



# MORE THAN THE USUAL SUSPECTS

WESTERN CANADIAN  
EXPORT OPPORTUNITIES TO  
JAPAN UNDER THE CPTPP



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**Canada West Foundation**

110 – 134 11 Avenue SE  
Calgary, Alberta T2G 0X5  
Phone: 403-264-9535  
Email: [cwf@cwf.ca](mailto:cwf@cwf.ca)



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# EXECUTIVE SUMMARY

Canada's advantage over the United States in Japan from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) lasted a whole 13 months. The CPTPP offered Canada significant opportunities to increase and diversify exports to Japan. However, those opportunities narrowed when the U.S. struck a partial trade agreement with Japan in October 2019. This is expected to erode advantages that Canada had briefly enjoyed over the U.S. in the Japanese market when the agreement came into effect January 2020. Canada needs to move more quickly.

There are still opportunities – both obvious and non-obvious – for Canada in Japan. But the time to pursue those is limited. The U.S. will eventually expand its partial agreement with Japan and further erode one of the most significant advantages that the CPTPP gives Canada in Japan – tariff and non-tariff advantages over American exporters. As seen throughout 2019, the trade world is changing quickly; if Canada is to take advantage of the hard-won gains from agreements, it must act fast.

Early identification and pursuit of opportunities including proactive efforts by Canada's federal and provincial Export Promotion Agencies (EPAs) is critical. This report demonstrates how these opportunities can be identified (even before agreements are signed) so that EPAs can target firms with high potential products to get in front of competitors to win market share.

This report, and more importantly the online results that accompany it, identifies opportunities in Japan created by the CPTPP at a product level of specificity that is not typically available – Harmonized Commodity Description and Coding System (HS6 code level). The report also goes beyond traditional trade agreement modelling to identify the total contestable market share for these items. This is the total potential market share that the agreement makes available to all CPTPP members with Japan, not just the portion that Canadian firms would be expected to achieve based on past performance.

## As seen throughout 2019, the trade world is changing quickly; if Canada is to take advantage of the hard-won gains from agreements, **it must act fast.**

This report identifies opportunities for products that are already heavily traded with Japan and as a result, are well known and obvious targets for attention. With Japan, the usual suspects include products like beef, pork and coniferous wood. Together, these three products account for approximately US\$1.4 billion in growth opportunities or about 94.4% of the total gains for the usual suspects identified for Western Canada. Identifying the impact and changes at a greater level of specificity within these usual suspects allows businesses and EPAs to identify opportunities and better defend against specific market competition. Getting better performance out of the usual suspects is one path to making better use of the agreement.

But the real opportunity for growing and diversifying exports lies beyond the usual suspects – with the less traded, less obvious and often overlooked opportunities. These are items that are currently not significantly exported to Japan but are expected to grow under the new trade agreement. These less-traded products include dried shelled adzuki beans, dried shelled peas, natural honey, frozen beef tongues, live horses and canola oil. For example, under the North American Free Trade Agreement (NAFTA), products in the less-traded category between Canada and Mexico grew to 30%

from 10% of total trade over the first 10 years of the agreement.<sup>1</sup> That growth, however, was slow and haphazard. If these products under agreements like the CPTPP can be identified early on, their growth can be accelerated, and EPA resources can be put to better use. Together, the less-traded exports identified in this report account for approximately US\$458 million in Canadian export growth potential with Japan.

Finally, this report examines how the recent U.S.-Japan trade agreement announced in the fall of 2019 will impact Canada's export position with Japan under the CPTPP.

By diving deeper, this report goes beyond the large wins for goods that were already well traded and where exporters knew the market and were prepared for the agreement. These modelling results identify opportunities which lie in less obvious sectors, which are generally smaller. The cost-benefit for EPAs and businesses in pursuing these opportunities will be smaller, especially to start. It will require a rethinking and retooling of export promotion services toward greater efficiency. Including these kinds of modelling results in new online digital tools to reduce the transaction costs of realizing these opportunities is one way to do this.

<sup>1</sup> Kehoe, Timothy J. and Ruhl, Kim J. "How Important Is the New Goods Margin in International Trade?", *Journal of Political Economy* 121, no. 2 (2013): 358–92, <https://doi.org/10.1086/670272>.

## Recommendations:

### 01

**The Canadian government, EPAs and businesses should use the modelling results to identify new export opportunities. EPAs should make these results available to their clients.**

EPAs have the widest contact with potential exporters and the experience to make the data useful for potential exporters. Better targeting small and medium-sized enterprises (SMEs) for outreach and assistance will improve the effectiveness and efficiency of export promotion for EPAs and their clients. Instead of spending more and accomplishing less, Canada can spend smarter and do more.

### 02

**The modelling data should be incorporated into new, more sophisticated online export promotion tools that can use the modelling data to allow SMEs to search for specific export opportunities.**

Modelling information at the same level of specificity used by SMEs is too good a tool to keep hidden. It needs to be turned into an easy-to-use, publicly available online tool similar to the Market Diversification tool being tested by the U.S. International Trade Administration. Making it accessible online furthers the digitization of export promotion services in Canada and allows EPAs to engage more business in a more efficient, effective and affordable manner that makes pursuit of smaller volume trade opportunities more viable.

### 03

**Use of this modelling for Japan should serve as a test run for use beyond Japan and beyond the CPTPP.**

Specifically, this modelling needs to be done for all CPTPP markets including for new economies that may join the agreement. And it needs to be done as soon as possible when these countries join. The U.S.-Japan partial bilateral trade agreement will erode Canadian advantages for some agricultural products in Japan. That agreement is a warning of the need to move expeditiously in markets where Canada has temporary advantage over the Americans. Therefore, there is an urgency to both identify sectoral opportunities for other CPTPP markets using models provided by our report and prepare businesses for future trade agreements well in advance of when the agreement comes into force.





**Together, the less-traded exports  
— items that are currently  
not significantly exported to Japan  
but are expected to grow under  
the new trade agreement (e.g. dried  
shelled adzuki beans, dried shelled  
peas, natural honey, frozen beef  
tongues, live horses and canola oil)  
— account for approximately**

**US\$458 million**

**in Canadian export growth  
potential with Japan.**

# Introduction

Expanding trade is important for Canada and especially for Western Canada. Critical to increasing this trade is better access to the booming markets of the Pacific Rim opened to Canada under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan is one of the most important markets in this agreement. It is the world's third-largest economy, Canada's fourth-largest trade partner and Western Canada's third-largest export market.

In 2017, the Canada West Foundation modelled the benefits for Canada under the Trans-Pacific Partnership after the withdrawal of the U.S. The modelling and results were critical in making the case for why Canada should stay in the agreement. However, the results were at too high a level of aggregation to be useful for firms to identify the size of market opportunities in Japan for their specific products from the tariff reductions of the agreement. This report fills in this gap.

This report analyses the impact of Japan's tariff reductions and calculates the total gain for Canadian exports from trade creation and diversion at the level of specificity used by businesses at the Harmonized Commodity Description and Coding System (HS) six-digit level. This report also calculates the maximum total potential additional market shares that Canada can take from other CPTPP members exporting to Japan through additional export promotional efforts. Knowing this not only allows Canadian firms to understand the expected opportunities but also how much more firms can gain by competing harder and smarter. Understanding the total contestable trade, in addition to the total expected export gains from the tariff cuts, paints a more complete picture and one that should be useful to businesses looking to export and the government agencies that help them.



**Japan is one of the most important markets in the CPTPP. It is the world's third-largest economy, Canada's fourth-largest trade partner and **Western Canada's third-largest export market.****

Finally, trade agreements increase trade not only for products already highly traded but also new and less-traded goods. But these currently less-traded exports take time to achieve their potential. If these opportunities can be identified earlier and the right kind of assistance targeted to firms in these sectors, the growth in trade in these less-traded goods should accelerate. This report identifies these opportunities at the HS6 digit level specificity used by firms. This allows government export promotion agencies (EPAs) to identify firms and make a specific, targeted export promotion pitch.

The recent agreement signed between the U.S. and Japan emphasizes the urgency for Canadian business and EPAs to act. The need for this information to enable and accelerate taking advantage of the agreement became more urgent as the report was being produced. The Americans, who had walked away from the agreement, successfully negotiated a bilateral agreement with Japan that gave the U.S. most of what it had lost in agriculture. While the modelling in this report was done prior to the signing of the U.S.-Japan trade deal, this report analyses in detail, line item by line item, how the U.S. deal would impact the opportunities identified here.

Eventually the Americans will complete their partial agreement with Japan and Canada's advantages in other sectors, not only agriculture, will face a new level of competition. Before that happens, Canada needs to identify the complete set of opportunities to expand trade with Japan.

The report makes three recommendations. First, the results must be put to use immediately. Canada West Foundation has shared the modelling results with EPAs across Western Canada. Second, these numbers must be made available and easily accessible to companies, particularly SMEs, through online tools such as export promotion portals. Third, EPAs should apply the same model to quantify sectoral exports with other CPTPP markets as well as for all future trade agreements, starting with the expansion of the CPTPP. There is an urgency to implement these three recommendations to catch up in the CPTPP market and not make the mistake of falling behind again.

This report presents a brief overview of the key concepts and model used, followed by extensive results highlighting the expected export opportunities for Canada and Western Canada. This report also discusses Japan's tariff reduction impact for each of the western provinces in detail. Potential additional market shares to contest are discussed. Finally, the impact of the recent U.S.-Japan trade deal on the Canadian export opportunities identified in this report is discussed.

# Key Concepts

This report analyzes the total export gains for specific Canadian products to Japan with tariff reductions under the CPTPP, with a specific focus on Western Canada. Scheduled tariff reductions are one of the most obvious and direct impacts on trade diversion under a trade agreement. Exports such as canola seeds are excluded from the study even though they represent the second largest Canadian export to Japan, because Canada already had zero tariff duty rates on canola seed with Japan prior to the CPTPP agreement.

Other impacts such as non-tariff barriers are typically not easily quantifiable and lack the historical basis on which to build a forecast. The availability of data for trade in services is spotty, which reduces the ability to model comprehensive impacts. Therefore, the scope of this report has been limited to the impact of Japan's tariff reductions on Canadian exports of goods. The Model section discusses the exclusion criteria of the products under analysis in detail.

Trade diversion from new trade agreements is the expected trade shifted away from non-members to members of the agreement.<sup>2</sup> Japanese trade flows are expected to be redirected from other suppliers to members of the agreement. In the same way, Canadian trade is expected to be redirected to CPTPP members such as Japan. Therefore, trade gains are a result of trade diversion.

The estimated trade gains in this report are categorized into two types of goods: already highly traded exports and less-traded exports. These two types of exports are based on a hybrid of methods from the extensive-intensive margin academic literature. The intensive margin goods are new export growth in already significantly exported products (the usual suspects), while extensive margin goods are the less-trade, less-obvious and relatively new products that just have a toe in the water in Japan, but for which opportunities exist and where Canadian firms already have export

<sup>2</sup> Viner, J., 1950. *The Customs Union Issue*. New York: Carnegie Endowment for International Peace.

## On October 7, 2019, the U.S. and Japan signed what is being termed a “partial” trade deal – the **U.S.-Japan Trade Agreement** and **U.S.-Japan Digital Trade Agreement**.

experience in the Japanese or other markets. Building upon Kehoe and Ruhl (2013),<sup>3</sup> this report defines extensive margin goods as Canadian exports to Japan that are less than \$20 million in the five-year average baseline. Therefore, these are goods with small existing exports that may be potentially overlooked but are expecting to see significant gains due to tariff cuts. See Appendix I: Methods, for more details on the method used for categorization. This report uses the term highly traded exports for the obvious usual suspects or the intensive margin goods, and the term less-traded exports for the less-obvious, extensive margin goods exports.

The measure of potential additional market share contestable with trade promotion is the expected market in Japan in dollar values that existing suppliers (including domestic Japanese suppliers and CPTPP members that already have free trade agreements with Japan) are expected to cede to CPTPP parties as a group. This is the total market share that is put on the table – or in other words is newly contestable – as a result of the CPTPP in any given product group. Therefore, other members of the agreement could try to compete for this opportunity.

Subsequently, this report shows the export gains by dollar value that Canada would be expected to capture – its fair share – together with the additional market by dollar value that other liberalizing parties would be expected to capture, but that Canada could potentially contest with additional targeted

export promotional efforts. To put it bluntly, Canada and its exporters will not necessarily get what the model suggests they will. They will get what they hustle for.

Finally, on October 7, 2019, the U.S. and Japan signed a partial trade deal – the U.S.-Japan Trade Agreement and U.S.-Japan Digital Trade Agreement. The deal essentially gives the U.S. back some of what it lost, and a lot of what Canada gained in agriculture when U.S. President Donald Trump walked away from the original Trans-Pacific Partnership agreement. The results for this study were calculated before the publication of the signed U.S.-Japan trade deal, and therefore, did not account for the new trade deal diversion effects for the U.S. with Japan away from Canada. However, we have gone into the agreements and provided an item by item comparison of Japan's tariff schedule in the CPTPP vs. the U.S.-Japan trade agreement for the 194 sectors we have analyzed in this report.

