

# **Canada's Surprising Trade Competitiveness In Southeast Asia**

***Produced by the Canadian Embassy – Singapore***

## **Summary**

1. Over the past few months, SPORE has examined the competitiveness of Canadian firms exporting key products to Southeast Asian markets.<sup>1</sup> In doing so, we have tried to answer two key policy questions:

- Are Canadian companies competitive in the key product markets in which most of our exports are concentrated? and
- Are there more innovative ways in which we can quantify the level of Canadian competitiveness for policy-makers?

2. The answers to these questions are surprising. Looking at merchandise import data for our five largest Southeast Asian markets (Indonesia, Malaysia, the Philippines, Singapore and Thailand) we found that while Canada's overall market share has declined in most of these countries over the past decade, Canadian exporters were surprisingly successful in increasing market shares in their most important product markets in four of five of these economies.<sup>2</sup> We subsequently quantified the value of this "competitiveness" and found that the combined increase in market shares in our top ten product markets was worth the equivalent of an additional \$549 million in exports over this period.<sup>3</sup>

## **Key Results**

- Much of the usual analysis of the growth in Canadian exports is conducted at a level of aggregation that allows few meaningful conclusions to be drawn about the competitiveness of Canadian exports. For example, Indonesia's total merchandise imports from Canada grew at a compounded annual rate of 10.3% a year over the ten-year period from 1999 to 2008. During this same time, Indonesia's total merchandise imports from the rest of the world grew 13.1%.<sup>4</sup>
- However, these aggregate numbers provide no indication as to whether the lower growth rates of Canadian exports reflect the fact that they are concentrated in relatively slow-growing product markets or whether Canadian firms are gaining (or losing) market shares in the specific product markets in which their exports are concentrated.
- In the example of Indonesia, disaggregating these statistics and examining the ten most important product markets for Canadian exporters tells an entirely different story. This approach shows that key Canadian exports grew at a compounded annual rate of 12.8% over the 1999-2008 period, compared to 11.8% for exports in these products from the rest of the world.

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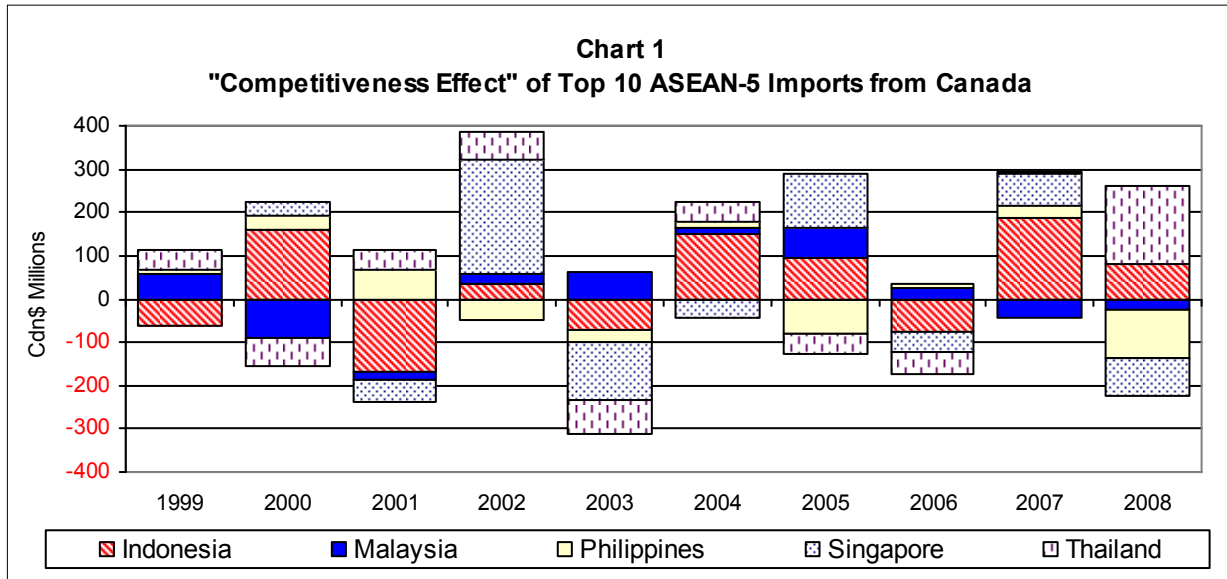
<sup>1</sup> This paper summarizes earlier, more detailed analyses on Canada's trade competitiveness in Indonesia, Malaysia, the Philippines, Singapore and Thailand.

