

INCREASED FREE TRADE AGREEMENTS WITH THE PACIFIC GATEWAY

British Columbia and Canada are both considered small, trade-dependent, open markets. As such, international trade is a key driver of economic growth that enables job creation and economic prosperity. As stated by the B.C. Ministry of International Trade, “removing or reducing barriers to trade and investment, and mitigating impacts in sectors affected by increased foreign competition have a proven track record of stimulating economic growth”.¹ Without access to new markets, B.C. ability to further enhance its economic growth will be hindered over the long term.

Free trade agreements (FTAs) are one of the most effective means to improve trade conditions for both exporters and investors. FTAs reduce tariff and non-tariff barriers, and protect the interests of companies exporting and investing in other countries. These agreements also have intangible benefits, including dramatically raising Canada’s profile with trading partners, which in turn can attract new investment and interest in our exports.²

According to Canada’s Department of Foreign Affairs, Trade, and Development, “trade is equivalent in value to more than 60 per cent of Canada’s gross domestic product (GDP), and exports are directly linked to one in five Canadian jobs. Canada’s prosperity requires expansion beyond our borders into new markets for economic opportunities that serve to grow Canada’s exports and investment.”³

While most Canadian provinces and territories still export primarily to the U.S., British Columbia is unique in that its exports are quite diversified. For example, in 2014, the United States accounted for only 50.6 per cent of B.C.’s worldwide exports and Asia Pacific countries accounted for 40 per cent. Through enhanced FTAs, it is hoped that British Columbia and other provinces can continue to diversify and grow their economies.⁴

At present, Canada has 12 Free Trade Agreements (FTAs) in force or concluded, representing 43 countries, and is in further discussions or ongoing negotiations with many other jurisdictions around the globe. The current federal government must be commended for its ambitious trade plan, having concluded nine agreements in the past seven years. The most recent FTAs to be concluded are with South Korea (which came into force on Jan. 1, 2015) and the 28-member European Union (which is expected to come into force in the next 12 to 18 months). These Agreements will provide a competitive advantage in a wide range of sectors for Canadian businesses:

Canada - European Union: Comprehensive Economic and Trade Agreement (CETA)

In September 2014, the Government of Canada the European Union held a signing agreement to signal the conclusion of negotiations. This Agreement provides Canada with guaranteed preferential access to the world’s largest economy. With 28 member states, 500 million people and annual economic activity of almost \$18 trillion, the EU is a global economic powerhouse.⁵

Preferential access to this market offers B.C. businesses, not to mention other Canadian businesses tremendous competitive advantages, especially compared to U.S. business looking for similar U.S. agreement to gain liberalized access to the EU market. It is anticipated that CETA could bring a 20 per cent boost in bilateral trade with the EU and create a \$12 billion annual increase to Canada’s economy.⁶ CETA also gives Canadian companies access to one of the world's largest procurement markets worth \$3.3 trillion

1 <http://www.mit.gov.bc.ca/DomIntlTrade/>

2 <http://www.mit.gov.bc.ca/DomIntlTrade/>

3 <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/understanding-comprendre/brief-bref.aspx?lang=eng>

4 BC Ministry of International Trade. staff correspondence

5 <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/understanding-comprendre/brief-bref.aspx?lang=eng>

6 <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/understanding-comprendre/brief-bref.aspx?lang=eng>

annually.⁷

Canada Korea Free Trade Agreement (CKFTA)

The CKFTA provides enhanced access to the world's 15th largest economy, the fourth largest in Asia, with an economy of \$1.3 trillion and a population of 50 million. South Korea is Canada's seventh largest trading partner and B.C.'s fourth largest. Over half of Canada's exports to South Korea originate from British Columbia. This ground-breaking agreement constitutes Canada's first free trade agreement with an Asian trading partner. The CKFTA is projected to create thousands of jobs and boost Canada's economy by \$1.7 billion as result of the anticipated increase in Canadian exports to South Korea by 32 per cent.⁸

Today, the fastest growing economies in the world are those in the Asia Pacific. It is anticipated that on average, the economies in this region will grow by 6.4 per cent in 2015, continuing to be a driving force in world economic growth.⁹ The CKFTA is an excellent foot-in-the-door to the many opportunities offered by the emerging economies of Asia.

Capitalizing on the rapidly growing Asia Pacific markets will be critical to Canada's future growth and economic prosperity. To this end, Canada is actively working with 11 other countries (Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam) to establish the Trans-Pacific Partnership (TPP).

The TPP is a very ambitious initiative focused on strengthening trade and investment among the partner countries by promoting innovation, economic growth and job creation. The economic benefits of this agreement would be significant as the current TPP nations represent a market of 792 million people and a combined GDP of \$28.1 trillion (approximately 40 per cent of the world economy).¹⁰

While the preference for multi-lateral agreements is preferred, the success of these negotiations are often fraught with challenges due to needs to have multiple countries, with many economic interests, to agree on a common text. The magnitude of this goal is commendable, but also ambitious. Based on this difficulty to get multiple nations to agree, it is still recommended that the Government of Canada continue to pursue bi-lateral FTAs with a variety of key trading partners.

Conclusion

The benefits of FTAs for the growth of the national and provincial economy are clear. To this end, the federal government must continue to work with Canada's international partners to establish new agreements that allow businesses to enter new markets in order to continue growing.

This also means it is vital that the federal and provincial governments do more to promote future and existing FTAs to ensure Canadian businesses, especially small and medium-sized businesses, are aware of how they can take advantage of the economic opportunities that current and future agreements provide. Many small and medium-sized enterprises do not have the resources within their businesses to promote their products and/or services overseas. Or if they do, they don't tend to look beyond the U.S. because they don't know how or where to start when it comes to promoting their business to the international market, especially Asian-Pacific markets that have different laws and customs.

THE CHAMBER RECOMMENDS

⁷ <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-accg/index.aspx?lang=eng>

⁸ http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/korea-coree/index.aspx?lang=eng&utm_source=dfatd-maecd&utm_medium=dfatd-maecd&utm_campaign=ckfta-alecc

⁹ <http://asiafoundation.org/in-asia/2015/01/07/as-driver-of-world-economic-growth-asias-vulnerabilities-emerge/>

¹⁰ <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/101.aspx?lang=eng>

That the Federal and Provincial Governments:

- 1. increase resources to expedite Canada's role in negotiations and ratification of the multilateral Trans Pacific Partnership (TPP) agreement;**
- 2. negotiate and ratify further bilateral trade agreements with key trading partners from the Pacific Gateway region; and**
- 3. enhance trade promotion strategies that support businesses ability to take full economic advantage of all current and future trade agreements by, but not limited to,:**
 - a. providing a single window to access trade promotion services;**
 - b. creating a forward planning committee with the private sector to better coordinate delegations under a Canadian and provincial banner; and**
 - c. ensuring the Trade Commissioner Service and the federal government has the resources to maintain its capacity to provide timely, effective services to its private sector and government client in Canada and abroad and to address non-tariff barriers in international markets.**