

Canada's trade relationship with the U.S. is increasingly uncertain- Is the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) our solution? New School of Public Policy report

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Calgary- The important link between trade and security is often lost on Canadians in their discussions about international trade. This is not surprising when over 80 per cent of Canada's exports go to the United States, with whom we traditionally have had a peaceful and relatively stable relationship. As Canada's trade relationship with the U.S. becomes increasingly uncertain and as it seeks to diversify its trading partners by pursuing free trade agreements with other countries and regions, the link between security and trade will intrude on these discussions, especially with respect to parts of the world where peace and security cannot be taken for granted.

Today, The School of Public Policy with author, Jeff Kucharski released a report that reinforces the important link between trade and security. The report argues that establishing and sustaining Canada's credibility in the Indo-Pacific will inevitably depend on whether and how Canada assumes additional responsibilities and takes actions where necessary to help enhance peace and security in the region.

With the recent decision to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), Canada will gain free trade access to **11 countries** in the fast-growing Indo-Pacific. At the same time, however, geopolitical risks are rising in that region, driven by economic competition, military build-ups, territorial disputes, the North Korean nuclear threat and China's actions in the South China Sea (SCS).

According to Kucharski "Already, China, Japan and South Korea are the world's largest importers of crude oil and liquefied natural gas (LNG). By 2040, demand for crude oil will increase by nine million barrels per day (mb/d) while **70 per cent** of global crude oil shipments will be to this region. China's dependence on imported oil will grow from around **65 per cent** today to **80 per cent** within a decade. China will replace the United States as the largest oil consumer around 2030, and its net imports are forecast to reach 13 mb/d by 2040. China will also account for **25 per cent** of the projected rise in global gas demand and will import around 280 billion cubic metres in 2040, making China a hub for the global gas trade. Oil demand in India is expected to soar by almost **30 per cent** and its share of global energy demand will rise to **11 per cent** by 2040. In fact, much of the 80 per cent of projected growth in gas demand will take place in the Indo-Pacific, led by China and India."

These shifts hold significant implications for Canada. Indo-Pacific countries will represent the area of greatest economic growth and demand for goods and services, including energy. For Canada, much will depend on whether the country is able to build and maintain the necessary pipelines and export terminals to get energy resources into international markets. However, the good prospects on the economic and trade front must be tempered by increasing concerns over a range of security issues simmering in the Indo-Pacific that threaten the region's continued prosperity and security.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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