



# THE BIG DEAL: CHINA-CANADA

## **THE IMPACT OF CHINA – CANADA TRADE ON THE GLOBAL ECONOMY**

The economic relations between China and Canada are going from strength-to-strength. Trade between these two economies is steadily rising and has benefitted from a number of deals and agreements. The potential impact of this trade and further agreements, across diversified industries and markets is vast, impacting not only Canada and China but the global economy and shipping industry.

In 2009, bilateral merchandise trade with China totalled \$50.8 billion, consisting of \$11.2 billion in Canadian exports to, and \$39.6 billion in imports from, China. In the same year, China was Canada's largest export destination in Asia and third-largest in the world, behind only the United States and the United Kingdom.

2014 highlighted the remarkable progress achieved by the China-Canada relations. In this year, leaders of both countries agreed on furthering bilateral relations and announced a joint list of outcomes including 20 co-operation agreements. Finance, investment, economy and trade, nuclear energy and peer-to-peer exchanges represent an all-encompassing development of the China-Canada alliance.

## **HOW AN INCREASE IN CHINA-CANADA ACTIVITY WILL IMPACT THE GLOBAL TRADE MARKET**

Currently, Canada's largest trade partner is the USA. Advantages such as the proximity, cultural similarities, consumption habits and the ease of access from one country to another are responsible for such close economic relations.

On the other hand, USA-Canada trade has been negatively impacted by the transmission of economic crisis as well as limited exchanges with other markets. To reduce this risk, the Canadian government has introduced many initiatives to diversify its economic partners and adopt an agreement with China that could protect foreign investments and trade.

Considering its economic growth, the evolution of a new middle-class, environmental challenges and its tech evolution, China is now one of the main global economic drivers and an alliance with Canada will further the advantages for both countries.

Sectors such as agriculture, agribusiness, aerospace equipment and infrastructure have been identified by both countries as sectors that can benefit from an economic partnership between China and Canada.

In November 2014, Canada and China signed an agreement that's expected to significantly boost exports. The hub will foster far greater trade efficiency between the Canadian dollar and the Chinese yuan, also known as the Renminbi. Canada is the first country in the Americas to agree a deal to trade in the Renminbi. Moreover, the fact that the Canadian clearing house allows the direct conversion of Canadian dollars into Renminbi without having to first convert into U.S. dollars will facilitate improved import and export relations between China and Canada, but may also impact other markets and spread China's financial influence around the world.

## **THE FAVOURABLE AND HIGHLY DIVERSIFIED NATURE OF TRADE BETWEEN CHINA AND CANADA**

Foreign direct investment between Canada and China has grown significantly in recent years. In 2009, \$3.3 billion worth of Canadian direct investment in China was recorded, making it the 21st largest foreign destination for Canadian investors. The nature of trade between China and Canada is incredibly diversified as highlighted by The Asia Pacific Foundation Canada:

### Imports from China

- Electrical machinery and equipment: 24.06% of overall imports
- Boilers, mechanical appliances: 19.80%
- Furniture and stuffed furnishings: 5.67%

## Exports to China

- Woodpulp, paper or paperboard scraps: 15.15% of overall exports
- Oil seeds and misc. fruit, grain: 14.87%
- Ores, slag and ash: 11.60%

China's growth is undeniable but the economy's needs are enormous and it requires goods and services from abroad to overcome numerous challenges. Environmental improvements, agricultural production, arable land deficiency and the quest for energy and natural resources are many factors that create valuable trade opportunities between China and Canada.

The Prime Minister of Canada Stephen Harper said "as our trade volume with China increases, especially in resources, it is essential for businesses to grow their economic activities with a focus on our obvious complementarities such as energy & resources, but also on areas of potential growth".

## **THE BENEFITS OF TRADE BETWEEN CHINA AND CANADA**

There is significant demand for goods exported by Canada in China. In the agricultural sector, Canada is one of the biggest exporting nations. Strong innovation, technology and production allow different sectors to grow and benefit from this rising trade.

In industries such as technology and environmental services, Canada has a considerable number of companies able to provide innovative solutions in foreign markets. China is actually looking for new solutions to develop and improve its condition in terms of environment, a notable opportunity for a number of Canadian companies.

Such support will allow China to continue growing whilst reducing the environmental impact of production.

China and Canada have interests in a range of sectors and industries. The growth in trade and investment shows how close these countries are, especially now that both governments have agreed to extend their relations. Last November, Canadian Prime Minister Stephen Harper made his third visit to China. During the visit, the leaders of the two countries reached a new agreement on furthering bilateral relations and announced a joint list of outcomes.