Appendix II provides the list of 194 export opportunities we examined and identifies whether the U.S.-Japan trade deal impacts Canada, and whether Canada faces *better, same, same if not better, same if not worse* or *worse* tariff schedules than the U.S. with Japan. We also provide a comparison of the five-year (2014-2018) average exports to Japan for Canada and the U.S. to better understand what the five tariff schedule scenarios could mean for the 194 Canadian export opportunities.

<sup>3</sup> Kehoe, Timothy & Ruhl, K. “How Important Is the New Goods Margin in International Trade?” *Federal Reserve Bank of Minneapolis*, Research Department Staff Report 324, April 2013.



The definition of the five tariff schedule scenarios are as follows:

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**Better**

Japan’s schedule under the CPTPP has better tariff reduction (for Canada) than under the U.S.-Japan trade deal (for the U.S.), or Japan did not give U.S. the tariff liberalization on the product.

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**Same**

Japan’s tariff liberalization for the U.S. under the U.S.-Japan trade deal is the same as the tariff liberalization for Canada with Japan under the CPTPP, allowing U.S. to immediately gain back what was lost when the U.S. left the original Trans-Pacific Partnership agreement.

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**Same if not better**

Canada experiences the same tariff schedule as the U.S. with Japan but has better or higher tariff liberalization than the U.S. in later years.

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**Same if not worse**

Canada experiences the same tariff schedule as the U.S. with Japan but has lower tariff liberalization than the U.S. in later years.

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**Worse**

The U.S. has higher tariff liberalization than Canada with respect to Japan since year one.

All the tables in this report mark the export items that may potentially be impacted by the U.S.-Japan deal with an asterisk as well as indicate the level of U.S. threat with high, medium, low or none based on whether U.S. historically exports more than Canada for the specific product.

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**High threat**

Items with the *same*, *same if not worse* and *worse* scenarios in which the U.S. exports more than Canada to Japan.

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**Medium threat**

Items with *same if not better* scenarios in which U.S. exports more than Canada to Japan; items with *same if not worse* scenarios in which U.S. exports less than Canada to Japan.

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**Low threat**

Items with *same* scenarios in which the U.S. exports less than Canada to Japan.

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**No threat**

Items with *better* scenarios in which the U.S.-Japan deal does not have tariff liberalization no matter whether U.S. exports more or less than Canada.



By using the U.S. as a proxy for export readiness, businesses in the **less-traded exports** that are already exporting to the U.S. should be ready to diversify to Japan.

# The Model

To develop estimates of the implications of Japanese tariff reductions on Canadian exports, we developed a database of Japanese imports from Canada, the other CPTPP members, China, the United States, the EU28 and the Rest of the World (ROW) at the HS6 digit level, together with the applied tariffs that would be imposed on bilateral trade.

A computable partial equilibrium model was applied to each trade flow using the multi-region Global Simulation (GSIM) model developed by Francois and Hall (2009)<sup>4</sup>. The results of the study go beyond the traditional and more widely used computable general equilibrium modelling. More detailed information on the model and method used are in Appendix I.

The model predicts expected export gain for Canada based on trade diversion from members of the agreement and the rest of the world when the tariffs that apply to trade between Japan and CPTPP members change. This expected gain reflects price effects and initial market share only. In conventional trade models, the total amount of trade diversion is allocated to the various CPTPP partners based on historical market shares and supply capacity. However, in the real world, countries can do better than the model predicts by deploying resources for trade promotion. Accordingly, what is of interest here is the total amount of newly contestable trade that is being diverted towards CPTPP partners. The total additional exports that are available for Canadian business, by deploying resources for trade promotion for example, are calculated in this report.

<sup>4</sup> Francois, Joseph & Hall, H. "Global Simulation Analysis of Industry-Level Trade Policy: the GSIM model." *Institute for International and Development Economics*, IIDE Discussion Paper, 2009.



Therefore, four main results are presented in this report:

#### 01

Increased exports through trade diversion for the usual export suspects that are significantly traded (intensive margin goods),

#### 02

Increased exports through trade diversion for less-traded (extensive margin) goods,

#### 03

Areas of competition for additional contestable market share for extensive margin goods exports

#### 04

Areas of competition for additional contestable market share for intensive margin goods exports

By focusing only on products that face tariff reduction in Japan, we culled the list of the most promising sectors to be analyzed with the following exclusion criteria. This report excluded products in which:

- **Japan** has limited worldwide imports;
- **Canada** has limited worldwide exports;
- **Western Canada** has no significant established presence in trade with Japan;
- **the CPTPP** would not attract a change in duty for Canadian exports.

Specifically, the following filters were used to exclude products:

- **At the HS6 level**, we exclude the sectors where Japan imports globally are US\$100,000 or less;
- **At the HS6 level**, Canadian exports of goods globally are currently below US\$100,000;
- **At the HS6 level**, Japan imports of goods from Western Canada are below US\$50,000;
- **At the HS6 level**, if there is no change in the tariff applied to Canadian goods entering Japan.

In addition, we exclude those categories where tariff rate quotas (TRQs) affect the flow of goods because this report is looking for open-ended trade gains and TRQs are not expandable.<sup>5</sup>

The trade data used covers the period 2014-2018. Given the year-to-year volatility observed in the data, we focus on the average flow to select products using the criteria described above. We also selected product groups with higher growth based on the recent share of imports registered in 2017-2018. An additional 31 categories, where the average Japan imports from Western Canada were higher in the 2017-2018 period than the 2014-2018 period, were included in the study.

In total, this selection process identified 194 categories at the HS6 level to be included among the priority sectors for trade promotion presented in this report. The results for individual Western Canadian provinces are reported separately from Canada's total.

<sup>5</sup> TRQs are import quotas that allow a specific amount of a good into a country at a reduced rate of duty during a set period of time, usually established under trade agreements. For example, 100,000 tonnes of wheat per calendar year from country tariff X. Anything above this amount is charged more. Unlike a quota, TRQs do not absolutely restrict imports. Rather, the higher tariff is used to discourage. Theoretically, if a tariff for exceeding the initial quota allotment is set high enough it

can have the effect of essentially barring further imports. TRQs are a means to allow the benefits of some imports in economically, or more often politically, sensitive areas without problems of imports displacing domestic production. Read more at Government of Canada, "Tariff rate quotas explained: A guide to answering consultation questions." <https://www.international.gc.ca/trade-commerce/consultations/cptpp-ptpgp/guide.aspx?lang=eng>

# Results

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**THE PURPOSE OF THIS PAPER** is to provide examples of where opportunities lie for Canada with Japan. There are 194 export opportunities identified in this study for Canada with Japan. Canada West Foundation worked with federal and provincial export promotional agencies throughout this project. For more export information on other goods, please visit our website [cwf.ca](http://cwf.ca) or your local export promotional agencies and trade commissioner services directly.

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## **OPPORTUNITIES TO INCREASE ALREADY HIGHLY TRADED EXPORTS TO JAPAN UNDER THE CPTPP**

### **Canada and Western Canada gains**

Table 1 (page 16) shows the expected gains of intensive margin exports with Japan under the CPTPP and the impact of U.S. competition from the partial U.S.-Japan agreement. Intensive margin exports are the usual suspects or products that are already highly traded. Our model identified 16 intensive margin exports impacted by Japan's tariff reductions that are expected to grow under the agreement.

For each product in Table 1, the export baselines (columns 1-2) of the table provide current total exports from Canada and Western Canada to Japan. This baseline is the five-year average of exports to Japan for 2014-2018. Columns 3-6 show our calculated expected export gains in thousands of U.S. dollars for Canada and Western Canada. Our model calculated these gains based purely on the price implications of the new tariffs that apply to Japanese imports. There are no specific timeframes dedicated to the growth. The table also shows expected gain by percentage (columns 4 and 6) for Canada and Western Canada. Column 7 lists the level of threat U.S. poses to Canadian export opportunities with Japan – high, medium, low or none. The names of the products in the tables have been shortened for simplicity. For detailed product descriptions, please refer to the HS6 codes in the tables.

## The top five largest gains for Western Canada (fresh or chilled pork, frozen pork, fresh or chilled beef, frozen beef, and coniferous wood) account for approximately **US\$1.4 billion in growth.**

Table 1 is ordered from largest to smallest expected total Canadian gain by value. For example, frozen potatoes exports (HS200410) to Japan averaged US\$24.7 million over the last five years for Canada, and US\$19.4 million for Western Canada. Our model predicts a total expected growth of US\$11.4 million (or 46% increase) with Japan under the CPTPP for Canada. Frozen potatoes are ranked ninth out of 16 in U.S. dollar value gain for Western Canada, with an expected total gain of US\$8.8 million or 45.6%.

The largest expected Canadian export gains among the usual suspects are pork, beef and coniferous wood. The pork and beef product categories are in total expected to see an average growth of 289% and 355% respectively. Fresh or chilled pork, in particular, is ranked as the fifth-largest Canadian export in 2018 to Japan (US\$689 million)<sup>6</sup>. This product also has the biggest value gain for Western Canada with a growth of US\$682 million or 154.6%.

Unfortunately, the top four most important pork and beef gains for Canada will face a highly competitive threat from the U.S. after the U.S.-Japan trade deal. Specifically, the U.S. will get the same level of liberalization as Canada under the CPTPP starting January 2020 for fresh or chilled pork, frozen pork and fresh or chilled boneless beef. When broken down further to HS9 level codes, the U.S. will experience even better tariff liberalization than Canada for these three products. The CPTPP does not have a reduction for HS0203.19.024 (other fresh or chilled boneless pork, less than 399 yen/kg in

value for customs duty) and HS0203.19.025 (other fresh or chilled boneless pork, not less than 399 yen/kg in value for customs duty). This is the same for frozen pork where the CPTPP does not have reduction for HS0203.29.024 and HS0203.29.025 compared to the U.S.-Japan trade deal. For fresh or chilled boneless beef, Japan will reduce tariffs to 9% in year 16 and onwards (from 38.5% MFN base rate) for Canada at the nine-digit HS code. On the other hand, Japan will reduce tariff to 9% in year 10 for the U.S. at the nine-digit HS code and expect to be reduced to 0% starting in Year 15. Finally, in addition to having the same or better tariff provisions, the U.S. exports significantly more than Canada in these top four pork and beef categories (see column 8 of Table 8 for more details). This gives the U.S. an export advantage over Canada with respect to Japan for frozen, fresh or chilled boneless beef and frozen, fresh or chilled pork.

However, coniferous wood or oriented strand board are ranked top 5 and 7, respectively, in importance for Western Canada and do not have tariff provisions under the U.S.-Japan trade deal. Therefore, these remain highly attractive for both Canada and Western Canada in expected gains.

The top five largest gains for Western Canada (fresh or chilled pork, frozen pork, fresh or chilled beef, frozen beef, and coniferous wood) account for approximately US\$1.4 billion in growth or about 94.4% of the total gains of the intensive margin exports identified for Western Canada.

<sup>6</sup> Trade Data Online, Statistics Canada 2019



**Table 1:** Expected gains for highly traded exports to Japan for Western Canada and Canada  
(in thousands of current US\$)

HS6 Code	Abbreviated Description	Canada Exports to Japan Baseline	Western Canada Exports to Japan Baseline	Canada Expected Export Gain	Canada Gain %	Western Canada Expected Export Gain	Western Canada Gain %	U.S. Threat Level
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
020319	Fresh/chilled pork	609,6955	<b>441,353</b>	1,248,953	205%	<b>682,309</b>	<b>155%</b>	High
020329	Frozen pork	166,655	<b>81,188</b>	1,004,325	603%	<b>405,273</b>	<b>499%</b>	High
020230	Frozen boneless beef	48,724	<b>39,785</b>	185,969	382%	<b>135,298</b>	<b>340%</b>	High
020130	Fresh/chilled boneless beef	22,196	<b>13,692</b>	108,678	490%	<b>66,051</b>	<b>482%</b>	High
440710	Coniferous wood	508,179	<b>507,567</b>	65,568	13%	<b>65,481</b>	<b>13%</b>	None
020610	Fresh/chilled edible beef offal	20,244	<b>15,664</b>	39,359	194%	<b>29,120</b>	<b>186%</b>	Medium
160249	Prepared/preserved pork meat and offal	40,188	<b>21,151</b>	24,481	61%	<b>11,331</b>	<b>54%</b>	Low
081190	Frozen fruit and nuts	27,461	<b>11,486</b>	14,825	54%	<b>6,119</b>	<b>53%</b>	Low
441012	Oriented strand board	45,672	<b>45,660</b>	13,730	30%	<b>13,726</b>	<b>30%</b>	None
200410	Frozen potatoes	24,734	<b>19,382</b>	11,372	46%	<b>8,831</b>	<b>46%</b>	High
750210	Unwrought nickel	44,498	<b>18,594</b>	10,111	23%	<b>4,229</b>	<b>23%</b>	None
170220	Maple sugar/syrup	20,335	<b>184</b>	9,883	49%	<b>84</b>	<b>46%</b>	None
020910	Pig fat	30,862	<b>11,488</b>	8,605	28%	<b>2,854</b>	<b>25%</b>	Low
750400	Nickel powders and flakes	81,730	<b>5,109</b>	7,455	9%	<b>586</b>	<b>12%</b>	None
282911	Chlorate of sodium	25,489	<b>23,666</b>	3,809	15%	<b>3,418</b>	<b>14%</b>	None
230910	Dog or cat food	20,894	<b>5,635</b>	781	4%	<b>211</b>	<b>4%</b>	High

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.

