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Canada: Economic Report 2019

Executive Summary

The Canadian economy grew with 1.9% in 2018 and is continuing to do so at a moderate pace in 2019. Global trade conflicts, slow exports as well as a sharp decline in oil prices will affect growth. In 2020 and 2021 the economy is anticipated to grow near potential at $1^3/_4$%.

The federal budget deficit for fiscal year 2018/2019 came in at 0.6% and the debt/GDP ratio at 30.9%, one of the lowest levels among leading industrialized countries.

The successful renegotiation of Nafta eliminated an important risk to the Canadian economy. However, USMCA still has to be ratified by the US and the new Canadian parliament. Trade policy will remain the biggest risk during the administration of US president Trump, due to Canada's reliance on the US. In May 2019, Canada and the United States reached an understanding to eliminate all tariffs the United States imposed under Section 232 on Canadian steel and aluminium imports, and all tariffs Canada imposed in retaliation.

Domestically, the Trudeau government's struggle to balance environmental policy with the support for the fossil fuel industry is ongoing. The resistance among conservative provinces to the federal government's mandatory carbon tax is growing and several provinces have lodged a complaint with the Supreme Court of Canada. At the same time the government saw itself forced to buy the controversial Trans Mountain Pipeline with the intention to sell the pipeline and expansion project to a third-party buyer later on.

Canada is making slow but steady progress in the diversification of its trade (away from the US). Once CPTPP is in effect, it will have preferential market access via 14 trade agreements to 51 countries (however not to China or India).

With 1.2% of total Swiss trade, Canada occupies rank 16 of all trading partners and is the second most important market in the Americas, after the US and ahead of Brazil and Mexico. Bilateral trade of goods in 2018 has increased by 9.3% to CHF 5.3 billion. Swiss exports went up 4.8%, imports from Canada rose by 21.5%. Switzerland has a considerable trade surplus with Canada. Also, Switzerland is the fifth largest foreign investor in Canada with 5.3%.

Cleantech, consumer products and public transport are key areas with significant potential and opportunities for Swiss know-how and products.

As of 2020 Canada will become one of ten Focus Markets of Switzerland Global Enterprise for investment promotion activities.

Bilateral trade would benefit from a modernisation of the existing EFTA-Canada free trade agreement. To significantly improve market access for Swiss dairy will however be difficult in the short run.

No major economic policy shift is expected under the Trudeau II (minority) government.

1. Economic Overview

The Canadian economy since 2015 has been characterized by moderate GDP growth, low inflation, a relatively stable federal government debt-to-GDP ratio, a declining current account deficit and real exchange rate depreciation.

2015 and 2016 were two years of weak growth due to lower oil prices and the ensuing deterioration of its terms of trade. In 2017 Canada experienced a strong expansion (3.0%) as the economy responded to stimulative monetary and fiscal policies, a strong US economy and higher oil prices. The economy, while slowing to a more sustainable level in 2018, still recorded robust growth in the first three quarters averaging 2% annualized and was operating close to its capacity. Since then however, a couple of negative developments have caused a detour for the economy, which expanded by just 0.3% in Q4 (from Q3) and 0.5% in the first quarter of 2019. Overall, in 2018 GDP growth slowed down to 1.9%. A global economic slowdown was one of the developments negatively affecting the Canadian economy. Although some slowing was expected, it was deeper than forecasted. A major factor in this regard has been the trade tensions between Canada and the US as well as another sharp decline in oil prices in late 2018, on top of a situation where Canadian oil was selling at a huge discount to the world oil price (caused by transportation bottlenecks out of the Alberta oil patch). Canada's economic rebound in the second quarter of 2019 was stronger than expected with 3.7%, however mostly driven by factors that are likely temporary, for example a sharp rebound in shipments of crude oil and transportation equipment. With the oil sector continuing to face transportation challenges and production constraints, ongoing weak foreign demand and escalating trade conflicts the economy will only expand by $1^{1}/_{4}$% in the second half of 2019. Real GDP growth is expected to slow down to 1.5% in 2019 and 1.7% in 2020[1]. Growth will pick up again in 2021 and will average 2.4% per year in 2022-2023, supported by continued public investment in infrastructure and stronger export growth, driven by recovering demand in the US and enhanced trade ties with the EU and CPTPP countries.

In 2018, GDP increased in nine provinces and in all territories, except in Newfoundland and Labrador.[2] The economies remain on track to expand modestly in 2019, running from a low of 0.6% in New Brunswick to a high of 2.5% in Quebec. Energy-producing provinces (mainly Alberta and Saskatchewan) continue to struggle, as the full adjustment to the decline in oil prices back in 2015 is not yet complete, and transportation constraints are making the situation worse.

