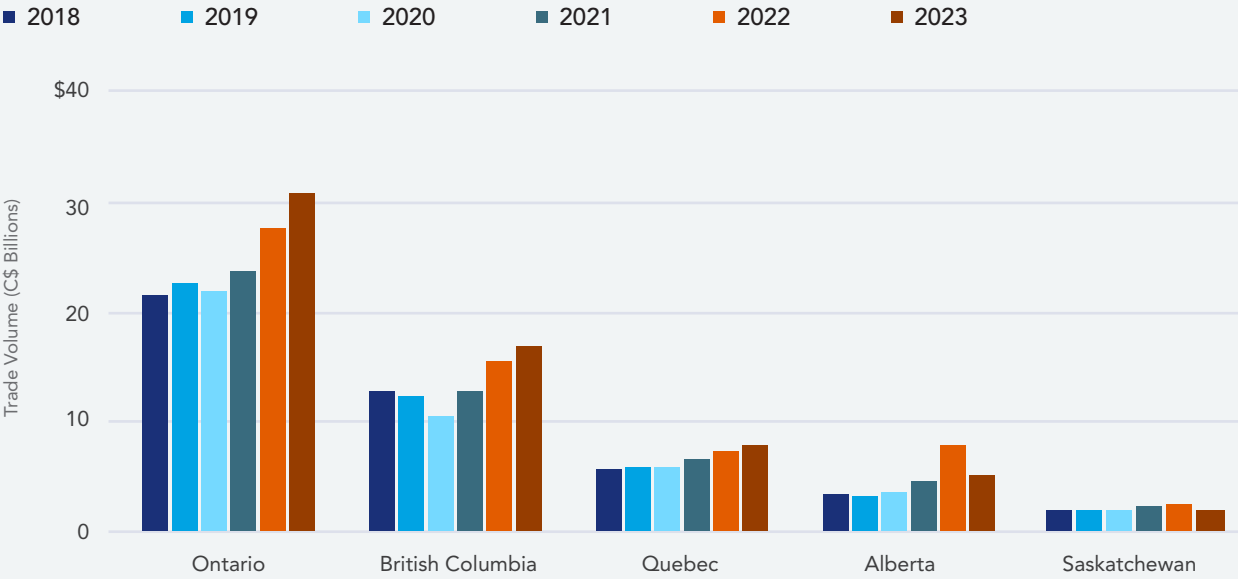
Source: Statistics Canada (accessed July, 2024)

Ontario and British Columbia benefited from growing merchandise trade with the AP7, despite the short-term pandemic-related decline in 2020 (Figure 15). The pandemic had no impact, however, on the AP7’s merchandise trade with Alberta, Quebec, and Saskatchewan, all of which experienced a growth in trade with the AP7 since the CPTPP’s ratification. While merchandise trade between these Canadian provinces has increased significantly when comparing trade volumes in 2018 to those in 2023, it is important to note that, in 2023, trade between the AP7 and Prairie provinces declined compared to 2022 — down 35% for Alberta and 23% for Saskatchewan.

IMPORT-LED MERCHANDISE TRADE GROWTH

Ontario, which has benefited the most from the overall growth in trade with the AP7 economies (Figure 15), has on average imported more from the AP7 than it exported to these economies. Ontario’s two-way trade with the AP7 has been robust (despite a slump in 2020), growing from around C\$22.6B in 2019 to over C\$30.7B in 2023, driven by a rapid growth in imports, which on average accounted for 85% of this trade from 2019 to 2023.

FIGURE 15
Top Five Canadian Provincial Exporters to AP7, 2018-2023



Source: Statistics Canada (accessed July, 2024)

Ontario's two main imports from the AP7 were electronics and electrical equipment and parts, amounting to over C\$28.9B over the last five years (2019-23). Motor vehicles and parts have been Ontario's second largest import category, with over C\$27.9B in imports from the AP7 in the last five years. Given that Ontario is the hub for Canada's automotive industry, these numbers suggest a strong integration between the automotive supply chain between Canada and the AP7 economies, led by Japan, which accounted for over 96% of Canada's motor vehicle imports from the region.

IMPORT-LEANING MERCHANDISE TRADE GROWTH

British Columbia and Quebec, the other two provinces that have benefited from a stronger merchandise trade relationship with the AP7, had a relatively more balanced trade relationship.

British Columbia's two-way trade with the AP7 increased from C\$12.2B in 2019 to C\$16.7B in 2023 (albeit with a decline in 2019). The two-way trade was relatively balanced, with imports on average accounting for 56% of this trade.