## Potential additional contestable market share in Japan for already highly traded exports

Table 2 (page 18) presents the potential additional contestable export market share for the 16 intensive margin exports. The table is ranked by Column 7, the total potential additional exports in which Canada can contest for the 16 items with additional export promotional efforts with Japan under the agreement. Columns 1 and 2 are again the 2014-2018 five-year average baselines for Western Canadian and total Canadian exports to Japan. Columns 3 to 6 show the calculated expected gain for Western Canada and Canada under the CPTPP in dollar values and percentage gain (as discussed in the previous section).

Identifying sectors with the largest contestable additional market shares is particularly useful for businesses and export promotional agencies (EPAs). For example, if a business of a sector has a competitive advantage over its competitors and/or is already exporting to Japan, it would be well positioned to fight for additional market shares as well as the expected estimated gains. Under this scenario, large businesses already exporting to Japan should focus on how to increase marketing and production capacity; and would require less assistance from the EPAs. However, large firms that are currently exporting to the U.S. may still require EPAs' assistance. EPAs may also focus on providing more support for smaller businesses in sectors of large contestable markets. Therefore, these results allow EPAs to make more efficient and effective promotional targeting efforts and provide greater support for firms exporting to Japan.

Consider the example of fresh or chilled pork and frozen pork. In addition to the already expected gains of US\$1.2 billion and US\$1 billion, respectively, for Canadian exports to Japan, the modelling suggests that there is an additional US\$192 million and US\$154 million respectively that Canada could contest and capture in the Japanese market from competitors such as New Zealand and the U.S. through additional efforts. Similarly, for Western Canada, while its frozen and fresh or chilled

boneless beef are already expected to grow by \$186 million and \$109 million respectively, there are potential additional gains of US\$145 million and US\$125 million respectively for these goods that Canada could capture with additional efforts as it competes with other CPTPP and non-CPTPP countries. Notice that the potential additional level to contest for fresh or chilled boneless beef is higher than Canada and Western Canada's expected gain with Japan under the CPTPP. **Therefore, with extra efforts, Canadian fresh or chilled boneless beef exports can fight for even more market share than the expected gains calculated from conventional models.**

In several of the 16 intensive margin products, potential additional markets to contest for Canada is negative. These are chlorate of sodium (negative US\$121.8 thousand), oriented strand board (negative US\$3.4 million) and coniferous wood (negative US\$17.1 million). A negative result in this indicates that the gains projected for Canada account for all the additional import penetration in Japan and all other suppliers lose market share along with Japanese domestic producers. This can reflect the shift of CPTPP parties' exports away from Japan to more attractive markets under the CPTPP (e.g., towards a liberalizing Vietnam). For countries such as Vietnam, Australia and Singapore that already have bilateral agreements with Japan prior to the CPTPP, the new agreement is likely to give them new market access to more attractive markets and therefore, shift exports away from Japan to better or larger market opportunities.



**With extra efforts, Canadian fresh or chilled boneless beef exports can fight for even more market share than the expected gains calculated from conventional models.**

**Table 2:** Potential additional market share to contest for Canada with Japan (in thousands of current US\$)

HS6 Code	Abbreviated Description	Western Canada Exports to Japan Baseline	Canada Exports to Japan Baseline	Western Canada Expected Export Gain	Western Canada Gain %	Canada Expected Export Gain	Canada Gain %	Potential Additional Market Share to Contest	U.S. Threat Level
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)
020329	Frozen pork	<b>81,188</b>	166,655	<b>405,273</b>	<b>499%</b>	1,004,325	603%	<b>192,382</b>	High
020319	Fresh/chilled pork	<b>441,353</b>	609,695	<b>682,309</b>	<b>155%</b>	1,248,953	205%	<b>153,822</b>	High
020230	Frozen boneless beef	<b>39,785</b>	48,724	<b>135,298</b>	<b>340%</b>	185,969	382%	<b>145,021</b>	High
020130	Fresh/chilled boneless beef	<b>13,692</b>	22,196	<b>66,051</b>	<b>482%</b>	108,678	490%	<b>124,893</b>	High
170220	Maple sugar/syrup	<b>184</b>	20,335	<b>84</b>	<b>46%</b>	9,883	49%	<b>9,482</b>	None
081190	Frozen fruit and nuts	<b>11,486</b>	27,461	<b>6,119</b>	<b>53%</b>	14,825	54%	<b>8,341</b>	Low
750400	Nickel powders and flakes	<b>5,109</b>	81,730	<b>586</b>	<b>12%</b>	7,455	9%	<b>6,076</b>	None
020910	Pig fat	<b>11,488</b>	30,862	<b>2,854</b>	<b>25%</b>	8,605	28%	<b>4,496</b>	Low
750210	Unwrought nickel	<b>18,594</b>	44,498	<b>4,229</b>	<b>23%</b>	10,111	23%	<b>3,238</b>	None
160249	Prepared/preserved pork meat and offal	<b>21,151</b>	40,188	<b>11,331</b>	<b>54%</b>	24,481	61%	<b>3,230</b>	Low
200410	Frozen potatoes	<b>19,382</b>	24,734	<b>8,831</b>	<b>46%</b>	11,372	46%	<b>2,819</b>	High
020610	Fresh/chilled edible beef offal	<b>15,664</b>	20,244	<b>29,120</b>	<b>186%</b>	39,359	194%	<b>1,576</b>	Medium
230910	Dog or cat food	<b>5,635</b>	20,894	<b>211</b>	<b>4%</b>	781	4%	<b>695</b>	High
282911	Chlorate of sodium	<b>23,666</b>	25,489	<b>3,418</b>	<b>14%</b>	3,809	15%	<b>-122</b>	None
441012	Oriented strand board	<b>45,660</b>	45,672	<b>13,726</b>	<b>30%</b>	13,730	30%	<b>-3,383</b>	None
440710	Coniferous wood	<b>507,567</b>	508,179	<b>65,481</b>	<b>13%</b>	65,568	13%	<b>-17,081</b>	None

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.



# Western provincial gain for already highly traded exports to Japan

Our model further breaks down results to identify western province-specific product opportunities. Table 3 displays western provincial results with the five-year average baseline (columns 1-4) followed by our calculation of the expected gain with Japan under the CPTPP for each province (columns 5-8). Column 9 once again provides a perspective of the pressure from the U.S.-Japan trade deal on the Canadian gains. The table is ranked by largest to smallest total Western Canada gain by value.

## ALBERTA

Alberta experiences the largest total intensive margin export value gains of US\$617.9 million with Japan under the CPTPP. The top gains by both dollar value and percentage are pork (sum of total gain of US\$369.9 million or 208% growth from baseline), beef (sum of total gain of US\$230.3 million or 333% growth from baseline) and frozen potatoes (US\$8.4 million or 45.5% growth). Other products with an expected dollar value growth of over US\$1 million include coniferous wood (US\$3.9 million), unwrought nickel (US\$3.3 million) and pig fat (US\$1.3 million). Overall, the biggest value gain for Alberta is fresh or chilled pork (US\$254.7 million) and the product with the biggest percentage gain is frozen pork (503.3%). Therefore, as these products also face some of the highest threat from the U.S.-Japan trade deal, more efforts need to be in place to achieve the expected gain.

## SASKATCHEWAN

There are three main export opportunities for Saskatchewan. These are oriented strand board (US\$514.7 thousand), fresh or chilled pork (US\$150.7 thousand) and frozen pork (US\$124.8 thousand). While oriented strand board is ranked first in dollar value, it is frozen pork that sees the largest growth of 1221.1%, followed by fresh or chilled pork 460.0% and prepared or preserved pork offal 71.4%.

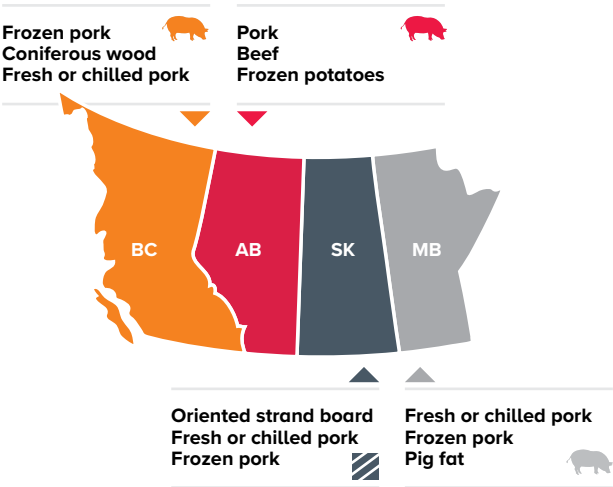
## MANITOBA

Manitoba has the second-largest export value gains with Japan under the CPTPP with a total of US\$608.3 million for the identified intensive margin goods. Out of the 10 export products identified, Top 5 of the largest export gains by value for Manitoba are fresh or chilled pork (US\$372.6 million), frozen pork (US\$232.8 million), pig fat (US\$1.4 million), unwrought nickel (US\$974.7 thousand) and frozen potatoes (US\$409.5 thousand). Pig fat and unwrought nickel faces low to no competition from the U.S. with respect to Japan making these to sectors particularly attractive as Canada exports more pig fat, for example, to Japan than the U.S.

## BRITISH COLUMBIA

The largest gains for British Columbia by dollar value are frozen pork (US\$68.5 million), coniferous wood (US\$61.5 million), fresh or chilled pork (US\$54.8 million), oriented strand board (US\$13.1 million), frozen fruit and nuts (US\$6 million) and sodium chlorate (US\$3.4 million). Frozen pork and fresh or chilled pork experiences some of the largest percentage growth of 756.8% and 268.2% respectively.

### Top highly traded export gains for the western provinces



**Table 3:** Expected gains for highly traded exports to Japan for the four western provinces (in thousands of current US\$)

HS6 Code	Abbreviated Description	BC Export to Japan Baseline	AB Export to Japan Baseline	SK Export to Japan Baseline	MB Export to Japan Baseline	BC Expected Export Gain	AB Expected Export Gain	SK Expected Export Gain	MB Expected Export Gain	U.S. Threat Level
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
020319	Fresh/ chilled pork	20,451	136,433	33	284,436	54,853	254,658	151	372,647	High
020329	Frozen pork	9,052	20,643	10	51,482	68,507	103,890	125	232,751	High
020230	Frozen boneless beef	8	39,763	–	14	47	135,170	–	81	High
020130	Fresh/ chilled boneless beef	3	13,689	–	0	15	66,036	–	0	High
440710	Coniferous wood	478,287	29,165	5	111	61,537	3,928	1	15	None
020610	Fresh/ chilled edible beef offal	1	15,655	–	8	2	29,097	–	21	Medium
441012	Oriented strand board	43,902	207	1,550	–	13,142	69	515	–	None
160249	Prepared/ preserved pork meat and offal	–	21,144	7	–	–	11,326	5	–	Low
200410	Frozen potatoes	25	18,500	–	857	12	8,409	–	410	High
081190	Frozen fruit and nuts	11,426	24	–	36	6,085	14	–	20	Low
750210	Unwrought nickel	–	14,390	–	4,203	–	3,254	–	975	None
282911	Chlorate of sodium	23,666	–	–	–	3,418	–	–	–	None
020910	Pig fat	757	6,222	–	4,509	173	1,314	–	1,366	Low
750400	Nickel powders and flakes	–	5,109	–	–	–	586	–	–	None
230910	Dog or cat food	401	5,234	–	–	15	196	–	–	High
170220	Maple sugar/syrup	177	–	7	–	80	–	4	–	None

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.

## **OPPORTUNITIES TO INCREASE LESS-TRADED EXPORTS TO JAPAN UNDER THE CPTPP**

### **Canada and Western Canadian gain**

The CPTPP changes the types and volume of Canadian exported goods<sup>7</sup>. Our modelling exercise identified less obvious, less-traded products that have high potential for growth over the longer-term as a result of trade liberalization. The currently less-traded exports to Japan may seem daunting, particularly when the size and capacity of the businesses are small. However, if some of these exports are already being exported elsewhere (such as the U.S.) and/or are already exporting in a larger volume elsewhere, entering the Japanese market may be feasible. We call this market readiness.