<sup>2</sup> Specifically, we have examined current data for the ten most important product markets in each of these five countries for Canadian exporters using harmonized system (HS) data at a two-digit level of disaggregation. As seen in Annexes 1 and 2, these top product markets account for more than three-quarters of all imports from Canada by these five countries.

<sup>3</sup> This paper quantifies the competitiveness of Canadian companies by applying "constant market share" analysis to the ten most important product markets in each of these five countries. This technique uses the annual change in market shares in these individual product markets to measure the underlying competitiveness of Canadian exports.

<sup>4</sup> This led Canada's overall market share in Indonesia to decline from 1.76% to 1.45% over this ten-year period.

- Furthermore, the data shows that Canada was able to increase its market shares in these key product markets in six of the last ten years. This combined increase in market shares was worth the equivalent of an additional \$326 million in Canadian exports to Indonesia over this period (see Annex 1).
- While it is overly simplistic to expect competitive firms in a dynamic market to increase their market shares each and every year, the overall performance of Canadian firms in Southeast Asia has been encouraging. As illustrated in Chart 1 (and Annex 1), Canadian firms were able to increase their collective market shares in our top product markets in Southeast Asia in seven of the past ten years. This competitiveness was worth the equivalent of an additional \$549 million in exports to Canada.
- Moreover, the performance of these firms is even more impressive over the last five years. During this period, Canadian firms were able to increase their collective market shares in four of these five years, which was worth the equivalent of an additional \$462 million in exports to Canada.
- Interestingly, this analysis also provides insights into Canada's competitiveness in individual product markets. For example, exporters of fertilizers did extremely well across Southeast Asian markets over the past ten years, whereas exporters of electrical machinery witnessed a steady erosion of their market shares.



### Conclusion

- In terms of magnitude, it should be noted that total imports from Canada to these five Southeast Asian markets totalled \$33.5 billion over the last ten years (and almost \$20 billion over the last five years). Given that Canada's overall market-share was less than 1% in four of these five markets, this suggests that Canadian firms are not only competitive in our top export product markets, but also that there is considerable scope for the further expansion of Canadian exports.
- In conclusion, this paper demonstrates that "constant market share" analysis is a useful tool to quantify the competitiveness of Canadian companies in key foreign markets. The analysis further shows that over the past ten years – and especially over the past five years – Canadian exporters have been surprisingly successful in increasing their market shares in key product markets in Southeast Asia.

## Annex 1 - ASEAN 5 - Summary 1999-2008

### 1. Competitiveness Effect of Top 10 Imports from Canada In Each Market Measured in C\$ Millions

HS	Description	Indonesia	Malaysia	Philippines	Singapore	Thailand	Total
02	Meat			9.3	8.7		18.1
03	Fish & Seafood					-20.0	-20.0
10	Cereals	176.3	-35.9	-124.6		-40.5	-24.7
12	Misc. Grain, Seed & Fruit		2.5				2.5
15	Fats & Oils		36.2				36.2
25	Salt, Sulfur, Earth & Stone			-4.3			-4.3
26	Ores, Slag & Ash			-29.2			-29.2
27	Mineral Fuel, Oil				76.8		76.8
28	Inorganic Chemicals, Rare Earth Metals	16.4	11.9				28.3
30	Pharmaceutical Products			1.2	10.7		11.9
31	Fertilizers	190.6	55.6	13.8		50.7	310.7
39	Plastic		23.1		4.3		27.4
44	Wood			32.0			32.0
47	Woodpulp	-5.4				4.6	-0.7
48	Paper & Paperboard			1.8			1.8
71	Precious Stones & Metals					12.2	12.2
72	Iron & Steel	4.8				47.3	52.1
73	Iron/Steel Products					18.3	18.3
75	Nickel & Related Items				-61.6	-12.6	-74.1
79	Zinc & Related Items		-6.4				-6.4
82	Tools & Cutlery				11.8		11.8
84	Machinery	-75.2	-12.4	5.6	59.7	22.5	0.3
85	Electrical Machinery	-43.5	-2.8	-17.0	-52.1	59.0	-56.4
87	Vehicles Excluding Railway	25.7					25.7
88	Aircraft, Spacecraft	35.9			13.2		49.0
90	Optical, Medical Instruments	0.7	2.6		46.7		50.0
<b>Total</b>		<b>326.2</b>	<b>74.4</b>	<b>-111.4</b>	<b>118.2</b>	<b>141.5</b>	<b>548.9</b>

Note: The "competitiveness effect" is the additional (or reduced) value of exports associated with the incremental rise (or fall) in Canadian market shares from year to year. The "total" is the cumulative sum of competitiveness effects over the 10-year period. Data for Singapore is only available from 2000.

