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SONORA

# Canada-Mexico

## Trade and Business Report

October 2020

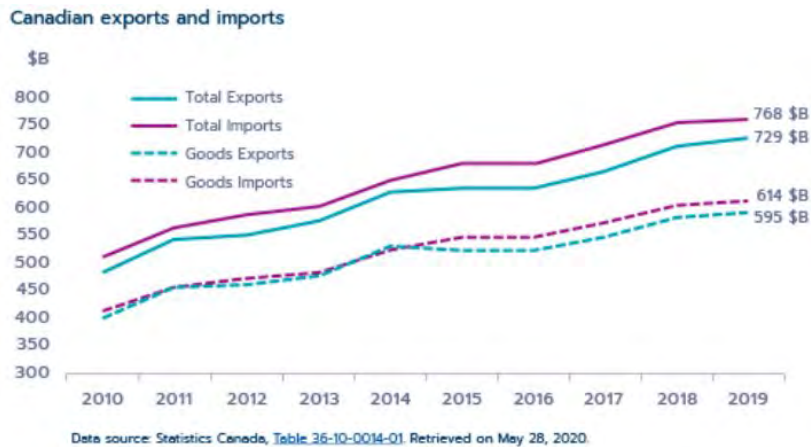


# Trade Statistics

## Canada

Canada's exports of goods and services were **\$729 billion** in 2019, up 2.2% compared to 2018. Goods exports were up 1.7% while service exports grew by 4.4%. ([Government of Canada](#))

Canadian imports of goods and services increased to **\$768 billion** in 2019, up 1.5% from 2018. ([Government of Canada](#))



In 2019, the top 3 Canadian goods exports in terms of total value were energy products, motor vehicles and parts, and consumer goods. These 3 sectors together account for almost 47% of Canada's goods exports. ([Government of Canada](#))

The ranking of Canada's top goods imports remained constant over the decade, with consumer goods ranking number one, followed by motor vehicles and parts, and electronic and electrical equipment and parts. These 3 goods imports together made up a little more than 50% of Canada's goods imports in 2019. ([Government of Canada](#))

In 2019, Canada's top trading partners for both goods exports and imports were the United States, the European Union and China. ([Government of Canada](#))

As with its goods trade, Canada's services trade is concentrated on the U.S. market, which accounted for just over 50% of Canada's overall services trade in 2019. ([Government of Canada](#))

In 2019, Canada's foreign direct investment (FDI) and Canadian direct investment abroad (CDIA) flows increased from the previous year. In 2019, FDI flows to Canada increased by \$11 billion or 19% (\$67 billion), and CDIA flows rose by \$37 billion or 57% (\$102 billion). ([Government of Canada](#))

Canada is the only G7 country with a trade agreement with all the other G7 countries. Furthermore, Canada has 14 active free trade agreements covering 51 countries, connecting businesses to 1.5 billion consumers and two thirds of the world's GDP. ([Office of the Chief Economist, Government of Canada](#))

# Trade & Economic Statistics

## Canada

**After an expected contraction in 2020, it is anticipated to rebound and grow at 5.5% in 2021**, a higher rate than the earlier forecast of 4.2% in spring 2020. ([Office of the Chief Economist, Government of Canada](#))

Contributing to Canada's resilient economy is its strong fiscal position going into the COVID-19 pandemic; it **enjoyed the lowest net debt-to-GDP ratio in the G7 for the last 15 years**. Canada's strong fiscal position allowed it to respond swiftly and substantially to support those affected by the pandemic, the highest in the G7. After losing 3 million jobs in March and April 2020 due to COVID-19, **Canada regained almost two-thirds of these jobs by the end of August 2020**. ([Office of the Chief Economist, Government of Canada](#))



**Ottawa, Toronto, Montreal, Calgary and Vancouver have top tech talent** and offer the lowest cost among 50 North American cities. ([Office of the Chief Economist, Government of Canada](#))

For 2020-2024, **Canada is ranked as the best country in the for doing business and the easiest place to start a business in the G20**. ([Office of the Chief Economist, Government of Canada](#))

Canada had the **second largest Foreign Direct Investment stock-to-Gross Domestic Product (GDP) ratio** among G20 countries over the period of 2015-2019. ([Office of the Chief Economist, Government of Canada](#))

