Canada and Australia: The State of Bilateral Trade and Investment

Direct trade integration is limited

- Australia ranked as Canada’s 16th-largest trade partner in 2017, accounting for about 0.6% of total Canadian exports and 0.4% of imports.
- Trade between the two countries is increasingly weighted toward services. Last year, almost half of Canada’s exports to Australia were services, up from less than a third a decade ago.
- A big reason for that is geography. Canada, firmly implanted in the North American trade ecosystem, sends 75% of its merchandise exports to the U.S.
- Australia is much more dependent on trade with Asia. A third of its merchandise exports last year went to China; another 15% went to Japan. Canada was the 20th-largest destination for Australian goods exports in 2017, just behind Papua New Guinea.
- Canada’s top exports to Australia are capital goods: machinery and mechanical devices/equipment accounted for almost 40% of total Canadian goods shipments to Australia last year. About a quarter of imports from Australia were chemicals and compounds of precious metals. Another 13% were meat products and 12% precious stones or metals.
- On balance, Canada runs a small goods trade surplus with Australia, amounting to ~$C 300 million last year, but a larger surplus in services that totaled ~$C 800 million in 2017.

Investment linkages are larger (though still small)

- Canadian FDI in Australia has increased by 270% over the last decade but still accounts for just 2 1/2% of total Canadian FDI abroad.
- Over the same period, Australian investment in Canada increased by 140%. Australian investment in Canada accounted for about 1.4% of total FDI in Canada last year.
- Australia ranked as the 12th-largest source of FDI in Canada in 2017, and was the 8th-largest destination for Canadian direct investment abroad.

CPTPP Impact?

- There is some potential for a strengthening of economic ties, with both Australia and Canada participants in the reworked Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- Canadian government estimates suggest exports to Australia could increase 12% by 2040 under the new agreement. About half of that is accounted for by higher expected exports of machinery and equipment and transportation equipment.

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