- In Alberta, GDP advanced 2.3% in 2018 following the rebound of 4.6% in 2017. The energy sector accounted for almost half of the total growth in the economy in 2018. Economic growth continues to be slow and the unemployment level remains above the national average at 6.6%. The story in Alberta remains the energy sector's access to markets. Pipeline bottlenecks prompted the previous provincial government to impose mandatory oil-production cuts late last year and will limit how fast the economy is bouncing back. A new OPEC production agreement, the reconstruction of the Trans Mountain Pipeline and the dismantling of oil cuts could help the provincial economy in the following years.
- British Columbia's GDP increased by 2.4% in 2018, the fifth consecutive year above national growth. However, growth has slowed down compared to previous years, largely due to the recent decline in housing activity. GDP growth is expected at 1.8% this year. A key factor in BC's economy is the resistant labor market. The province maintains the country's lowest unemployment rate.
- Quebec's economy remains in very good shape and business confidence is the highest in the country. GDP increased 2.5% in 2018 following growth of 2.9% in 2017. This was the first time since 2008 that Quebec was among the top three provinces in terms of growth. Quebec's government put its fiscal house in order in recent years, creating

[1] Bank of Canada, Monetary Policy Report October 2019: https://www.bankofcanada.ca/wp-content/uploads/2019/10/mpr-2019-10-30.pdf .
[2] Statistics Canada: Gross Domestic Product by industry: Provinces and territories, 2018. https://www150.statcan.gc.ca/n1/daily-quotidien/190501/dq190501a-eng.htm.

the necessary wiggle room to roll out stimulus in the form of tax cuts and infrastructure investment commitments.

- Growth isn't quite as robust in Canada's largest province, Ontario, which saw its GDP growth slow down to 2.2% in 2018, the slowest growth rate since 2013. This reflects a return to potential growth for the province. It will benefit from a firming in housing activity in 2019 (expected growth: 1.6%) but its debt-laden households, slower growth in government spending, its heavy exposure to the US economy and trade policy uncertainties are weighing on growth in 2020.

The federal budget deficit for fiscal year 2018/19 (April-March) came in at C$14.0 billion (0.6% of GDP, U$10.8 billion), compared to C$19.0 billion (0.9%, U$14.6 billion) for the previous fiscal year.[3] It reflects stronger-than-expected growth in personal income tax receipts. The budget deficit is forecast to increase in each of the next two years to 0.9% in 2019/2020 and 0.8% in 2020/2021 due to higher planned infrastructure spending. The introduction of the carbon tax and tax income from the cannabis legalisation will be offset by lower average oil prices in 2019/2020.

The debt/GDP ratio shrank from 31.3% in 2017/2018 to 30.9% in 2018/19 – one of the lowest levels among leading industrialized countries.

There continues to be a pronounced imbalance between the federal and the provincial level. The federal government has excess fiscal capacities, while the provinces have yet to secure long-term fiscal sustainability. The current federal budget deficit of 0.6% is for example a fraction of the 4.5% in the US and the debt rate of 30.9% is not too far removed from post-WWII lows with debt servicing a relatively modest 7% of federal revenue. Calls are therefore getting louder for a permanent transfer of fiscal room to the provinces.

The Bank of Canada has raised its interest rate five times since July 2017, though it has held it steady at 1.75% since October 2018. A solid improvement in the economy during the second quarter of this year and a consumer price inflation rate right on target at 2% have allowed the Bank of Canada to buck the recent trend of some other central banks in cutting rates. Economists forecast such a cut in January 2020 amid a further weakening in US growth.

On an annual average basis, the Canadian dollar remained relatively steady in 2018 when benchmarked against the US dollar, appreciating by 0.2% compared to 2017. However, on a monthly average basis, the Canadian dollar has been on a downward trend since September 2017. In 2018, the Canadian dollar depreciated by 8.7% against the US dollar, 3.7% against the Euro and 2.8% against the British pound. Since the beginning of 2019 the Canadian dollar has again strengthened against other currencies.

Canada's annual inflation rate will ease slightly from 2.3% in 2018 to 2.0% in 2019, reflecting the removal by Canada earlier this year of countermeasures against the steel and aluminium tariffs imposed by the US and generally lower oil prices.[4] The inflation rate is expected to stay right at the mid-point of the Bank of Canada's 1-3% target rate in 2020, reflecting continued subdued economic growth and low oil prices.

Canada's unemployment rate has fallen to a 40 year low of 5.6% by the end of 2018, while the employment rate has been gradually rising. Employment growth continues to be driven mainly by the service sector with strong gains in part-time jobs. Despite these strong employment figures, annual wage growth remained between 2-3%, largely due to a moderation of wage growth in the oil-producing regions.[5] In the first nine months of 2019 358,000 net new jobs were created, mostly full-time positions in the private sector. Not since 2002 has Canada created that many jobs. The unemployment rate stood at 5.5% in September 2019. The rate ranges from a low of 4.4% in BC to a high of 12.8% in Newfoundland.