In proportion of GDP, **Canada's support during COVID-19 pandemic is the highest in the G7**. ([Office of the Chief Economist, Government of Canada](#))

At 26.5% in 2020, **Canada's combined federal-provincial statutory corporate income tax rate is one of the lowest in the G7**. Since 2000, Canada has reduced taxation on new business investment from 44.1 % in 2000 to now 13.7%. **It is the lowest tax treatment in the G7 for new business investment, and below the OECD average**. ([Office of the Chief Economist, Government of Canada](#))

Canada **leads the G20 in R&D spending in higher education as a share of GDP**, and it offers one of the most generous R&D tax incentives in the G7. ([Office of the Chief Economist, Government of Canada](#))

**Canada's banking system ranks second in the G20** and sixth among 141 countries; it is one of the soundest in the world. Six of the world's 50 safest banks are in Canada. ([Office of the Chief Economist, Government of Canada](#))

**Canadians enjoy one of the highest standards of living in the G20**, ranks among the top five OECD countries for its living conditions and quality of life, and is the most democratic country in the G20. ([Office of the Chief Economist, Government of Canada](#))



# COVID-19 Impact on Trade

## Canada is Bouncing Back

While declines cannot be fully attributed to COVID-19, **by March 2020, overall Canadian goods exports had dropped by 7.9% and goods imports by 8.4%, compared to March 2019.** ([Government of Canada](#))

**Canadian goods trade decreased 3.5% in the first quarter of 2020** compared to the same period in 2019, as exports were down 1.2% and imports fell 5.7%. ([Government of Canada](#))

Energy, Canada's largest export sector, saw exports increase in the first 2 months of 2020 only to crash in March, mainly from lower exports of crude oil and petroleum gases. On a YoY basis, **Canadian energy exports advanced 3.3% in the first quarter of 2020 despite a 21% decline in March.** ([Government of Canada](#))

Industries that rely on international supply chains were also hit especially hard as demonstrated by **declines of exports and imports of automotive products (23% and 18%, respectively), machinery (11% and 10%, respectively), and electronics (26% and 13%, respectively).** In contrast, Canada's agriculture exports improved in March 2020 compared to the year prior. **Agriculture exports rose 13%** led by higher exports of oil seeds (60%) and exports of vegetables (49%). ([Government of Canada](#))

**Canada saw its trade with most of its top 10 trading partners impacted from COVID-19 to some degree.** In March 2020, drops in Canadian exports ranged from 3.2% (Japan) to 35% (the United Kingdom) while drops in Canada's imports ranged from 5.1% (Japan) to 24% (China). While trade with the United States was on average mildly affected with declines of about 6% for both exports and imports, trade with some individual states was strongly affected due to the highly integrated supply chains in some industries. ([Government of Canada](#))



# Canada-Mexico

## A Dynamic Relationship

Canadian trade and investment with Mexico is steadily growing, with **over \$44 billion in two-way merchandise trade in 2019**. ([Government of Canada](#))

Mexico remains Canada's **third largest merchandise trading partner**. ([Government of Canada](#))

Mexico is Canada's **third-largest source of merchandise imports** (\$36.9B in 2019), and its fifth most important merchandise export destination (\$7.3B in 2019). ([Government of Canada](#))

**Canadian Direct Investment in Mexico was \$22.5B in 2018**, which is Canada's 10<sup>th</sup> largest direct investment destination. ([Government of Canada](#))

**Over 1.7 million Canadians travelling to Mexico in 2018** for both business and pleasure. ([Government of Canada](#))

In addition, **a significant number of Canadians, particularly retirees, have purchased property in Mexico** and spend extended periods of time there. ([Government of Canada](#))

There are **two major trade agreements** that have created stronger economic ties between Canada and Mexico. The **Canada-United States-Mexico Agreement (CUSMA)** and the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)** provide Canada and Mexico with preferential access to each other's markets. ([Government of Canada](#))

**Canada's priority sectors in Mexico:** aerospace, agriculture, creative industries, education, information and communications technologies, infrastructure, life sciences, mining, oil and gas, and sustainable technologies. ([Government of Canada](#))