### 2. Total Imports from Canada

Market	1999			2008		
	C\$ millions	Top 10 as % of Cdn imports	% of total import market	C\$ millions	Top 10 as % of Cdn imports	% of total import market
Indonesia	626.0	81.1%	1.76%	1,988.7	93.0%	1.45%
Malaysia	567.1	73.2%	0.58%	1,044.6	86.4%	0.63%
Philippines	294.7	75.3%	0.65%	276.0	76.9%	0.46%
Singapore	612.6	66.7%	0.37%	1,196.2	84.2%	0.35%
Thailand	496.1	63.9%	0.67%	1,1018.3	78.5%	0.53%

### 3. Compounded Annual Growth Rates

Market	Canada	Rest of the World
Indonesia	12.8%	11.8%
Malaysia	10.9%	4.9%
Philippines	0.4%	-3.2%
Singapore	11.2%	8.7%
Thailand	12.1%	10.1%

Note: This measures the difference in growth rates (Canada vs. Rest of World) of the top 10 imports from Canada in each market from 1998 to 2008 (10 years of growth) from 1999 to 2008 for Singapore.

## Annex 2 - ASEAN 5 - Summary 2004-2008

### 1. Competitiveness Effect of Top 10 Imports from Canada In Each Market Measured in C\$ Millions

HS	Description	Indonesia	Malaysia	Philippines	Singapore	Thailand	Total
02	Meat			8.5	8.9		17.4
03	Fish & Seafood					-31.3	-31.3
10	Cereals	317.5	-7.0	-165.2		-35.5	109.8
12	Misc. Grain, Seed & Fruit		-15.7				-15.7
15	Fats & Oils		18.9				18.9
25	Salt, Sulfur, Earth & Stone			12.1			12.1
26	Ores, Slag & Ash			-4.2			-4.2
27	Mineral Fuel, Oil				64.4		64.4
28	Inorganic Chemicals, Rare Earth Metals	17.6	9.4				27.1
30	Pharmaceutical Products			4.3	12.1		16.3
31	Fertilizers	145.5	60.0	9.0		53.0	267.5
39	Plastic		25.8		12.0		37.7
44	Wood			-12.1			-12.1
47	Woodpulp	-19.4				-16.1	-35.6
48	Paper & Paperboard			-9.2			-9.2
71	Precious Stones & Metals					15.6	15.6
72	Iron & Steel	12.4				27.5	39.9
73	Iron/Steel Products					12.6	12.6
75	Nickel & Related Items				-73.5	-18.9	-92.5
79	Zinc & Related Items		-7.4				-7.4
82	Tools & Cutlery				10.5		10.5
84	Machinery	-39.9	4.8	-4.9	59.8	18.7	38.5
85	Electrical Machinery	-29.6	-51.3	18.1	-182.0	106.8	-138.0
87	Vehicles Excluding Railway	25.9					25.9
88	Aircraft, Spacecraft	4.3			42.9		47.2
90	Optical, Medical Instruments	5.4	0.8		40.6		46.9
Total		439.8	38.3	-143.6	-4.3	132.5	462.4

Note: The "competitiveness effect" is the additional (or reduced) value of exports associated with the incremental rise (or fall) in Canadian market shares from year to year. The "total" is the cumulative sum of competitiveness effects over the 5-year period.

### 2. Total Imports from Canada

Market	2004			2008		
	C\$ millions	Top 10 as % of Cdn imports	% of total import market	C\$ millions	Top 10 as % of Cdn imports	% of total import market
Indonesia	718.3	84.3%	1.19%	1,988.7	93.0%	1.45%
Malaysia	602.1	83.8%	0.44%	1,044.6	86.4%	0.63%
Philippines	332.4	79.2%	0.58%	276.0	76.9%	0.46%
Singapore	845.3	78.3%	0.38%	1,196.2	84.2%	0.35%
Thailand	650.1	73.1%	0.53%	1,1018.3	78.5%	0.53%

### 3. Compounded Annual Growth Rates

Market	Canada	Rest of the World
Indonesia	37.7%	29.7%
Malaysia	18.6%	4.5%
Philippines	-4.0%	-11.1%
Singapore	11.7%	12.2%
Thailand	16.1%	10.8%

Note: This illustrates the difference in growth rates (Canada vs. Rest of World) of the top 10 imports from Canada in each market from 2003 to 2008 (5 years of growth).