Table 4 lists the Top 20 of the 178 products identified as less-traded export opportunities out of the total 194 impacted exports for Canada with Japan. Once again, the baselines (columns 1-2) and the calculated expected gains (columns 3-6) are listed for all of Canada and Western Canada.

At the aggregate level, frozen pork products (US\$135.9 million), dried shelled adzuki beans (US\$73.7 million) and dried shelled peas (US\$64.9 million) face the highest value gains for Canada in Japan under the CPTPP. Frozen pork faces high competition from the new U.S.-Japan trade agreements as the U.S. receives the same tariff provisions as Canada and exported 218% more frozen pork to Japan from 2014 to 2018. Adzuki beans and dried shelled peas, on the other hand, face lower competition from the U.S. despite the same tariff provisions as Canada exports 7% and

82%, respectively, more to Japan than the U.S. Men's windbreakers (US\$12.1 million), natural honey (US\$8.5 million) and frozen beef tongues (US\$7.6 million) all expect large value gains and do not face any competition from the new U.S.-Japan trade agreement.

For Western Canada, frozen pork products (US\$83 million), dried shelled peas (US\$63.7 million) and frozen beef offal (US\$19 million) are expected to see the highest growth. Note that frozen beef offal does not face any competition against the U.S. under the new U.S.-Japan trade agreement. Nine other products have been identified to expect over US\$1 million gain. These include: frozen bone-in ham, frozen beef tongues, natural honey, live horses, dried fish livers, canola oil erucic acid < 2% and frozen fish. Most of these do not face any additional competition from the U.S.-Japan trade deal. Some of these largest value gains also experience some of the largest percentage gains of over 100% growth with Japan under the CPTPP – such as shelled adzuki beans, dried shelled peas, frozen pork products, dried shelled kidney beans, frozen bone-in ham and frozen beef offal.

With products such as dried shelled adzuki beans, dried shelled kidney beans and beef/horse hides, where exports have potential to grow significantly, historical exports of these products to Japan are higher from the rest of Canada compared to Western Canada. This may be because of environmental factors, higher production capacity or the right kind of processing facilities. But with such large percentage growth potential, these sectors could be of interest for Western Canada to develop and to further explore by, for example, working with rest of Canada. These are the types of questions that arise from analyzing the results.

<sup>7</sup> We've illustrated the change in volume by dollar value in this report

**Table 4:** Top 20 expected gains for less-traded exports to Japan for Western Canada and Canada under the CPTPP (in thousands of current US\$)

HS6 Code	Abbreviated Description	Canada Exports to Japan Baseline	Western Canada Exports to Japan Baseline	Canada Expected Export Gain	Canada Gain %	Western Canada Expected Export Gain	Western Canada Gain %	U.S. Threat Level
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
020649	Frozen pork products	12,308	<b>9,127</b>	135,915	1,104%	<b>83,153</b>	<b>911%</b>	High
071332	Dried shelled adzuki beans	13,143	<b>35</b>	73,680	561%	<b>866</b>	<b>2447%</b>	Low
071310	Dried shelled peas	4,025	<b>3,952</b>	64,871	1612%	<b>63,734</b>	<b>1613%</b>	Low
020629	Frozen beef offal	10,624	<b>7,478</b>	28,458	268%	<b>19,087</b>	<b>255%</b>	None
020322	Frozen bone-in ham	4,770	<b>2,187</b>	23,419	491%	<b>9,844</b>	<b>450%</b>	Medium
350300	Gelatin	19,377	<b>0</b>	12,854	66%	<b>0</b>	<b>81%</b>	None
620193	Men's windbreakers	11,042	<b>107</b>	12,060	109%	<b>150</b>	<b>139%</b>	None
040900	Natural honey	11,923	<b>9,891</b>	8,540	72%	<b>6,939</b>	<b>70%</b>	None
620293	Women's windbreakers	7,335	<b>8</b>	8,240	112%	<b>11</b>	<b>140%</b>	None
071333	Dried shelled kidney beans	998	<b>59</b>	8,091	810%	<b>495</b>	<b>835%</b>	High
020621	Frozen beef tongues	10,643	<b>10,442</b>	7,630	72%	<b>7,365</b>	<b>71%</b>	None
010129	Live horses	16,253	<b>16,253</b>	4,292	26%	<b>4,292</b>	<b>26%</b>	None
420212	Suitcases/ briefcases	4,352	<b>2</b>	4,187	96%	<b>2</b>	<b>110%</b>	None
611020	Cotton sweaters	2,340	<b>141</b>	2,840	121%	<b>185</b>	<b>132%</b>	None
030520	Dried fish livers	15,867	<b>15,867</b>	2,649	17%	<b>2,649</b>	<b>17%</b>	None
410150	Beef/horse hides	13,445	<b>589</b>	2,604	19%	<b>121</b>	<b>21%</b>	None
151419	Canola oil erucic acid < 2%	5,413	<b>5,365</b>	2,157	40%	<b>2,138</b>	<b>40%</b>	None
640419	Rubber soled footwear, plastic uppers	89	<b>0</b>	2,141	2410%	<b>0</b>	<b>2483%</b>	None
030389	Frozen fish	12,634	<b>8,553</b>	2,122	17%	<b>1,413</b>	<b>17%</b>	None
071339	Dried shelled beans	8,627	<b>746</b>	1,982	23%	<b>187</b>	<b>25%</b>	Low

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.



Canola seeds (HS120510) were the second-largest export to Japan for Canada in 2018;<sup>8</sup> close to 99% of canola is grown in Alberta, Saskatchewan and Manitoba.<sup>9</sup> Canola seeds (both HS120510 and HS120590) have been excluded from the analysis because Canada had zero tariff duty rates with Japan prior to the CPTPP agreement. However, non-seed products such as oil and meal were subject to tariff cuts and both show potential for export growth of US\$2.1 million or 39.8% for canola oil erucic acid < 2% (HS151419) and US\$1.4 million or 70.2% for crude canola oil erucic acid < 2% (HS151411) for Western Canada. Canola oil erucic acid ≥ 2% (HS151491) is expected to see a total gain of US\$449.8 thousand (or 43.7%) and canola oil erucic acid ≥ 2%, nes (HS151499) is expected to see a gain of US\$204 thousand (or 23.23%). Lastly, flours and meal of oil seeds (HS120890) is expected to see US\$16.9 thousand or 25.31%. Exports of flours and meal of oil seeds in Canada solely comes from Western Canada.

Overall, Alberta is expected to experience the largest dollar value gain in Canola oil erucic acid < 2% followed by Manitoba and British Columbia. B.C. is expected to experience the largest dollar value gain in crude canola oil erucic acid < 2%, followed by Saskatchewan and Alberta. Canola oil erucic acid ≥ 2% (for both HS151491 and HS151499) is only applicable to B.C. and Saskatchewan.

The growth in processed canola products is a good example of Canada's changing export portfolio to Japan. The elimination of Japan's tariff escalation policy in the oilseed sector may potentially expand the overall export portfolio of canola products and/or impact the composition of exports from unprocessed oilseeds to crude and refined canola oil, essentially picking up the crushing margin.<sup>10</sup>

## Potential additional contestable market share in Japan for less-traded exports

Table 5 (page 24) shows the Top 10 potential additional product markets to contest for less-traded Canadian exports to Japan. Additional contestable market share for exports to Japan is shown in Column 7. Again, this is the change in Japan's imports from all third parties (i.e., excluding Canada) which Canada can contest for additional market share through additional promotional efforts.

In total, there are 27 extensive margin products that have over US\$1 million of potential additional exports for Canada to contest against its competitors. In some segments, Canada is expected to gain an outsize share of the newly contestable trade with little left for suppliers from other markets. This is the case for dried shelled adzuki beans, for example, in which total Canadian export gain is expected to be US\$73.7 million, larger than the potential additional market to contest of US\$69 million. This is also the case for frozen pork, despite potential high pressure from the new U.S.-Japan trade deal.

Another interesting observation here are product groups where Canada's exports to Japan are less than \$20 million in the baseline and thus potentially overlooked (the extensive margin products) but where the additional contestable market share is large relative to the expected Canadian export gain. This is the case for natural honey, where the total expected gain is US\$8.5 million and the potential additional contestable is US\$16.5 million. That means that while Canada is expecting a growth of 71.6% for the natural honey product, with more effort, there is a large pool of potential additional market for Canadian business to contest against competitors.

<sup>8</sup> Trade data online, Statistics Canada

<sup>9</sup> Pittman, Sarah. "What Now? Canada's China-Canola Challenge," *Canada West Foundation*, April 26, 2019. <https://cwf.ca/research/publications/what-now-canadas-china-canola-challenge/>

<sup>10</sup> Ciuriak Consulting. "Canola Market Impacts under Alternative TPP Scenarios." January 6, 2016. [https://www.canolacouncil.org/media/574805/canola-tpp\\_jan\\_24\\_16.pdf](https://www.canolacouncil.org/media/574805/canola-tpp_jan_24_16.pdf)

**Table 5:** Top 10 Potential additional market share to contest for Canada with Japan (in thousands of current US\$)

HS6 Code	Abbreviated Description	Western Canada Exports to Japan Baseline	Canada Exports to Japan Baseline	Western Canada Expected Export Gain	Western Canada Gain %	Canada Expected Export Gain	Canada Gain %	Potential Additional Market Share to Contest	U.S. Threat Level
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)
071332	Dried shelled adzuki beans	35	13,143	866	2447%	73,680	561%	67,966	Low
020649	Frozen pork products	9,127	12,308	83,153	911%	135,915	1104%	24,109	High
020629	Frozen beef offal	7,478	10,624	19,087	255%	28,458	268%	16,502	None
040900	Natural honey	9,891	11,923	6,939	70%	8,540	72%	16,493	None
210390	Sauces and prepared sauces	275	773	121	44%	340	44%	11,405	High
071310	Dried shelled peas	3,952	4,025	63,734	1613%	64,871	1612%	11,368	Low
200989	Unfermented fruit/vegetables juice	113	659	84	74%	487	74%	11,210	High
020322	Frozen bone-in ham	2,187	4,770	9,844	450%	23,419	491%	8,315	Medium
020621	Frozen beef tongues	10,442	10,643	7,365	71%	7,630	72%	7,072	None
071333	Dried shelled kidney beans	59	998	495	835%	8,091	810%	7,031	High

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.



**In total, there are 27 extensive margin products that have over US\$1 million of potential additional exports for Canada to contest against its competitors. In some segments, Canada is expected to gain an outsize share of the newly contestable trade with little left for suppliers from other markets.**

## Western provincial gain for less-traded exports to Japan

Table 6 (page 26) lists the top 20 expected extensive growth products for Western Canada and further breaks down the results for the four western provinces.

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### ALBERTA

Out of all the provinces in Canada, Alberta once again experiences the largest total extensive margin export value gains of US\$94.1 million with Japan under the CPTPP. Alberta is also ranked second (after British Columbia) on having the largest number of export items impacted under the CPTPP with 70 of the 178 extensive goods identified as facing potential expected gains. Ten products are expected to see close to or more than US\$1 million in gain. Some of them can be found in Column 6 of Table 6 including include frozen beef offal (US\$19 million), dried shelled peas (US\$14.9 million), frozen beef tongues (US\$7.4 million), frozen bone-in ham (US\$7.2 million), natural honey (US\$4.6 million), live horses (US\$3.3 million), and canola oil erucic acid < 2% (US\$1.8 million). Frozen pork products are the biggest total value gain of US\$28.2 million for Alberta. Seventeen export products are expected to have more than 100% growth, including dried, shelled peas (1548%), frozen pork products (870%), protein concentrates (578.9%), frozen bone-in ham (429%), and frozen beef offal (255%).

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### SASKATCHEWAN

For Saskatchewan, 24 of the 178 identified extensive products are expected to see gain under the CPTPP. That is an expected total gain of approximately US\$50.6 million. One of the key markets for Saskatchewan is dried shelled peas with an expected total gain of US\$48 million (Column 7 of Table 6) from the baseline of US\$2.9 million (Column 3 of Table 6). Other notable gains for less-obvious goods include natural honey (US\$751.9 thousand), crude canola oil erucic acid < 2% (US\$515.1 thousand), dried shelled

adzuki beans (US\$506.2 thousand), canola oil erucic acid ≥ 2% (US\$182.7 thousand), dried shelled kidney beans (US\$164.9 thousand), linseed oil (US\$100.4 thousand), canola oil erucic acid ≥ 2%, nes (US\$67.4 thousand), and dried shelled chickpeas (US\$55.6 thousand). When sorted by percentage gain, four export products are expected to see more than 100% in growth. This includes dried shelled adzuki beans (2,541%), dried shelled peas (1,633%), dried shelled kidney beans (836%) and suitcases and briefcases (109%).

