



Business Council
of Canada



Statement to the Senate Committee on Foreign Affairs and International Trade

October 23, 2018

Madame Chair, committee members, thank you for the invitation to take part in your study of Bill C-79, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Implementation Act.

The Business Council of Canada represents the chief executives and entrepreneurs of 150 leading Canadian companies, from all sectors and regions of the country. Our member companies employ 1.7 million citizens, account for more than half the value of the Toronto Stock Exchange, contribute the largest share of federal corporate taxes, and are responsible for most of Canada's exports, corporate philanthropy, and private-sector investments in research and development.

Trade has long been a powerful engine for Canada's economy. From the early days of the fur trade through today, where trade of goods and services represents 64 per cent of gross domestic product (GDP), Canadians have relied on international trade to prosper. According to Global Affairs Canada, one in every five Canadian jobs is directly linked to exports.

The Business Council is been a strong proponent of Canada's participation in the CPTPP. In an era of increasing protectionism, it is increasingly important that Canada do everything possible to diversify its trade and investment relationships, create new economic opportunities and improve our long-term prosperity.

The CPTPP is a ground-breaking agreement that will support Canada's standard of living and create high-value jobs. With both the CPTPP and Canada's agreement with Europe (CETA) implemented, Canada's trade agreement network will cover more than 60 per cent of the global economy, giving Canadian companies preferential access to nearly 90 per cent of existing export markets.

This would make Canada the only G7 nation with free trade access to the United States, the Americas, Europe, and the Asia-Pacific region, including three of the world's four largest economies. This wide-reaching network would position Canada as a global export platform, attracting investment and jobs to communities across the country.

There are three main reasons why the CPTPP is critical to Canada's long-term economic prosperity:



1) Canada must diversify its trade relationships

Despite recent efforts to diversify trade, Canada has much work to do. Nearly 76 per cent of Canada's exports went to the U.S. in 2017. While our export dependence on the U.S. has declined from 87 per cent in the early 2000s, it remains stubbornly high.

With growing protectionism in the U.S., the need to diversify has never been clearer. Asia is the growth engine of the global economy and Canada must be positioned to take advantage of it. Despite the region's importance to the global economy, Asia-Pacific nations collectively account for only 17 per cent of Canada's goods trade and 11 per cent of Canada's services trade.

2) The CPTPP gives Canadian exporters a first-mover advantage

Being among the first six countries to ratify the agreement will give Canadian companies preferential access over their competitors in lucrative markets such as Japan. Japan is the world's third-largest economy and Canada's fourth largest merchandise trade partner.

Japan has an average MFN applied tariff of 4 per cent and relatively low import penetration (15 per cent of GDP). With Canada currently selling \$4 billion of agri-food products to Japan every year, nearly 10 per cent of our total agri-food exports, tariff reductions in the CPTPP will significantly boost Canada's exports. According to projections by Global Affairs Canada, the CPTPP is projected to boost our exports of pork by 36%, beef by 95% and wood products by 16%.

3) The CPTPP sets a new standard in regional trade agreements

By setting reciprocal, enforceable trade rules and establishing disciplines in key areas of interest to Canada, a high-standard CPTPP agreement will promote Canadian economic growth and jobs.

One example is the services sector, which accounts for 13.6 million jobs and 70 per cent of Canada's GDP. Canadian companies that excel at providing knowledge-intensive services, such as the financial services sector, will benefit from enhanced obligations covering a broad range of services.



Through its potential expansion to new members, the agreement will also provide the architecture for market-based rules to growing economies in the Americas and Asia. For example, Indonesia and the Philippines have already indicated their desire to join the CPTPP, adding 367 million people to the trade area and growing CPTPP GDP by \$1.3 trillion USD.

With that I conclude my remarks.

Thank you for the opportunity to address your Committee.