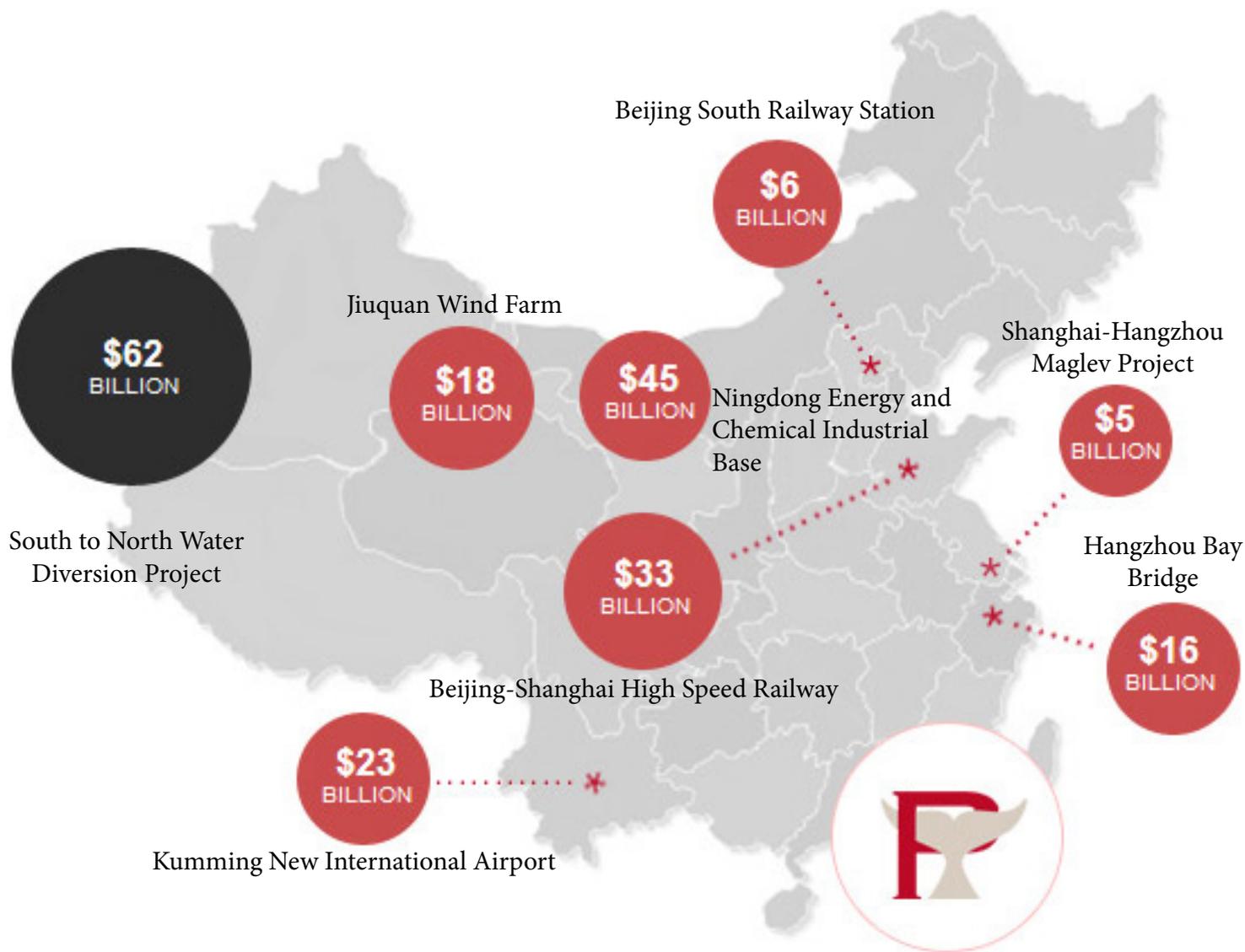
## **THE GROWTH OF CHINA-CANADA TRADE**

China's investment in Canada is likely to increase, continuing to build on fast expansion in recent years. The country's investments in Canada are concentrated in the fields of energy, agriculture, mineral resources and technology. Resources are not the sole goal for Chinese investors in Canada, which is the gateway to tap into the profitable and expansive North American market.

China also plays an important role in the trade and shipping industry. The country has strengthened its trade assets by using increasing freight transport capacity whilst loading volumes are steadily rising.

A report on the shipping industry released by the Ministry of Transport said freight turnover handled at China's ports exceeded 10 billion metric tons last year, an increase of 12.4 percent year-on-year, topping the global tally. The increase in trade between China and Canada – supported by trade and investment agreements – will support the growth of this vital industry and the entire global economy.

Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website: [www.pacifictycoon.com](http://www.pacifictycoon.com)



To speak to a member of our team, please contact us.

Hong Kong Office Telephone: +852 580 16695  
Email: [contact@pacifictycoon.com](mailto:contact@pacifictycoon.com)

[www.twitter.com/PacificTycoon](https://www.twitter.com/PacificTycoon) | [www.facebook.com/pacifictycooninvestments](https://www.facebook.com/pacifictycooninvestments)

Pacific Tycoon  
Level 11, Admiralty Centre Tower 2, 18 Harcourt Road, Admiralty, Hong Kong.