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### MANITOBA

For Manitoba, 38 of the 178 extensive products identified are expected to see export gains with Japan, with a total gain of US\$60 million. Manitoba is ranked second on the largest total expected Western Canadian export gain by value for extensive goods to Japan. One of the largest total export gains by dollar value is frozen pork products (US\$53 million), followed by frozen bone-in ham (US\$2 million), natural honey (US\$1.2 million), live horses (US\$891.6 thousand), protein concentrates (US\$839.2 thousand), dried shelled peas (US\$705.9 thousand), canola oil erucic acid < 2% (US\$261.6 thousand), linseed oil (US\$253.6 thousand), and dried shelled kidney beans (US\$244.6 thousand). When sorted by percentage growth, 15 export products are expected to have more than 100% growth such as dried shelled peas (1,659.5%), frozen pork products (922.6%), dried shelled kidney beans (836.8%), and protein textured and concentrates (538.2%).

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### BRITISH COLUMBIA

By far, B.C. has the greatest number of exports impacted under the CPTPP with 158 of the 178 extensive goods identified facing potential expected gains. However, B.C. also experiences some of the smallest dollar value growth compared to the other three western provinces despite 37 (or 24%) of the 158 goods are expected to have more than 100% growth. The total expected gain for B.C. with the 158 extensive goods is US\$ 27.9 million. Only four products expect to see over US\$1 million in gain.

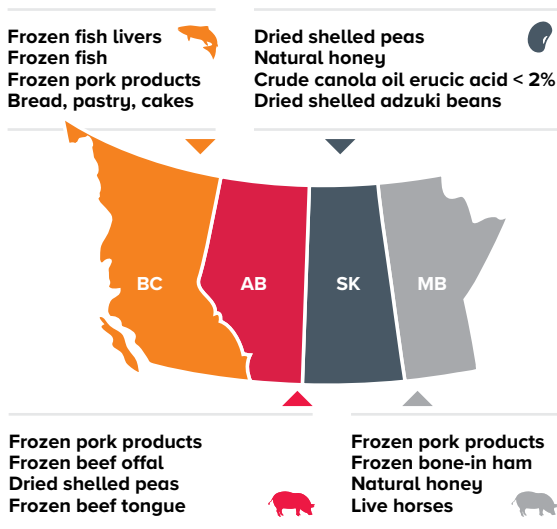
**Table 6:** Top 20 expected gain for less trade exports from western provinces to Japan (in thousands of current US\$)

HS6 Code	Abbreviated Description	BC Export to Japan Baseline	AB Export to Japan Baseline	SK Export to Japan Baseline	MB Export to Japan Baseline	BC Expected Export Gain	AB Expected Export Gain	SK Expected Export Gain	MB Expected Export Gain	U.S. Threat Level
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
020649	Frozen pork products	108	3,251	–	5,768	1,722	28,217	–	53,214	High
071310	Dried, shelled peas	8	962	2,940	43	132	14,897	47,999	706	Low
020629	Frozen beef offal	17	7,453	–	8	53	19,008	–	26	None
020322	Frozen bone-in ham	120	1,685	–	382	599	7,235	–	2,010	Medium
020621	Frozen beef tongues	6	10,437	–	–	8	7,357	–	–	None
040900	Natural honey	406	6,827	989	1,669	317	4,638	752	1,231	None
010129	Live horses	326	12,425	–	3,502	89	3,312	–	892	None
030520	Dried fish livers	15,822	–	–	45	2,641	–	–	8	None
151419	Canola oil erucic acid < 2%	170	4,546	13	636	70	1,801	5	262	None
190590	Bread, pastry, cakes	2,239	365	–	33	1,232	201	–	18	High
151411	Crude canola oil erucic acid < 2%	903	383	732	–	632	270	515	–	None
030389	Frozen fish	8,553	–	–	–	1,413	–	–	–	None
280300	Carbon blacks	-	3,659	–	–	–	993	–	–	None
390190	Ethylene polymers	-	4,624	–	–	–	906	–	–	None
030214	Fresh/chilled Atlantic salmon	9,820	1	–	–	870	0	–	–	None
071332	Dried shelled adzuki beans	–	15	20	–	–	395	506	–	Low
210610	Protein textured and concentrates	2	1	–	156	9	5	–	839	Medium
030312	Frozen Pacific salmon	6,201	–	–	–	844	–	–	–	None
030311	Frozen sockeye salmon	5,931	–	–	–	827	–	–	–	None
811292	Unwrought hafnium	10,721	–	–	–	823	–	–	–	None

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.

The majority of B.C.s gain are in primary goods such as seafood related products including dried fish livers (US\$2.6 million) and frozen fish (US\$1.4 million). Sixteen export products expect to see more than US\$500 thousand in growth, including fresh/chilled Atlantic salmon (US\$869.7 thousand), frozen Pacific salmon (US\$843.8 thousand), frozen sockeye salmon (US\$826.9 thousand) and unwrought hafnium (US\$823.3 thousand). Some of these largest gains also experience the largest expected percentage growth. Most of the seafood products do not have tariff reductions under the new U.S.-Japan trade deal, giving B.C. an additional competitive advantage in exporting to Japan.

#### Top less-traded export gains for the western provinces



## Other observations

Our analysis shows that Japan liberalizes most with Canada, followed by New Zealand and to a smaller extent Mexico. Table 7 (page 28) lists the Top 15 New Zealand gains with Japan compared to Canada.

Table 7 shows that New Zealand has several areas of direct competition against Canada.<sup>11</sup> Because New Zealand is experiencing a similar degree of liberalization as Canada, it will be Canada's major competitor within the CPTPP for market share under the new agreement with Japan. For example, New Zealand has relatively larger gains compared to Canada with Japan under CPTPP on frozen boneless beef (US\$235 million compared to US\$186 million for Canada) and fresh or chilled boneless beef (US\$171.4 million compared to US\$108.7 million for Canada). This means that most of the potential additional market (Column 4 of Table 7) in which Canada can contest in these two markets will be mainly against New Zealand. Furthermore, New Zealand outperforms Canada in natural honey and frozen beef tongues, both are exports that we have categorized as Canadian extensive products. This means that while there are large market opportunities for Canadian extensive products such as natural honey and frozen beef tongue exports with Japan, New Zealand is relatively more experienced and has larger presence in these two sectors already compared to Canada. Therefore, Canada would require even more efforts in these sectors to be able to fight for the potential additional export for these two markets.

Canada would have an advantage over New Zealand for extensive products such as frozen beef offal, dried shelled peas, fresh or chilled edible beef offal and frozen potatoes (highlighted in grey). Therefore, with additional export promotional efforts, Canada may have an advantage over New Zealand to contest the potential additional market in dollar values as illustrated in Column 4 of Table 7 for each product.

<sup>11</sup> For further information on CPTPP member market competition, contact your local export promotional agencies.



**Table 7:** Top 15 New Zealand export gains with Japan compared to Canada under the CPTPP  
(in thousands of current US\$)

HS6 Code	Abbreviated Description	New Zealand Expected Export Gains	Canada Expected Export Gain	Western Canada Expected Export Gain	Potential Additional Market Share to Contest
		(1)	(2)	(3)	(4)
020230	Frozen boneless beef	234,984	185,969	135,298	145,021
020130	Fresh/chilled boneless beef	171,451	108,678	66,051	124,893
020629	Frozen beef offal	18,928	28,458	19,087	16,502
040900	Natural honey	15,309	8,540	6,939	16,493
071310	Dried shelled peas	13,525	64,871	63,734	11,368
210390	Sauces	12,126	340	121	11,405
200989	Unfermented fruit/vegetables juice	11,860	487	84	11,210
020621	Frozen beef tongues	11,365	7,630	7,365	7,072
220421	Fermentation arrested wine	4,012	217	58	4,122
020610	Fresh/chilled beef offal	3,478	39,359	29,120	1,576
030389	Frozen fish	3,059	2,128	1,413	3,326
441239	Plywood ≤ 6mm thick	2,956	314	314	2,069
200580	Sweetcorn	2,588	51	–	-1,646
440710	Coniferous wood	1,825	65,568	65,481	-17,081
441890	Wood joinery and carpentry	1,815	1,083	704	1,124

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.

#### Examples of Canadian export advantages over New Zealand to Japan

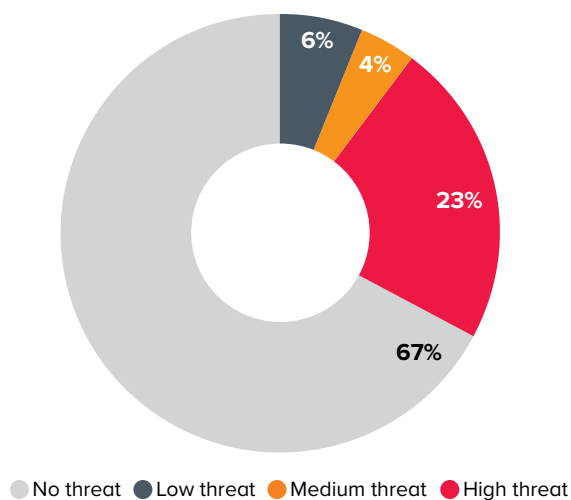
- Frozen beef offal
- Dried shelled peas
- Fresh/chilled edible beef offal
- Frozen potatoes

# IMPACT OF U.S.-Japan Trade Deal

The U.S.-Japan partial trade deal, which is expected to be implemented by January 2020<sup>12</sup>, covers only three main areas: agriculture in the Japanese market, manufactured goods in the U.S. market, and digital trade and services in both markets. The deal essentially gives the U.S. back some of what it lost after leaving the original Trans-Pacific Partnership agreement, and much of what Canada gained in agriculture, as observed in our analysis. Appendix II compares Japan's tariff schedule under the CPTPP with the U.S.-Japan trade deal for all 194 identified export opportunities for Canada in this report.

Japan's tariff schedule under the U.S.-Japan trade agreement does not contain any goods after HS6 code 3823.70.<sup>13</sup> Specifically, 64 of the 194 identified items may be impacted by the U.S.-Japan trade deal (about 33%).

**Diagram 1:** U.S. threat level for the 194 Canadian export opportunities from Japan's tariff reduction



<sup>12</sup> USTR. *Trade Agreement Between the United States of America And Japan text*. 2019. [https://ustr.gov/sites/default/files/files/agreements/japan/Trade\\_Agreement\\_between\\_the\\_United\\_States\\_and\\_Japan.pdf](https://ustr.gov/sites/default/files/files/agreements/japan/Trade_Agreement_between_the_United_States_and_Japan.pdf)

<sup>13</sup> Note that there are export items up to 9999.99 HS6 code.

The 64 items that are identified to be competing directly with the U.S. in tariff schedules are products identified to have the *same, same if not better, same if not worse* and *worse* tariff scenarios for Canada. Table 8 illustrates some examples of each of the five tariff schedule scenarios for intensive and extensive margin Canadian exports. Columns 7, 8 and 9 of the table emphasizes the urgency for Canadian EPAs and businesses to take advantage of the Japanese market under the CPTPP agreement.

### U.S. threat examples for Canadian highly and less-traded exports to Japan

The U.S. exports more than Canada to Japan for all 44 of the high threat items. Some of these are illustrated in Table 8 including fresh or chilled pork, fresh or chilled boneless beef, frozen boneless beef and frozen potatoes. These are all some of the highest intensive margin export gains and are the most concerning for Canada and for Western Canadian provinces – particularly fresh or chilled pork.

The U.S. exports 1.6 times and 3.4 times more than Canada for fresh or chilled pork and frozen pork to Japan. The U.S. exports nine times and 40 times more than Canada for frozen and fresh or chilled boneless beef to Japan. The U.S. exports 11 times more frozen potatoes to Japan than Canada. Frozen potatoes, frozen and fresh or chilled boneless beef are particularly important gains for Alberta and to a lesser extent for Manitoba and British Columbia.

This is not good news for Canada. The sheer size and capacity of the U.S. in these sectors along with having the same tariff reduction benefits as Canada means that Canadian businesses will

need to work harder on the branding and market strategy for Japan. Canada needs to step up its export promotion game, above and beyond the considerable work currently being done, and use this information in Canadian export promotion strategy and activities.

Nevertheless, there are sectors in which Canada outperforms the U.S. in exports to Japan even if there is direct competition with the tariff reduction schedule. These include prepared or preserved pork meat and offal, frozen fruit and nuts and pig fat. Canada exports on average 1.4 times more than the U.S. to Japan for prepared or preserved pork meat and offal.<sup>14</sup> Similarly, Canada exports almost two times more than the U.S. for frozen fruit and nuts<sup>15</sup> and 30 times more U.S. for pig fat<sup>16</sup>.