**Canadian propane exports to Mexico increased from zero in 2014 to 583 million litres in 2017**. Between 2016 and 2017, the value of propane exports to Mexico increased almost eight times. ([Canada Energy Regulator Government of Canada](#))



In 2018, 93% of Canadian aerospace manufacturing firms were exporters and **Mexico was one its top exporting markets**. ([Innovation, Science, and Economic Development Canada, Government of Canada](#))



**More than 60% of mining projects** listed on the Mexican Government's website **are by Canadian companies**. ([Mexican Government](#))



In 2018, **5% of Canada's globally traded processed agri-food and beverages** (including seafood) **were shipped to Mexico**. ([Government of Canada](#))



**Top Canadian imports into Mexico** include fresh hams, shoulders and cuts, fresh boneless beef, canola oil, malt and frozen French fries, **totaling a value of CA\$522.4 million**. ([Government of Canada](#))

# Canada-Mexico

## A Dynamic Relationship

PRODUCT	VALUE (USD)
Vehicles other than railway	913.13 million
Machinery, nuclear reactors	569.52 million
Electric apparatus	407.55 million
Oil seed, fruits, grain, seed	394.61 million
Aluminum	320.93 million
Meat	308.19 million
Mineral fuels, oils, distillation oils	304.14 million
Iron and steel	302.91 million
Plastics	229.75 million
Cereals	206.38 million

### Mexican exports to Canada

(2019, USD) (Source: [UN COMTRADE](#))



### Canadian exports to Mexico

(2019, USD) (Source: [UN COMTRADE](#))



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# Mexican Businesses

Doing business in Canada

Largest Mexican companies investing in the Canada:



# Canadian Businesses

Doing business in Mexico

Main Canadian Companies in Mexico:



# Why Invest in Canada?

Global Market Access. Unparalleled Talent. Low Costs. Low Risks. ([LINK](#))



**Highly Skilled Talent**

#1 for Entrepreneurship



**Innovation & Technology**



**Quality of Life**

#1 Best Quality of Life



**Sound Banking System**

#1 for G7 Countries



**Political Stability & Low Corruption**

2nd for G20 Countries



# Canada-Sonora

## A Global Partnership

Northbound, Canada has recently seen an increase in visitors from Mexico. According to Statistics Canada, **approximately 470,000 Mexicans visited Canada during 2019.**

In 2017 ([Business Council of Canada](#)):



Annual value of Sonora's goods exports to Canada: **\$194 million**

Annual value of Sonora's goods imports from Canada: **\$158 million**



## CUSMA

### Future of Opportunity



Since the implementation of NAFTA in 1994, trade and investment between Canada and Mexico have blossomed. **Between 1993 and 2019, total merchandise trade between Canada and Mexico grew almost 10-fold.** Overall, total **trilateral merchandise trade had risen to reach nearly US\$1.1 trillion in 2019.** ([Government of Canada](#))

The **CUSMA streamlines the certification of origin documentation process.** The new agreement does away with the NAFTA prescribed certificate of origin form and replaces it with **nine data elements that accompany the shipment.** This information, captured on an invoice or any other document, can be completed, signed, and submitted electronically. ([Government of Canada](#))

The deal provides a **predictable framework to support North American energy trade** through the continued **zero-tariff treatment of exports**, locking in **Mexico's reforms**, facilitating the **movement of hydrocarbons by pipeline**, and **updates certification requirements** for oil and gas. ([USTR](#))

It includes a chapter on **Macroeconomic Policies and Exchange Rate Matters**, with commitments on **currency issues.** It **addresses unfair currency practices** by requiring **high-standard commitments to refrain from competitive devaluations and targeting exchange rates**, increasing **transparency and accountability.** ([USTR](#))

The CUSMA's **Environment chapter establishes enforceable environmental obligations** to combat **trafficking in wildlife, timber, and fish**; to **strengthen law enforcement networks** to stem such trafficking; and to **address pressing environmental issues** such as **air quality** and **marine litter.** ([USTR](#))

**Chapter 27 on Anticorruption** establishes standards that **prohibit a public official** from participating in **bribes**; **protects accusers** that report to competent authorities; and incentives **companies to adopt compliance programs** in order to **combat corruption in their structures.** ([National Law Review](#))



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