[3] IMF: Canada 2019 Article IV Consultation, June 2019, https://www.imf.org/en/Publications/CR/Issues/2019/06/24/Canada-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47021.
[4] IMF: Canada 2019 Article IV Consultation, June 2019, https://www.imf.org/en/Publications/CR/Issues/2019/06/24/Canada-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47021.
[5] Statistics Canada: http://www.statcan.gc.ca

For the first time, the impacts of cannabis legalization are shown in the national economic accounts including estimates of legal and illegal economic activities related to cannabis production, distribution and consumption for non-medical and medical use. Canada legalized recreational cannabis in October 2018. Household spending on marijuana, at an annual rate, totalled C$5.9 billion (U$4.5 billion) in the fourth quarter 2018 – with illegal pot accounting for C$4.7 billion (U$3.6 billion) of the total and legal weed representing C$1.2 billion (U$0.9 billion). Cannabis accounted for 0.5% of total household spending. Non-medical cannabis accounted for 11.2% of spending on alcohol, tobacco and cannabis.[6]

The renegotiation of NAFTA eliminates one of the biggest risks to the Canadian economy, although the timeline for the ratification of the successor agreement, the USMCA (or CUSMA), will be extended into 2020. Furthermore, Canadian farmers and food manufacturers are feeling the pinch from trade restrictions imposed by China on some Canadian farm exports like canola (rape seed). Next to trade uncertainties a drop in global oil prices would act as a drag on economic activity.
Another wildcard for the Canadian economy is the outcome of the American election, which could destabilize Trudeau's minority government by polarizing parliament over to approach to American relations.

Amongst the major domestic financial risks figure high household debt levels that could result in a rise in bad loans, if interest rates go up or incomes fall. While households in the United States have been deleveraging since the 2009 financial crisis, dropping the household debt to GDP ratio to 78% in 2017, Canadian households have not followed suit, and as a result household debt has exceeded 100% of GDP since the second quarter of 2016. Another important domestic financial vulnerability are imbalances in the housing market.

The government will continue to struggle to balance environmental policy with support for the fossil fuel industry. PM Trudeau has long maintained that developing fossil-fuel resources can go "hand in hand" with fighting climate change. It has rolled out a national carbon tax of C$20/tonne (U$15) in provinces that did not have an equivalent carbon pricing programme in place – currently Ontario, Manitoba, Saskatchewan, New Brunswick and Alberta –, with an eventual increase to C$50 per tonne (U$38) by 2022. To ease concerns, the government has pledged to recycle all profits into clean-energy projects. Nevertheless, the resistance among conservative provinces is growing and the provincial governments of Ontario, Saskatchewan and Alberta lodged a complaint with the Supreme Court of Canada, contending that the national carbon tax is unconstitutional. On the other end of the spectrum, British Columbia has recently developed a concrete action plan to tackle climate change. The 2018 plan *CleanBC* contains concrete measures to make more efficient use of energy, generate clean energy and avoid waste. On the municipal level the city of Vancouver developed its own *Greenest City Action Plan* by which it commits to having zero emissions through buildings in new construction by 2030, zero waste until 2040 and getting 100% of the energy by means of renewable resources before 2050.

At the same time the government back in 2016 also approved the controversial expansion of the Trans Mountain pipeline from Edmonton to the British Columbia coast, north of Vancouver, by about 1000 kilometers. The provincial government in B.C. is opposed to the construction of the pipeline as are the majority of First Nations Communities. Due to this "unquantifiable risk", the pipeline's developer Kinder Morgan suspended non-essential spending on the project in April 2018. In August 2018 the federal government in an effort to save the project, bought the pipeline from Kinder Morgan for C$4.5 billion with the intention to sell the pipeline and expansion project to a third-party buyer later on. Consultations with civic governments and First Nations are ongoing.

[6] Statistics Canada, Incorporating the cannabis market in the national economic accounts, fourth quarter 2018, 01.03.2019, https://www150.statcan.gc.ca/n1/pub/13-605-x/2019001/article/00003-eng.htm.