Quebec has also experienced rapid growth in two-way trade with the AP7, rising from around C\$5.8B in 2019 to C\$7.8B in 2023, and did so without a decline during the pandemic. As in the case of British Columbia, this growth was generally balanced, with imports accounting for 54% of the two-way trade.

Consumer goods led this import-driven growth, becoming the largest category of imports from the AP7 for Quebec and British Columbia. Quebec imported over C\$5.9B worth of consumer goods from the AP7 from 2019 to 2023, while British Columbia imported around C\$9.5B over the same period. For both provinces, Vietnam was the main source of consumer goods imported from the AP7, accounting for around 50% of AP7 exports to Quebec and over 67% to British Columbia.

EXPORT-LED TRADE GROWTH

Within Canada, Alberta and Saskatchewan were the AP7's top two merchandise exporters. Exports have accounted for an average of 75% of Alberta's two-way trade with the AP7 and over 88% of Saskatchewan's two-way trade with these economies.

Over the past five years (2019-23), Saskatchewan's main exports to the AP7 were farm, fishing, and intermediate food products, generating over C\$6.4B. For Alberta, energy products have dominated exports to the AP7, accounting for around C\$5.5B. Alberta's energy exports were closely followed by farm, fishing, and intermediate food products, exporting over C\$4.9B during this period. Provincial trade relationships with the AP7 in terms of commodities were driven by unique natural endowments and industrial structures.

THE FUTURE OF THE CPTPP

The CPTPP’s accession protocol allows member economies to expand their trade gains by adding new members. While there are still questions about the accession of new members, the trade advantages highlighted in this report demonstrate the CPTPP’s attractiveness.

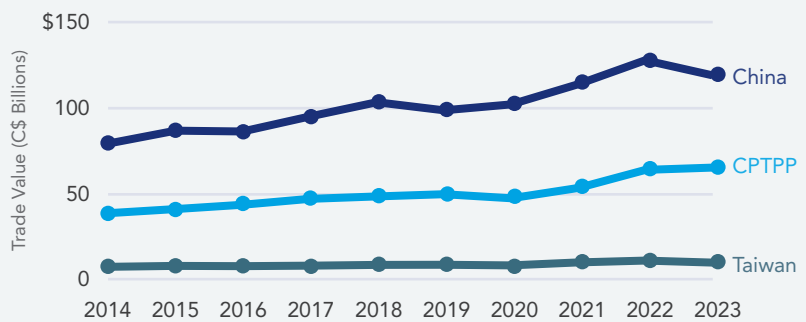
A major factor in the CPTPP’s future significance will be its expanding membership. In 2023, the United Kingdom signed the Protocol of Accession and is set to join on [December 15, 2024](#). From that date, the United Kingdom will be able to benefit from free trade with seven of the CPTPP economies — Chile, Japan, Malaysia, New Zealand, Peru, Singapore, and Vietnam — all of which have ratified the United Kingdom’s accession. However, [Canada and Mexico](#) have yet to ratify the United Kingdom’s membership. Once ratification is finalized, the CPTPP committee will consider the applications of new members. Next in line are [China and Taiwan](#), which [submitted their applications](#) in September 2021, within a week of each other.

Canada already enjoys robust two-way merchandise trade with China, surpassing its trade with the current CPTPP economies (Figure 16). While Canada’s trade with Taiwan is significantly less than its trade with the current CPTPP economies, for the most part, it has been increasing year-on-year, with the exceptions of 2020 (the COVID-19 year)

and 2023. Canada’s two-way merchandise trade with Taiwan grew from around C\$7.9B in 2018 to around C\$10.1B in 2023, increasing by 28%. In comparison, Canada’s trade with China has increased by approximately 16%, growing from C\$101.9B in 2018 to C\$119.7B in 2023. Given that Canada-Taiwan trade grew more rapidly and started from a lower value, there is a potential benefit for Canada in signing a potential [Canada-Taiwan FTA](#), following the recently signed (October 2023) [Foreign Investment Promotion and Protection Agreement](#) (FIPA).

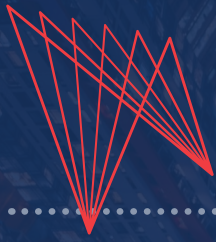
FIGURE 16

Canada’s Two-Way Trade with CPTPP members and CPTPP applicants, 2014-2023



Source: Trade Data Online (accessed July 2024)

This report is accompanied by a set of country-level case studies that explore CPTPP’s benefits for Canada’s trade relations with selected member countries. The initial set of case studies, focusing on Australia, Malaysia, Singapore, and Vietnam, will be available on the Asia Pacific Foundation’s website.



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