Overall, most extensive margin exports (such as dried shelled peas and dried shelled adzuki beans) are not affected or have low impact by the U.S.-Japan trade deal, giving them more room to grow under the CPTPP. Therefore, Canada has higher capacity and exports in these areas over the U.S. for now. Canada needs to secure these advantages quickly before the U.S. does. Canadian businesses need to take advantage of our first-mover advantage under the CPTPP in establishing long-lasting relationships with Japan.

For the eight identified medium threat products, the U.S. exports more than Canada for all except one product: frozen bone-in ham (see Row 10, Column 7 of Table 8). Frozen bone-in ham is identified as an extensive margin export in this report and while Canada and the U.S. faces the same tariff benefits, Canada exports relatively more than the U.S. to Japan indicating a potential competitive advantage. Frozen bone-in ham is particularly important for western province such as Alberta.

<sup>14</sup> Canada is expected to have a total gain of US\$24.5 million or 61% with Japan under the CPTPP

<sup>15</sup> Canada is expected to have a total gain of US\$14.8 million or 54% with Japan under the CPTPP

<sup>16</sup> Canada is expected to have a total gain of US\$781 thousand or 3.7% with Japan under the CPTPP

**Table 8:** Examples comparing Japan's tariff schedule in CPTPP vs. U.S.-Japan trade agreement (values in thousands of current US\$)

HS6 Code	Abbreviated Description	Category	Canada Expected Export Gain	Western Canada Expected Export Gain	Potential Additional Market Share to Contest	Canada export to Japan Baseline	U.S. export to Japan baseline	U.S. export vs. Canadian export to Japan	U.S.-Japan Trade Deal impact	Canada vs. U.S. Tariff scenarios
		(1)	(4)	(2)	(3)	(5)	(6)	(7)	(8)	(9)
020319	Fresh/chilled pork	intensive	1,248,953	682,309	153,822	609,695	970,231	Greater	yes	same if not worse
020130	Fresh/chilled bone-less beef	intensive	108,678	66,051	124,893	22,196	884,021	Greater	yes	same if not worse
020230	Frozen boneless beef	intensive	185,969	135,298	145,021	48,724	441,463	Greater	yes	same
200410	Frozen potatoes	intensive	11,372	8,831	2,819	24,734	275,549	Greater	yes	same
160249	Prepared/preserved pork meat and offal	intensive	24,481	11,331	3,230	40,188	29,033	Less	yes	same
081190	Frozen fruit and nuts	intensive	14,825	6,119	8,341	27,461	14,716	Less	yes	same
440710	Coniferous wood	intensive	65,568	65,481	-17,081	508,179	113,250	Less	no	better
441012	Oriented strand board	intensive	13,730	13,726	-3,383	45,672	370	Less	no	better
170410	Chewing gum	extensive	135	—	-65	101	157	Greater	yes	worse
020322	Frozen bone-in ham	extensive	23,419	9,844	8,315	4,770	2,444	Less	yes	same if not worse
210610	Protein textured and concentrates	extensive	1,050	853	98	192	28,966	Greater	yes	same if not better
200520	Potatoes	extensive	728	69	595	1,346	10,642	Greater	yes	same if not better
020649	Frozen pork products	extensive	135,915	83,153	24,109	12,308	26,847	Greater	yes	same
190590	Bread/pastry/cakes	extensive	1,771	1,451	416	3,218	45,494	Greater	yes	same
071310	Dried shelled peas	extensive	64,871	63,734	11,368	4,025	3,306	Less	yes	same
071332	Dried shelled adzuki beans	extensive	73,680	866	67,966	13,143	938	Less	yes	same
020629	Frozen beef offal	extensive	28,458	19,087	16,502	10,624	37,298	Greater	no	better
030389	Frozen fish	extensive	2,128	1,413	3,326	12,634	164,408	Greater	no	better
040900	Natural honey	extensive	8,540	6,939	16,493	11,923	3,200	Less	no	better
151419	Canola oil erucic acid < 2%	extensive	2,157	2,138	-115	5,413	352	Less	no	better

**Table 9:** Japan's tariff schedule comparison under the U.S.-Japan trade agreement and the CPTPP for maple sugar (HS 170220.100)

Year	Japan Tariff Schedule for U.S.		Japan Tariff Schedule for Canada (CPTPP)	
	Annual Stages	Tariff Schedule	Annual Stages	Tariff Schedule
2018	Year 0	20.80 yen/kg	Year 0	20.80 yen/kg
2019	Year 0	20.80 yen/kg	Year 1	15.60 yen/kg
2020	Year 1	10.40 yen/kg	Year 2	10.40 yen/kg
2021	Year 2	6.93 yen/kg	Year 3	5.20 yen/kg
2022	Year 3	3.47 yen/kg	Year 4	Free
2023	Year 4	Free	Year 5	Free

Examples of Canadian intensive margin exports that do not have tariff reductions for the U.S. under the U.S.-Japan trade deal include coniferous wood, oriented strand board, gelatin, unwrought nickel, nickel powders, flakes and chlorate of sodium and maple sugar and maple syrup. While the U.S. has the same tariff schedule as Canada, Canada has better tariff provisions in year three and no tariff restrictions one year earlier than the U.S. for maple sugar and maple syrup. See Table 9 tariff schedule comparison for maple sugar and maple syrup as a *better* tariff scenario. In addition, Canada historically exports on average more than the U.S. to Japan in all of these products. These results demonstrate that while the U.S.-Japan deal does impact Canada in certain areas, Canada still has the upper hand in some of its usual suspects where it already exports more to Japan.

In summary, the U.S.-Japan trade deal does present some degree of competitive threat when the U.S. shares the same tariff schedule as Canada under the CPTPP and has a higher historic export capacity than Canada to Japan. However, Canada currently has the following advantages in the Japanese market:

- Canada has provisions that the U.S. does not, which Canada should explore to increase trade diversification through product portfolio expansion with Japan.
- Canada has some provisions that are better than the U.S., and businesses and export promotion agencies can use this information to find new opportunities that match specific firms.

→ Even for the products in which Canada shares the same tariff schedule as the U.S., Canada exports some products in greater volume than the U.S., demonstrating relatively higher capacity and therefore, competitiveness.

→ Aside from tariff reduction, Canada still has a significant supply chain advantage thanks to rules of origin benefits of the CPTPP. Japanese companies can use materials imported from Canada, often under more favorable CPTPP terms, to make goods and offer services to any company in a CPTPP under the preferential terms of the agreement. Even with their new, bilateral agreement, this is not something U.S. firms can offer Japanese customers. For a more detailed explanation of this advantage, see the case study in our CPTPP guide for small business, *The 'Just in Time' Plan: CPTPP guide for small businesses in Western Canada*.

Canadian firms and export promotion agencies that support them need to think creatively about how to exploit these advantages in the supply and production chains while they last. Ultimately, developing new supply chains and building long-term relationships takes time and effort. The U.S.-Japan trade deal reminds us that the clock is ticking and the urgency for Canadian businesses and export promotion agencies to move quickly. Canadian businesses and export promotion agencies need to use the information provided in our report and start building relationships now if they have not already. This is important for not only the products that we already export a lot to Japan (the intensive margin products), but also less-traded new opportunities (the extensive products).



# Policy Recommendations

The results of our modelling clearly identify opportunities in Japan, and our analysis provides recommendations on how to pursue them. In so doing, Canada can get more out of the agreement and help realize its policy goal of diversifying exports.

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## First, the results must be used.

The Canada West Foundation has provided the results to participating federal and provincial EPAs with guidance on interpretation. There are a few ways that the results can be used to increase exports.

→ **Help businesses identify new export opportunities.** The HS6 digit level better matches the level of specificity used by businesses. This allows businesses, especially smaller businesses that do not have the resources to acquire sophisticated market analysis, to find opportunities that match exactly what the business produces. This would help businesses diversify, particularly for businesses that already have the capacity to export but do not yet export to Japan. Of the 12-15% of SMEs that export, 85% of these

companies export only to the U.S. Combined with our identified sectors, that is a rich pool of firms that are clearly export ready and may have the capability or interest in exporting to a stable market such as Japan.

For example, businesses and EPAs can make the following decisions by using our business readiness versus export opportunity matrix (Diagram 2). By using the U.S. as a proxy for export readiness, for example, businesses that are already exporting to the U.S. with a certain level of capacity should be ready to diversify to Japan. We have labeled the sector with high return and high readiness of the business in question as *Star*, the easiest and most rewarding and hence most attractive opportunity for SMEs. Similarly, while a product may currently be identified as an extensive export for Canada, if Canada exports more of this product already to Japan than the U.S., that may also mean a high readiness. If the expected gain for that extensive product is also high, then it may also be deemed as *Star*. This is the case for products such as frozen beef tongues, dried shelled adzuki beans,

**Diagram 2:** Business readiness vs. export opportunity matrix



frozen fish livers, roes and milt. Therefore, this approach can allow EPAs to identify products that Canada exports in abundance to other destinations, but which are under-represented in Canada’s exports to Japan. This may provide insight into sectors that are more likely to successfully expand exports to Japan. Extensive products are known to take a longer time to develop. Our report should be able to accelerate the growth of extensive exports as businesses of these extensive products can now be identified earlier. This is an example of the type of innovation that EPAs and other users should develop in using the data set.

- **Help larger exporters find opportunities in goods that are already heavily exported from Canada.** The HS6 level data should be of use to larger firms to find new opportunities and to better understand, in multilateral agreements, what their competitors may be doing in the market in response to trade liberalization.
- **Help EPAs to better target SMEs.** In addition to fielding calls from SMEs, EPAs can use the data to identify the specific firms and sectors to target. Rather than the current practice of “boiling the ocean,” issuing general calls for any business to attend seminars on the CPTPP, EPAs can now develop targeted seminars and outreach with specific tailored information. The money and

resources saved by limiting support for low gain and high cost export opportunities in the bottom left quadrant can be applied to moving those in the bottom right to become Stars.

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**Second, This modelling needs to become standard practice for government to prepare business for trade agreements – ideally as soon as tariff schedules are finalized during negotiations and in any event as soon as the agreement text is finalized.**

Having the modelling done in advance gives EPAs more time to reach out to businesses and for businesses to do the groundwork to be able to hit the ground running the day the agreement takes effect. The modelling needs to be continuously updated to account for the changing environment. This same method and calculation should also be applied to other members of the CPTPP beyond Japan, as well as other agreements, to identify export opportunities for Canada. The improved modelling also needs to be applied to new entrants to the CPTPP as soon as tariff information is available which means *before* those countries accede to the agreement. Therefore, as it becomes standard practice done in a timely manner for the Canadian government, Canadian businesses can maintain their first mover advantage.

**Third, the results need to be easily accessible online, and this process should serve as an impetus to accelerate the digitization of export promotion assistance.**

HS6 level information coupled with total trade diversion is useful for SMEs to find opportunities in trade agreements. Having a digital portal similar to the U.S. International Trade Administration's Market Diversification tool allows SMEs to find the information and make preliminary decisions on interest without the extra time and cost required to physically seek out EPAs.<sup>17</sup> Armed with this information, the first meeting between SME and EPA will focus on how to realize an opportunity rather than trying to figure out if there is an opportunity or if the firm is ready. This lowers the cost to the SME and to the EPA, facilitating more SMEs finding and considering opportunities to export. It would also free up EPA time to work smarter and move the dial on increasing firms export.

The speed with which the partial trade deal between the U.S. and Japan came together emphasizes the urgency to implement the three recommendations and the need for even prompter, more robust action from all levels of government, the private sector and those agencies and organizations that support them to go abroad. The Americans will eventually forge new or updated bilateral trade deals to force their way back into competitiveness in other CPTPP markets. As the CPTPP expands and as the U.S. forces its way back into the region, Canada needs to step up its export promotion game, above and beyond the considerable work currently being done if it wants to take the opportunities on the table to grow exports into new markets and out of dependence on the United States and China.

The analysis of this report is forward looking and provides insight on both market and export portfolio diversification. The grand slams for increasing exports were in those goods that were already well traded and where exporters knew the market and were prepared for the agreement. In going deeper, we find large opportunities in smaller, unobvious sectors. The cost benefit for EPAs and businesses in pursuing these opportunities may be thinner, and as a result requires a rethinking and retooling of export promotion services toward greater efficiency. The modelling results provide a tool to do this. Beyond this report, Western Canadian EPAs have access to more detailed results that Canada West Foundation has shared with them to identify firms and sectors for outreach as well as to better assist firms that seek help.