2. International and Regional Economic Agreements

2.1 Canada's Policy and Priorities

Despite recent efforts to diversify trade, Canada still has much work to do. Around 75% of Canada's exports went to the US in 2018 (see 3.1 below). While Canada's export dependency on the US has declined from 87% in the early 2000s, it remains high and still accounts for an estimated 1.9 million Canadian jobs. Partly in response to the uncertain trade relations with the US, the Canadian administration focuses on diversifying the economy's exports with a particular focus on the Asia-Pacific region, while nurturing stronger economic links with Europe and the UK. Canada is now party to 14 Free Trade Agreements involving 51 countries. Canada's trade with these countries accounted for 79% of its imports and 90% of its exports in 2018.[7,8] Total trade with the members of NAFTA was valued at C$788 billion (U$607 billion) or 67% of total trade with the world. For CETA the figures were C$118 billion (U$91 billion) or 10% of total world trade and CPTPP accounted for C$98 (U$75 billion) or 8.3%.

North-Atlantic Free Trade Agreement (NAFTA) / US-Canada-Mexico Agreement (USMCA)

In August 2017 after months of repeated threats by US President Donald Trump to withdraw from the 23-year-old NAFTA, the United States, Canada and Mexico began renegotiations with the goal of modernizing the trade deal and ensuring it reflects North America's twenty-first-century economic reality.

In November 2018, after lengthy and difficult negotiations, Canada, the US and Mexico signed the US-Canada-Mexico Agreement (USMCA or CUSMA in Canada), which governs more than C$1.2 trillion (U$924 billion) in trade. Mexico ratified the pact in June 2019, Canada and the US are still in the ratification process. For Canada, the lifting of the tariffs that US President Donald Trump imposed on steel (25%) and aluminium (10%) was a precondition in order for the pact to be ratified. In May 2019, Canada and the United States reached an understanding to eliminate all tariffs the United States imposed under Section 232 on Canadian steel and aluminium imports, and all tariffs Canada imposed in retaliation.

The Trudeau government introduced USMCA-implementing legislation in May 2019, but wants to move "in tandem" with the United States. The legislation made its way to the final stages of the approval process, awaiting the United States, but due to the recent general elections it has to be reintroduced in the next session. It is likely that Canada will only be in a position to ratify the USMCA by early next year. The US democrats, on the other hand, – now in control of the US House of Representatives – are still seeking changes, including stronger labor and environmental provisions.

The new trade deal includes a cap on levels of vehicles, and vehicle parts, that Canada can sell to the US tariff-free without facing another potential 232 tariff. The US has been pushing for a similar type of quota on steel and aluminum. US farmers will get more access to the Canadian dairy market and intellectual property and digital trade will be better protected. The agreement also extends the period that a pharmaceutical drug can be protected from generic competition, and includes new provisions to deal with the digital economy. The pact adds a 16-year "sunset" clause where the terms of the agreement expire after a set period of time. The deal is also subject to a review every six years, at which point the countries can decide to extend the USMCA.

CUSMA has reduced trade uncertainty for Canada. However, trade policy will remain the biggest risk during the administration of US president Trump, due to Canada's reliance on the US.

Comprehensive Economic and Trade Agreement (CETA)

Many of Canada's newer FTAs go beyond traditional trade issues to cover areas such as services, intellectual property, investment, e-commerce, labour and the environment. CETA, pro-

[7] https://www150.statcan.gc.ca/n1/daily-quotidien/190904/t001d-eng.htm

[8] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1210013001

visionally implemented in September 2017, includes a chapter on trade and sustainable development that promotes sustainable development through the co-ordination and integration of labour, environmental and trade policies.

With CETA's provisional application 98% of Canadian and EU tariff lines became duty-free, creating new opportunities on both sides of the Atlantic. However, the challenges identified a year ago, persist. Firstly, the implementation of the agreement might prove more difficult than expected with several industries complaining about Canada's interpretation and intended application of the text of the agreement. Secondly, trade data for the first two years since CETA's provisional application show, that European exporters are considerably more active in taking advantage of the new CETA regime than Canadian exporters (which are still predominantly focused on the US). Overall export growth to the EU amounted to 3.4% whereas the growth in imports from the EU was 23% from September 2017 to August 2019.[9] And lastly, with Brexit, Canada is losing its biggest CETA trading partner, accounting for 40% of its trade with the EU and making it imperative to follow-up with a free-trade agreement with the UK. To date only 13 EU Member States have ratified CETA.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

With CPTPP Canada established new FTAs with seven additional Asia-Pacific countries: Australia, Brunei Darussalam, Japan, Malaysia, New Zealand, Singapore and Vietnam, with Japan accounting for the bulk of the trade.

In December 2018, the CPTPP entered into force among the first six countries to ratify the agreement – Canada, Australia, Japan, Mexico, New Zealand, and Singapore. In January 2019, the CPTPP entered into force for Vietnam.

In 2018, Canada's total trade on a customs basis with the CPTPP members totalled C$98 billion (U$75 billion) with passenger cars and coal the most important imports and exports respectively.

