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The C.D. Howe Institute is an independent not-for-profit research institute whose mission is to raise living standards by fostering economically sound public policies. Widely considered to be Canada's most influential think tank, the Institute is a trusted source of essential policy intelligence, distinguished by research that is nonpartisan, evidence-based and subject to definitive expert review.



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New Opportunities Knock for Trade Deals

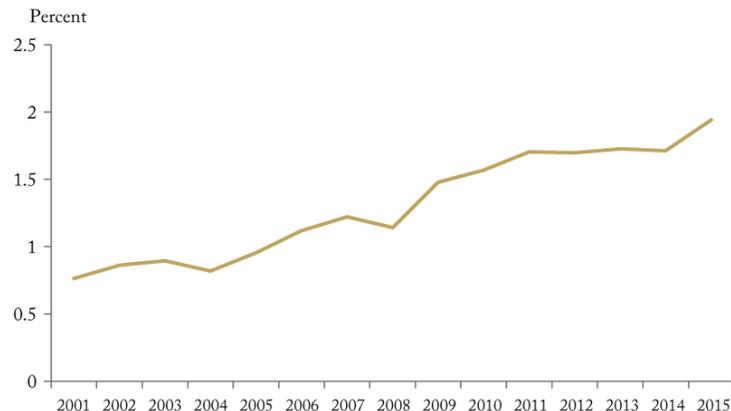
“There are many global players willing to engage Canada and we should start responding now.”

November 29, 2016 – Despite trade deals facing opposition, Canada still has key opportunities to expand its global presence, according to a new report from the C.D. Howe Institute. In “Playing from Strength: Canada’s Trade Deal Priorities for Financial Services,” authors Daniel Schwanen, Jeremy Kronick and Ramya Muthukumaran summarize Canada’s competitive strengths in financial and related services, and provide the top five markets which Canadian trade policymakers should prioritize in order to exploit these advantages.

“With so much anti-trade rhetoric in the news lately, it’s easy to forget that most countries still want to build trade linkages,” commented Schwanen. “There are many global players willing to engage Canada and we should start responding now.”

The authors point out that not only is the financial services sector a leader in the growth of relatively well paying jobs in Canada, its exports are growing quickly as well: total direct cross-border exports stood at \$12 billion in 2015, about double their pre-financial crisis total.

Canadian Financial Services Exports as a Share of Total Exports



The authors rank the markets which Canadian trade policymakers should prioritize in order to exploit competitive advantages in the sector, which comprises banking, insurance, asset management and related services. To evaluate high priority countries for Canada's trade negotiators, they created a ranking methodology that evaluates a country's attractiveness and feasibility as a closer trade partner. The results suggest a set of five priority markets for Canada.

1. Trans-Pacific Partnership (TPP) countries (Australia, Chile, Japan, Malaysia, Mexico, the United States, and Vietnam) remain very important. Although the TPP is unlikely to survive, something like it, or a "plan B" involving TPP signatory countries, should be on the Canadian government's agenda.
2. China is next on the priority list because, from an attractiveness perspective, it ranks at the top, as it is a fast-growing emerging market, but remains fairly closed, meaning there is much potential in principle.
3. The next country is India, another large emerging economy that is strong from an attractiveness perspective but with whom the assessment of the feasibility of doing a deal is less glowing.
4. ASEAN countries such as the Philippines, Indonesia and Thailand continue to be valuable targets for Canadian trade negotiators.
5. In the Americas, the authors suggest smaller partners such as the Dominican Republic. While not themselves powers in financial services, they have shown a clear interest in liberalizing trade, including in services, and have good growth prospects in the heart of what is a fast-evolving Caribbean basin.

Click here for the full report (<https://www.cdhowe.org/public-policy-research/playing-strength-canada%E2%80%99s-trade-deal-priorities-financial-services>).

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