**As the CPTPP expands and as the U.S. forces its way back into the region, Canada needs to step up its export promotion game, above and beyond the considerable work currently being done if it wants to take the opportunities on the table to grow exports into new markets and out of dependence on the United States and China.**

<sup>17</sup> <https://beta.trade.gov/marketdiversification>

# APPENDIX I: METHOD

## 1.1 Partial equilibrium analysis

The key element in the analysis is applying a computable partial equilibrium model to the observed trade flow. This analysis generates expected trade gain for Canada based on trade diversion towards Canada when the tariffs that apply to trade between Japan and CPTPP members change. This expected gain reflects price effects and initial market shares only and does not take into account possible additional gains due to trade promotion. A further source of potential market share gains from trade promotion is the expected market share in Japan that existing suppliers (including domestic Japanese suppliers) are expected to cede to CPTPP parties as a group. This is market share that is newly contestable as a result of the CPTPP. Export promotion targeting this market share can give Canadian suppliers an advantage. Notably, this figure is larger than the amount that can be expected to be captured by Canadian suppliers based on the new trade preferences alone.

To conduct this analysis, we use a multi-region Global Simulation (GSIM) model developed by Francois and Hall (2009). This model is available in spreadsheet form and was incorporated in the UN WITS/TRAINS trade analysis package (Olivier and Olarreaga, 2005). It was used, for example, in a study conducted for the European Commission evaluating the EU's use of trade defence instruments (BKP, 2012). This model can accommodate up to 35 regions, permitting analysis of the main trading partners of Japan and Canada among the prioritized goods. The GSIM framework takes into account substitutions of Japanese domestic suppliers away from imports as a result of trade diversion mentioned above. This substitution effect competes with Canadian exports. Estimates of domestic shipments by product are based on the GTAP ratios of domestic shipments to total imports for Japan.

GSIM is based on the Armington framework, which is the framework for modelling international trade impacts used by the Office of the Chief Economist in Global Affairs Canada and by the Department of Finance in their computable general equilibrium trade impact studies. Under this framework, products are differentiated by country of origin. The model accounts for the imperfect substitutes of products which is captured by the elasticity of substitution. The GSIM results are driven by assumptions about supply, demand, and substitution elasticities, which describe the response of production and demand in each economy to changes in price caused by the policy change. We use intermediate estimates of the elasticity of demand and supply (-1.0 for aggregate demand and 4 for supply, these being the mid-range of estimates used by the USITC in its trade remedy impact assessments). For the substitution elasticities, we adopt the micro substitution elasticity between alternative sources of imports drawn from the Global Trade Analysis Project (GTAP) data base, with the GTAP elasticity assigned to HS6 digit products according to the GTAP sector into which they map (the concordance between the HS6 digit level and the GTAP database is available from various sources).

## 1.2 Dataset

Given the volatility observed in trade data from year-to-year at the HS6 level, the analysis used averages of trade flows between the period 2014-2018. The data broke out exports of the individual Western Canadian provinces separately from the overall Canada total.

The major dataset used were from UN comtrade data and GTAP data.

### 1.3 Sorting

To identify the most promising products, we first culled the list of product groups to include in the analysis by applying several generic filters which exclude products or product groups:

- which do not face a positive duty in Japan under MFN trade (and hence there is no direct trade diversion under the CPTPP);
- in which Canada has limited worldwide exports (suggesting a lack of domestic capacity in Canada to penetrate the Japanese market); specifically, at the HS6 level, WTO imports from Canada are less than US\$25 million per annum;
- in which CPTPP partners already dominate the Japanese market (meaning that trade diversion opportunities are minor); specifically, at the HS6 level, non-CPTPP partners account for 20% of Japanese imports or less.
- we then multiply the import flows into Japan from the CPTPP partners times the MFN tariff, taking into account existing FTAs, to generate an implied tariff revenue amount which takes into account both indicators. We sort the products by this marker and subject the most promising products to further analysis to identify potential export gains for Canada based on the prospects for trade diversion.

### 1.4 Intensive-extensive margin calculation

We define extensive and intensive margins on a scale of the Least, Less, More and Most Traded. To construct the set of least-traded goods from Canada to Japan, goods are ordered by their average value of trade over the five-year period from 2014-2018. Averaging eliminates the problem of a particular good not being traded in a given year. As the scale of extensive and intensive margins are defined on the scale of Least, Less, More and Most Exported Goods, we cumulate the ordered codes to form four

sets, each representing one-fourth of total exports calculated. The first set is constructed with the codes with the smallest amounts of trade and adding codes to the set until the sum of their trade reaches one-fourth of total export value. The next set is formed by summing the smallest remaining codes until the value of the set reaches one-fourth of total export value.

This approach, as a measure of the extensive margin, takes into account the relative importance of a good in a country's trade. Therefore, the Canadian export to the U.S. as a proxy for Canadian readiness to Japan also uses the same method of calculation.

Using an arbitrary fixed cut-off (e.g., a good is under-traded or not traded if its annual value of trade is \$50,000 or less) cannot capture, and does not account for, country differences such as economic size and size of trade<sup>18</sup>. Therefore, by relying instead on the relative importance of these goods in a country's trade, we allow the actual dollar value of the cut-off to differ across countries.

For Japan, the identified most promising sectors are grouped in the following calculated cut-off scale. Total CDN Baseline is split into quarters:

<b>Least traded (Extensive)</b>	$x < 61,660$
<b>Less</b>	$61,660 < x < 240,941$
<b>More (Intensive)</b>	$240,941 < x < 592,921$
<b>Most traded</b>	$x > 592,921$

For simplicity, we have grouped least and less traded to be extensive and more and most traded as intensive. Therefore, we identify extensive margin products where Canada's exports to Japan are less than \$20 million in the baseline and thus potentially overlooked but where the percentage changes are large because of significant tariff changes.

<sup>18</sup> Kehoe 2013 "How important is the new goods margin in international trade?" reference



## APPENDIX II

### Comparison of Japan's tariff schedule in CPTPP vs. U.S.-Japan trade agreement

HS6 Code	Abbreviated Description*	Total Canadian Export to Japan Baseline	U.S. Export to Japan Baseline	U.S. Export vs. CDN Export to Japan	U.S.-Japan Trade Deal Impact	Canada vs. U.S. Tariff Scenarios
010129	Live horses	16,252.69	4,047.36	Less	no	better
020130	Fresh or chilled boneless beef	22,195.83	884,021.35	Greater	yes	same if not worse
020220	Frozen bone-in beef	282.38	15,538.54	Greater	yes	same
020230	Frozen, boneless beef	48,723.61	441,463.23	Greater	yes	same
020319	Fresh or chilled pork	609,694.66	970,230.80	Greater	yes	same if not worse
020322	Frozen bone-in ham	4,769.79	2,444.35	Less	yes	same if not worse
020329	Frozen pork	166,654.68	560,504.88	Greater	yes	same if not worse
020610	Fresh or chilled edible offal of beef	20,243.73	198,626.30	Greater	yes	same if not better
020621	Frozen beef tongues	10,642.58	77,374.12	Greater	yes	better
020629	Frozen beef offal	10,624.17	37,298.10	Greater	yes	better
020649	Frozen pork products	12,308.39	26,846.78	Greater	yes	same
020742	Frozen domestic ducks	352.95	548.07	Greater	yes	same
020910	Pig fat, fresh, chilled, frozen, salted etc.	30,861.82	1,015.19	Less	yes	same
030213	Fresh or chilled Pacific salmon	1,033.88	102.55	Less	no	better
030214	Fresh/chilled Atlantic salmon	9,887.78	181.21	Less	no	better
030231	Fresh or chilled albacore or long-finned tunas	58.11	607.08	Greater	no	better
030291	Fresh or chilled fish livers	36.87	3,483.88	Greater	no	better
030311	Frozen sockeye salmon	5,931.07	62,349.23	Greater	no	better
030312	Frozen Pacific salmon	6,200.65	7,324.69	Greater	no	better
030339	Frozen flat fish	1,004.20	6,195.99	Greater	no	better
030341	Frozen albacore/long-finned tunas	1,185.55	481.32	Less	no	better
030351	Frozen herrings	3,195.81	18,243.89	Greater	no	better
030363	Frozen cod	548.23	45,164.54	Greater	no	better
030366	Frozen hake	46.43	222.31	Greater	no	better
030389	Frozen fish	12,634.14	164,408.16	Greater	no	better
030390	Frozen fish livers	13,404.59	145,980.33	Greater	no	better
030391	Frozen fish livers, roes and milt	5,867.88	206,125.49	Greater	no	better
030399	Frozen fish fins, heads, tails, offal	30.04	–	Less	no	better
030441	Fresh/chilled Pacific salmon fillets	1,523.95	93.19	Less	no	better
030481	Frozen pacific salmon fillets	548.18	1,085.36	Greater	no	better
030486	Frozen fillets of herring	233.07	238.98	Greater	no	better
030520	Dried fish livers	15,866.71	3,879.54	Less	no	better
030541	Smoked Pacific salmon	183.10	392.52	Greater	no	better
030569	Salted or in brine fish	101.26	–	Less	no	better

TABLE CONTINUED →

HS6 Code	Abbreviated Description*	Total Canadian Export to Japan Baseline	U.S. Export to Japan Baseline	U.S. Export vs. CDN Export to Japan	U.S.-Japan Trade Deal Impact	Canada vs. U.S. Tariff Scenarios
030616	Frozen cold-water shrimps/prawns	14,275.39	1,340.63	Less	no	better
030617	Frozen shrimps and prawns	3,432.01	1,718.08	Less	no	better
030729	Scallops, smoked, frozen etc.	86.96	318.59	Greater	no	better
030731	Live, fresh or chilled, not smoked, mussels	170.65	354.57	Greater	no	better
030791	Live, fresh or chilled molluscs	500.26	21.59	Less	no	better
030821	Live, fresh or chilled, sea urchins	8,759.15	24,788.16	Greater	no	better
030822	Frozen sea urchins	83.07	36.00	Less	no	better
030829	Smoked, frozen, dried, salted or in brine, sea urchins	168.11	82.38	Less	no	better
040819	Egg yolks	61.76	15,744.42	Greater	yes	better
040900	Natural honey	11,922.61	3,199.89	Less	yes	better
051191	Products of fish or crustaceans	97.06	7,393.49	Greater	no	better
051199	Dead animal products, unfit for human consumption	1,002.17	3,613.62	Greater	yes	same
070200	Tomatoes, fresh or chilled	2,413.74	2,293.34	Less	no	better
070810	Fresh or chilled peas	490.69	795.69	Greater	yes	same
070959	Fresh or chilled mushrooms	6,310.85	1,753.07	Less	yes	same
070960	Fresh or chilled fruits of the genus Capsicum or Pimenta	195.19	—	Less	no	better
070999	Fresh or chilled vegetables	53.54	573.60	Greater	yes	better
071159	Mushrooms preserved	830.38	1,009.25	Greater	no	better
071310	Dried, shelled peas	4,024.63	3,306.38	Less	yes	same
071320	Dried, shelled chickpeas	613.11	876.33	Greater	yes	same
071332	Dried shelled adzuki beans	13,142.90	937.78	Less	yes	same
071333	Dried, shelled kidney beans	998.38	1,483.53	Greater	yes	same
071339	Dried, shelled beans	8,626.61	7,546.01	Less	yes	same
071340	Dried, shelled lentils, whether or not skinned or split	110.99	273.62	Greater	yes	same
081010	Fresh strawberries	26.95	20,934.18	Greater	no	better
081030	Fresh redcurrants and gooseberries	85.10	35.43	Less	yes	same
081040	Fresh cranberries	294.79	6,245.67	Greater	yes	same
081120	Frozen raspberries, blackberries, etc.	410.09	1,270.33	Greater	yes	same
081190	Frozen fruit and nuts	27,460.86	14,715.86	Less	yes	same
081340	Dried peaches, pears, papaws "papayas", tamarinds and other edible fruits	75.34	7,347.57	Greater	yes	same
090121	Roasted coffee	926.22	43,271.82	Greater	yes	same
090122	Roasted decaf coffee	1,473.77	2,544.63	Greater	yes	same
090230	Black fermented tea	71.62	2,900.10	Greater	yes	same
090921	Coriander seeds	353.42	4.73	Less	no	better