Pacific Alliance

In June 2017, Canada was among the first countries invited, along with Australia, New Zealand and Singapore, to become an Associated State of the Pacific Alliance (Chile, Mexico, Peru, and Colombia). In October 2017 Canada announced the launch of FTA negotiations with the Pacific Alliance, which seem to progress only very slowly. Canada's total merchandise trade with these countries reached more than $52 billion (U$40 billion) in 2018, representing three quarters of Canada's total two-way merchandise trade with the Latin America and Caribbean region. The extractive sector represents a particular interest for Canadian companies in Pacific Alliance countries.

Mercosur

Formal free trade negotiations between Canada and Mercosur (Argentina, Brazil, Paraguay and Uruguay) began in March 2018. However, so far no substantial progress has been achieved. It is Canada's aim to conclude a comprehensive, ambitious and progressive FTA responding to its economic, social and environmental policy priorities. Trade between Mercosur and Canada is currently still small, estimated to be C$8.9 billion (U$6.9 billion) in 2018. Canada is keen to get a first-mover advantage in the region and sees opportunities related to fish, chemicals, automotive, machinery and forestry sectors.

China and India

In November 2018, Canada and China agreed to double its agricultural trade relationship by the year 2025 by lowering existing tariff and other trade barriers. The goal was agreed to during the first Canada-China Economic and Financial Strategic Dialogue meeting in Beijing. However, over the next months, bilateral tensions between Canada and China increased significantly. Fears of Chinese industrial espionage and controversy around telecom giant Huawei, including Canada's detention of the company's CFO, Meng Wanzhou in December

[9] https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1210014001#timeframe

2018 (at the request of the United States). In a move likely in response to the arrest, China has not only detained two Canadians (one a former diplomat) on what Prime Minister Trudeau calls "arbitrary" and "illegal" grounds, in March it also blocked Canada's canola[10] export, claiming it contained "hazardous organisms". The annual export market for Canadian Canola to China is nearly 5 million tonnes, representing 40% of Canada's Canola market and 17% of all Canadian exports to China and is worth C$2.7 billion (U$2.1 billion).

Almost ten years ago Canada and India launched negotiations toward a Comprehensive Economic Partnership Agreement (CEPA). No relevant progress has been made since the beginning of the negotiations. As the PM's first official trip to India in February 2018 turned out to be a diplomatic disaster it is highly unlikely that the FTA both sides have been working on since 2010 will be concluded anytime soon.

Canadian Free Trade Agreement (CFTA)

Many non-tariff trade barriers exist in Canada due to the division of powers and responsibilities between federal and provincial authorities. These trade barriers hinder labour mobility, narrow consumer choice, fragment markets, stifle competition, and limit the effective scale of production. An IMF analysis suggests lowering non-tariff trade barriers could increase real GDP per capita by almost 4 percent—a much larger gain than expected from recently-signed international trade agreements[11].

The federal government and the provinces secured a Canadian Free Trade Agreement that came into force on July 1, 2017. The deal should eliminate trade barriers among provinces but has been criticized for its large number of exemptions, including alcohol. In July 2018, Canada's premiers announced a few small steps toward reducing trade barriers within the country, but failed to agree on how to ease the rules that limit the amount of alcohol Canadians can transport across provincial borders. The Supreme Court unanimously upheld a fine against a New Brunswick man who brought alcoholic beverages across the border from Quebec (known as the "free the beer case"). In May 2019, an Action Plan was established, which seeks to implement personal use exemption limits for the amount of alcoholic beverages transported by individuals across provincial boarders. Furthermore, the Action Plan is planning to improve and expand sales channels and increase the transparency in pricing[12].

2.2 Outlook for Switzerland

EFTA-Canada FTA (CEFTA) entered into force on 1st July 2009 and is a key instrument in the economic relations between EFTA States and Canada. With the conclusion of CETA, EU member states are enjoying trade benefits that go beyond the scope of the current EFAT FTA. The FTA mainly covers trade in goods and it does not fully address the wide range of economic activities taking place between Canada and the EFTA states today. It does for example not include areas such as services, procurement and investments.

Delegates from the EFTA States travelled to Ottawa in June 2018 to explore the potential for a modernization of the Canada-EFTA Free Trade Agreement (CEFTA). They discussed key areas including agriculture, services, investment, government procurement as well as elements of Canada's progressive trade agenda. The biggest hurdles are sensitivities on both sides in the area of market access for agriculture (dairy, beef, and wheat) as well as the approach on investments and services in general. The talks will continue after the elections in Canada, which took place in October 2019.

As the newly re-elected Trudeau 2 (minority) government depends on the support of political allies like the social democratic NDP, the Greens or the Bloc Québécois – all of which have voiced their support in the election campaign in favour of the Canadian supply management system for dairy –, it will be difficult to obtain increased market access for Swiss cheese in the near future.

