



# NEWS RELEASE

## Ottawa's misguided Indo-Pacific trade strategy unlikely to succeed

Oct. 24, 2023

For immediate release

**VANCOUVER**—The federal government's new Indo-Pacific trade strategy (IPS), meant to encourage increased Canadian exports to Indo-Pacific countries such as India and China through subsidies and other preferential treatments, unwisely shifts attention from Canada's largest trading partner and key source of prosperity, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

"Despite many emerging markets in Asia, the United States remains Canada's main market for exports, dwarfing all other markets," said Steven Globerman, senior fellow at the Fraser Institute and author of *Canada's Indo-Pacific Trade Strategy and Trade Diversification*.

For example, from 2017 to 2020, approximately 75 per cent of Canada's merchandise exports (e.g. machinery, agricultural products) went to the U.S market compared to less than 5 per cent to China.

Why? Mainly geography—the bulk of international trade in goods is conducted primarily within regions (e.g. North America) and such trade is actually becoming even more prominent post-COVID as companies seek to consolidate their supply chains.

"The massive disruption in the ability of global companies to produce and sell goods during and after COVID has incentivized them to consolidate their operations in smaller geographic regions," Globerman said.

Moreover, differences in language, legal and regulatory institutions, and business practises create informal trade barriers between countries. Increasing Canada's integration to supply chains in Asia is a very difficult task, particularly compared to the existing integration of Canadian and U.S. markets based on common culture and institutions.

"It's not clear that China or India would be open to, let alone welcoming of, deeper integration in Asian supply chains by Canada," Globerman said.

Finally, as Canada focuses on the Asia-Pacific, it's missing enormous opportunities to deepen and improve trade relations with the U.S. including in the burgeoning area of trade in digital services, which are currently not well covered by existing trade agreements.

"Canada's trade relationship with U.S. is a major contributing factor to the prosperity and well-being of Canadians, and policymakers in Ottawa should not lose sight of that fact," Globerman said.

(30)

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