TABLE CONTINUED →

HS6 Code	Abbreviated Description*	Total Canadian Export to Japan Baseline	U.S. Export to Japan Baseline	U.S. Export vs. CDN Export to Japan	U.S.-Japan Trade Deal Impact	Canada vs. U.S. Tariff Scenarios
100290	Rye	410.25	227.55	Less	yes	same
100590	Maize	170.81	2,360,192.24	Greater	yes	same
110412	Rolled or flaked oats	635.80	335.49	Less	yes	same
120890	Flours and meal of oil seeds or oleaginous fruit (excl. soya and mustard)	66.69	96.64	Greater	yes	same
130219	Vegetable saps	616.92	14,136.27	Greater	yes	same
150420	Fats and fish oils	203.25	2,481.80	Greater	no	better
150600	Other animal fats	149.34	471.39	Greater	yes	same
151211	Crude sunflower oil	808.04	13,245.61	Greater	yes	same
151319	Coconut oil	112.31	1,713.46	Greater	yes	same
151411	Crude canola oil erucic acid < 2%	2,198.66	27.86	Less	no	better
151419	Canola oil erucic acid < 2%	5,412.68	351.70	Less	no	better
151491	Canola oil erucic acid ≥ 2%	1,045.25	325.67	Less	yes	same
151499	Canola oil erucic acid ≥ 2%	899.17	362.54	Less	yes	same
151511	Crude linseed oil	123.89	632.42	Greater	yes	same
151519	Linseed oil	2,068.21	421.90	Less	no	better
151590	Fixed vegetable fats and oils	297.31	4,725.32	Greater	yes	same if not better
151710	Margarine	292.31	389.62	Greater	yes	same
151790	Preparations of animal or vegetable fats or oils	132.53	1,051.47	Greater	yes	same if not better
160100	Blood/offal sausages	389.30	109,037.58	Greater	yes	same
160249	Prepared or preserved meat and offal of pork	40,187.59	29,033.10	Less	yes	same
160300	Meat or fish extracts	55.19	765.29	Greater	yes	same
160411	Prepared / preserved salmon	475.49	302.50	Less	no	better
170220	Maple sugar and maple syrup	20,335.35	3,570.54	Less	yes	better
170410	Chewing gum	100.92	156.60	Greater	yes	worse
190531	Sweet biscuits	1,734.28	2,438.73	Greater	no	better
190532	Waffles and wafers	64.54	144.15	Greater	yes	same
190590	Bread, pastry, cakes	3,217.50	45,494.45	Greater	yes	same
200410	Frozen potatoes, prepared or preserved	24,733.83	275,549.01	Greater	yes	same
200520	Potatoes, prepared or preserved	1,346.04	10,641.73	Greater	yes	same if not better
200580	Sweetcorn	86.11	35,935.10	Greater	yes	same
200799	Jams, jellies, marmalades, etc.	110.24	1,391.52	Greater	yes	same if not better
200811	Groundnuts	59.33	7,807.95	Greater	yes	same
200819	Nuts, prepared or preserved	371.24	24,957.59	Greater	yes	same
200893	Cranberries	304.12	5,320.54	Greater	yes	same
200899	Preserved fruit	433.69	13,987.43	Greater	yes	same if not better
200989	Unfermented fruit/vegetables juice	658.81	47,496.49	Greater	yes	same

TABLE CONTINUED →

HS6 Code	Abbreviated Description*	Total Canadian Export to Japan Baseline	U.S. Export to Japan Baseline	U.S. Export vs. CDN Export to Japan	U.S.-Japan Trade Deal Impact	Canada vs. U.S. Tariff Scenarios
210330	Mustard flour and meal	2,354.87	2,009.14	Less	no	better
210390	Sauces and prepared sauces	773.11	29,184.28	Greater	yes	same
210410	Soups and broths	2,088.40	12,352.72	Greater	yes	same
210610	Protein textured and concentrates	192.40	28,965.83	Greater	yes	same if not better
220110	Mineral waters not containing added sugar	547.98	31,431.80	Greater	no	better
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	56.87	8,289.53	Greater	yes	same
220410	Sparkling grape wine	128.05	3,758.07	Greater	no	better
220421	Wine, fermentation arrested...	615.01	68,606.82	Greater	yes	same
220710	Undenatured ethyl alcohol strength of $\geq 80\%$	82.76	6,990.30	Greater	yes	better
230910	Dog or cat food, put up for retail sale	20,893.95	107,048.52	Greater	yes	same
230990	Animal feed	2,381.18	72,688.79	Greater	yes	same
271019	Medium oils not containing biodiesel	11,602.92	75,436.79	Greater	no	better
280300	Carbon blacks	3,954.26	24,659.12	Greater	no	better
282560	Germanium oxides / zirconium dioxide	8,022.57	5,513.28	Less	no	better
282590	Metal oxides, hydroxides and peroxides	724.43	19,270.96	Greater	no	better
282911	Chlorate of sodium	25,488.60	13,050.22	Less	no	better
284990	Carbides	7,324.24	3,002.65	Less	no	better
293299	Heterocyclic compounds	2,148.41	8,542.14	Greater	no	better
293499	Nucleic acids and their salts	254.99	153,806.90	Greater	no	better
320890	Paints and varnishes based, incl. enamels and lacquers	111.45	22,475.09	Greater	no	better
330129	Essential oils	144.18	8,423.33	Greater	yes	same
330749	Room perfume	315.30	6,754.36	Greater	no	better
340399	Anti-rust lubricant preparations	548.39	29,650.29	Greater	no	better
350300	Gelatin	19,377.29	6,358.99	Less	no	better
350510	Dextrins and other modified starches	427.17	20,544.63	Greater	yes	better
350790	Enzymes and prepared enzymes	142.37	18,500.96	Greater	no	better
381400	Organic composite solvents	632.72	4,299.58	Greater	no	better
382100	Prepared culture media for micro-organisms and viruses	283.23	46,351.85	Greater	no	better
382440	Prepared additives for cements	100.69	426.47	Greater	no	better
390120	Polyethylene specific gravity $\geq 0,94$	438.70	7,598.63	Greater	no	better
390140	Ethylene-alpha-olefins copolymers specific gravity $< 0,94$	2,543.07	28,355.27	Greater	no	better
390190	Ethylene polymers	6,207.22	28,906.05	Greater	no	better

TABLE CONTINUED →

HS6 Code	Abbreviated Description*	Total Canadian Export to Japan Baseline	U.S. Export to Japan Baseline	U.S. Export vs. CDN Export to Japan	U.S.-Japan Trade Deal Impact	Canada vs. U.S. Tariff Scenarios
390690	Acrylic polymers	121.08	27,771.75	Greater	no	better
392520	Plastic doors, windows and frames	51.04	1,922.69	Greater	no	better
392590	Building elements for floors, walls, etc.	1,123.78	3,880.88	Greater	no	better
392690	Plastics 3901-3914	7,563.50	193,771.91	Greater	no	better
410150	Beef/horse hides	13,444.87	14,718.00	Greater	no	better
410190	Split raw hides	652.33	1,883.15	Greater	no	better
420212	Suitcases, briefcases and similar	4,352.48	7,600.18	Greater	no	better
420221	Handbags	645.27	26,750.63	Greater	no	better
420292	Shopping, beverage bags, rucksacks	298.53	16,290.49	Greater	no	better
420310	Leather apparel	157.04	11,568.57	Greater	no	better
420500	Leather articles	270.92	890.58	Greater	no	better
430310	Furskin apparel	63.91	282.51	Greater	no	better
440710	Coniferous wood or chipped lengthwise, sliced or peeled	508,179.00	113,249.61	Less	no	better
440799	Wood lengthwise	4,379.20	37,593.02	Greater	no	better
440810	Sheets for veneering (incl. obtained by slicing laminated wood)	259.43	69.74	Less	no	better
440910	Coniferous wood parquet flooring	3,745.90	2,915.40	Less	no	better
441012	Oriented strand board "OSB", of wood	45,672.21	370.09	Less	no	better
441239	Plywood <= 6 mm thick	775.27	2,231.57	Greater	no	better
441890	Builders' wood joinery and carpentry (excl. windows etc.)	5,400.98	11,173.90	Greater	no	better
441899	Builders' wood joinery and carpentry (excl. bamboo etc.)	2,733.32	6,341.33	Greater	no	better
560210	Needleloom felt	248.38	95.45	Less	no	better
610120	Overcoats. ski jackets, windbreakers	166.68	793.13	Greater	no	better
610342	Men's trousers	156.50	1,582.96	Greater	no	better
610443	Women's synthetic dresses	81.59	1,319.92	Greater	no	better
610910	T-shirts, cotton	214.31	28,601.86	Greater	no	better
610990	Non-cotton T-shirts	98.66	3,833.22	Greater	no	better
611011	Wool sweaters	566.49	1,298.09	Greater	no	better
611020	Cotton sweaters	2,339.90	9,949.49	Greater	no	better
611030	Sweaters of man-made fibres	119.53	3,691.14	Greater	no	better
611300	Garments coated or covered with plastics	53.07	8,234.12	Greater	no	better
611430	Professional, sporting garments	284.27	1,541.26	Greater	no	better
620113	Men's overcoats, man-made fibres	71.33	647.38	Greater	no	better
620192	Men's cotton sweaters	64.37	1,372.89	Greater	no	better
620193	Men's windbreakers	11,041.58	3,346.20	Less	no	better

TABLE CONTINUED →



HS6 Code	Abbreviated Description*	Total Canadian Export to Japan Baseline	U.S. Export to Japan Baseline	U.S. Export vs. CDN Export to Japan	U.S.-Japan Trade Deal Impact	Canada vs. U.S. Tariff Scenarios
620213	Women's raincoats	624.60	432.20	Less	no	better
620293	Women's windbreakers	7,335.01	764.38	Less	no	better
620342	Men's cotton trousers	62.85	6,988.30	Greater	no	better
620449	Women's dresses	337.02	5,255.95	Greater	no	better
620462	Women's cotton trousers	74.64	9,812.57	Greater	no	better
621020	Garments in subheading 6201,11 to 6201,19	85.65	52.00	Less	no	better
621040	Rubberised men's garments	508.94	1,177.13	Greater	no	better
621133	Men's tracksuits of man-made fibres	104.15	1,099.80	Greater	no	better
621143	Women's tracksuits	138.22	934.67	Greater	no	better
630790	Dress patterns	276.07	14,252.03	Greater	no	better
630900	Worn clothing, blankets, rugs	1,943.25	12,108.07	Greater	no	better
640192	Waterproof footwear	67.32	181.97	Greater	no	better
640399	Rubber soled footwear, leather uppers	50.52	18,552.86	Greater	no	better
640419	Rubber soled footwear, plastic uppers	88.83	3,415.78	Greater	no	better
711319	non-silver jewellery	740.26	625,793.89	Greater	no	better
750210	Nickel, not alloyed, unwrought	44,497.81	465.78	Less	no	better
750400	Powders and flakes, of nickel (excl. nickel oxide sinters)	81,729.67	3,363.34	Less	no	better
750890	Articles of nickel, nes	145.16	65,524.18	Greater	no	better
761090	Aluminum structures and parts of structures	81.43	9,860.28	Greater	no	better
761300	Aluminium containers for compressed or liquefied gas	112.67	19,391.78	Greater	no	better
761699	Aluminium articles	1,698.28	50,601.08	Greater	no	better
780110	Unwrought lead	1,697.66	837.78	Less	no	better
811292	Unwrought hafnium	10,724.23	6,256.24	Less	no	better
961700	Vacuum flasks and other vacuum vessels (excl. glass inners)	70.15	798.57	Greater	no	better

These goods may be impacted by U.S.-Japan trade agreement. See *Impact of U.S.-Japan Trade Deal* (page 29) for details.

\* Exact descriptions can be found via the HS code.

# GLOSSARY

## TYPES OF EXPORTS

### Highly traded exports

Already significantly exported products a.k.a., the obvious or usual suspects.

### Less-traded exports

Less-obvious and relatively new product exports that just have a toe in the water in Japan.

## U.S. THREAT LEVEL

### High threat

Product with high threat level from the U.S. has the *same*, *same if not worse* or *worse* tariff reduction schedule as the U.S. and in which the U.S. historically exports more than Canada for the specific product.

### Medium threat

The product has *same if not better* tariff reduction as the U.S. and in which the U.S. exports more than Canada to Japan. Medium threat level also includes products with the *same if not worse* tariff reduction as the U.S. but in which U.S. exports less than Canada to Japan.

### Low threat

Products with the *same* tariff reduction schedule as the U.S. but in which the U.S. exports less than Canada to Japan.

### No threat

Products in which Canada has a *better* tariff reduction than the U.S. or products in which the U.S.-Japan deal does not have tariff liberalization, no matter whether U.S. exports more or less than Canada.

## TARIFF SCHEDULE COMPARISON

*Comparing Japan's tariff schedule in the CPTPP vs. the U.S.-Japan trade agreement for the 194 sectors*

### Better tariff schedule

Japan's schedule under the CPTPP has better tariff reduction (for Canada) than under the U.S.-Japan trade deal (for the U.S.), or Japan did not give U.S. the tariff liberalization on the product.

### Same tariff schedule

Japan's tariff liberalization for the U.S. under the U.S.-Japan trade deal is the same as the tariff liberalization for Canada with Japan under the CPTPP, allowing U.S. to immediately gain back what was lost when the U.S. left the original Trans-Pacific Partnership agreement.

### Same if not better tariff schedule

Canada experiences the same tariff schedule as the U.S. with Japan but has better or higher tariff liberalization than the U.S. in later years.

### Same if not worse tariff schedule

Canada experiences the same tariff schedule as the U.S. with Japan but has lower tariff liberalization than the U.S. in later years.

### Worse tariff schedule

The U.S. has higher tariff liberalization than Canada with respect to Japan since year one.

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