[10] The "Can" in Canola stands for Canada, since the specific variety of the plant known as rapeseed that has a bright yellow flower was invented by Canadian researchers in the 1970s.
[11] https://www.imf.org/en/News/Articles/2019/06/20/NA062919-Six-Charts-on-Canadas-Economic-Outlook-for-2019
[12] Canadian Free Trade Agreement, "Federal-Provincial-Territorial Action Plan: Trade in Alcoholic Beverages", 2019, retrieved 25.09.2019, https://www.cfta-alec.ca/federal-provincial-territorial-action-plan-trade-in-alcoholic-beverages/.

3. Foreign Trade

In 2018, Canada's worldwide exports of goods and services increased by 6.2% to reach C$706 billion (U$544 billion), while imports increased by 5.4% to C$753 billion (U$580 billion). As both exports and imports expanded, international trade represents 66% of Canadian GDP, or C$1.5 trillion (U$1.2 trillion).

Canada is the fifth largest global exporter of agricultural products. The food industry contributed C$80 billion (U$62 billion) annually to Canada's GDP. Canada is the world's largest exporter of flaxseed, canola, pulses, oats and durum wheat, and third largest exporter of pork products.

One in five jobs is linked to exports. While Canada represents roughly 0.5% of the world's population, it accounts for 2.3% of global merchandise exports. Half of what Canadians produce is exported. Some of it comes back as part of supply chain dynamics, especially for the North American auto trade. The majority of cross-border trade is intra-firm; the remainder is within global value chains.

3.1 Development and General Outlook[13]

According to the 2018 World Merchandise Trade Value Ranking of the WTO, Canada lost one rank and is now on the 13th spot with a share of 2.3% of the world's exports. Canada also lost one place in the import ranking and is now ranked 13th with a share of 2.4% of the world's imports. For comparison purposes Switzerland is ranked 20th and 18th respectively.[14]

In the World Services Trade Value Ranking, Canada fell to the 18th place with 1.6% of world services exports. Canada's services imports amounted to U$105 billion, which put it in 14th place with 2% of world services imports. Switzerland ranked 12th and 15th.[13]

Canada's current account balance recorded a deficit of C$59 billion (U$45 billion) in 2018. This was C$1.6 billion smaller than in 2017. The lower trade deficit was mainly due to a narrowing of the goods trade deficit by C$2.7 billion to C$22 billion[15] (U$17 billion). However, these gains were partially offset by the combination of a widening income deficit and the services trade balance moving sideways. Overall, export prices increased by 2.9% while import prices grew 2.4%[16].

On the provincial level, the US tariffs as well as various trade restrictions by China had a negative impact on the economy. In Saskatchewan, China's decision to ban Canadian canola, soybean and meat has hit 6% of Saskatchewan's exports. In the first half of 2019, canola exports thus fell by 27%, soybean exports by 38%. In Manitoba, agri-food exports to China have plunged 48%. In British Columbia, merchandise exports declined by 2% due to US tariffs on softwood lumber.

3.1.1 Trade in goods[17,18]

In 2018, Canada's exports increased for the second consecutive year. Due to a growth rate of 6.5%, exports reached C$585 billion (U$450 billion) in 2018. Export prices increased by 2.2%, the export volume by 4.1%. The growth can mostly be traced back to higher exports of energy products, consumer goods and forestry, building and packaging products. The growth of energy prices did, however, slow down from 22% in 2017 to 6.2% in 2018, because crude oil, the main component of this category, experienced large price fluctuations. Exports of motor vehicles and parts fell by 3% in 2018, due mainly to a 3.1% decline in export prices.

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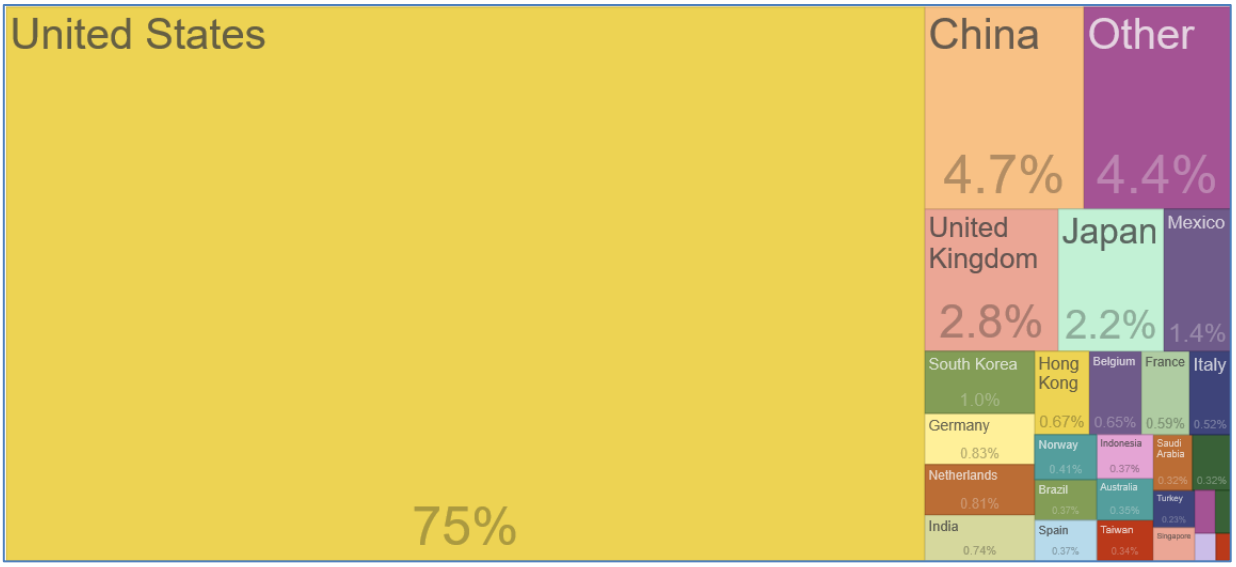
[13] Global Affairs Canada, "Canada's State of Trade 2019", https://www.international.gc.ca/gac-amc/publications/economist-economiste/state_of_trade-commerce_international-2019.aspx?lang=eng#Section2.2.
[14] https://www.wto.org/english/res_e/statis_e/wts2019_e/wts2019_e.pdf
[15] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610002001
[16] Global Affairs Canada, "Canada's State of Trade 2019", https://www.international.gc.ca/gac-amc/publications/economist-economiste/state_of_trade-commerce_international-2019.aspx?lang=eng#Section2.2.
[17] Industry Canada, Trade Data Online (25.09.2019) https://www.ic.gc.ca/app/scr/tdst/tdo/crtr.html?timePeriod=%7cCustom+Years&reportType=TE&countryList=DET&grouped=GROUPED&toFromCountry=CDN&searchType=All&customYears=2016%7c2015&naArea=9999&currency=US&productType=HS6&changeCriteria=true.
[18] Global Affairs Canada, "Canada's State of Trade 2019", https://www.international.gc.ca/gac-amc/publications/economist-economiste/state_of_trade-commerce_international-2019.aspx?lang=eng#Section2.2.

As illustrated in the treemap below, Canada's exports are highly concentrated. The most important destination for Canadian exports is the United States with 75% of all exports followed by China, UK and Japan. Goods exports to the US increased by 5.4% to C$433 billion (U$333 billion) in 2018. China recorded the fastest growth, whereas declining exports to the United Kingdom were reported. Exports to Switzerland decreased by 9.9%. Ranked 22nd with 0.3%, Switzerland does currently not belong to the top export countries of Canada.



Canada's top export countries 2018
Source: Statistics Canada[19]

Trade is also concentrated by provinces/territories. The top three exporting provinces – Ontario, Alberta and Quebec – accounted for 77.8% of Canada's exports in 2018[20].

The main Canadian export goods are mineral products and energy with 24% of total exports followed by vehicles and transport equipment with 16% and agricultural and agri-food products with 11%.

Imports increased 5.8% to C$607 billion (U$467 billion) in 2018, with widespread gains throughout the product sections. Imports of metal ores and minerals as well as aircraft and transport equipment accounted for most of the growth. Most goods are imported from the United States (51%) followed by China (13%), Mexico (6%) and Germany (3%). Switzerland ranks 13th with 0.8%. Imports from the US increased by 5.4% to C$391 billion (U$301 billion) in 2018, from India by 30% and the EU by 12%.

The three most important import gateways to Canada are Ontario, Quebec and British Columbia, providing access to and from the US and to the Atlantic and Pacific shipping routes, respectively. In 2018, 84.2% of Canada's imports entered the country through these provinces.

Machinery and mechanical appliances, vehicles, chemical products, mineral products (mainly energy) and electric equipment are the most important import goods for Canada.

3.1.2 Trade in services[21]

In 2018, Canadian services exports grew for the ninth consecutive year by 4.8% to C$128 billion (U$99 billion), while services imports rose 2.8% to reach C$149 billion (U$115 billion). The services trade deficit narrowed by C$1.8 billion to C$21 billion (U$16 billion) in 2018. Nearly half of this deficit amounts from trade with the US.[22]

[19] https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2019005-eng.htm
[20] Industry Canada, Trade Data Online (25.09.2019)
https://www.ic.gc.ca/app/scr/tdst/tdo/crtr.html?timePeriod=%7cCustom+Years&reportType=TE&countryList=DET&grouped=GROUPED&toFromCountry=CDN&searchType=All&customYears=2016%7c2015&naArea=9999&currency=US&productType=HS6&changeCriteria=true.
[21] Global Affairs Canada, "Canada's State of Trade 2019", https://www.international.gc.ca/gac-amc/publications/economist-economiste/state_of_trade-commerce_international-2019.aspx?lang=eng#Section2.2.
[22] https://www150.statcan.gc.ca/n1/daily-quotidien/191023/dq191023b-eng.htm

Services are increasingly important to the Canadian economy, employing approximately three in four Canadians and providing 43% of the value added in exports.

Travel exports accounted for nearly one quarter of services exports in 2018 and were once again the fastest-growing sector (+8.1%), followed by commercial services (+5.2%) and transportation (+4.9%).

The overall increase in the value of services exports was led by a C$2.8 billion (+4.4%, U$2.2 billion) increase in services exports to the United States. Canadian services imports from the United States also rose by C$3.1 billion (+4.0%, U$2.4 billion) to reach C$79 billion (U$61 billion). As a result of these balanced movements, the services trade deficit with the United States widened marginally in 2018 to C$123 billion (U$95 billion). Canadian services exports to Switzerland amounted to C$1.7 billion (U$1.3 billion), services imports from Switzerland to C$1.6 (U$1.2 billion), resulting in a services trade surplus of C$144 million (U$111 billion).[23]

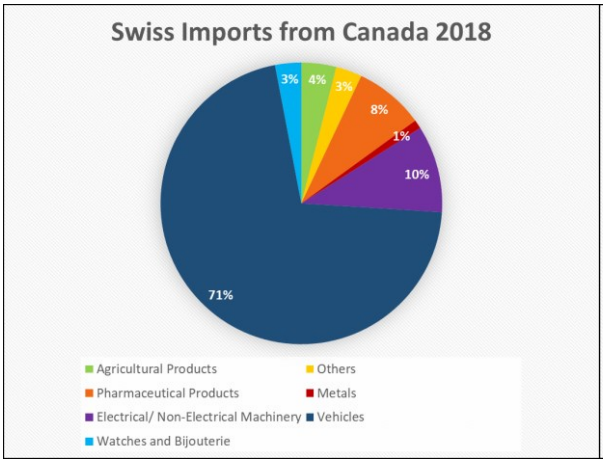
3.2 Bilateral trade

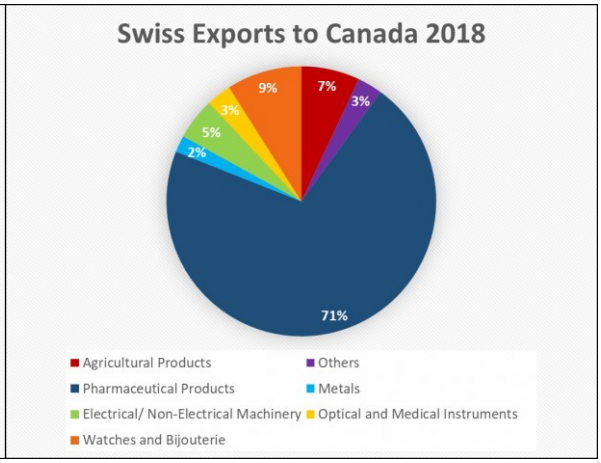
With 1.2% of total Swiss trade, Canada occupies rank 16 of all of Switzerland's trading partners[24] and is the second most important market in the Americas, ahead of Brazil and Mexico. Since 1998 Swiss exports to Canada grew on average by 7.5% per year. Furthermore Canada is one of the few mature markets with which Switzerland has a trade surplus (of 2 billion CHF).

3.2.1 Bilateral trade in goods[25]

According to the figures provided by the Swiss Federal Customs Administration, cumulative trade between Switzerland and Canada has reached 5'259 million CHF in 2018. Total trade, which consists of exports and imports of goods excluding gold bars and other precious metals, was up 9.3% compared to the previous year. The positive trend in both directions, which can be observed since the signing of the EFTA-Canada FTA, continues. Swiss exports to Canada (3'673 million CHF) increased by 4.8%. The increase was driven by stronger exports of energy products and optical and medical instruments. The most important export goods to Canada are pharmaceutical products and optical and medical instruments. Swiss imports from Canada (1'586 million CHF) have grown by 21.5%. The most important import goods from Canada are vehicles as well as electronic machinery[26].

Switzerland's trade surplus with Canada remains high at 2'087 million CHF. This is the seventh largest trade balance surplus of Switzerland with all countries in absolute terms, behind the US, Hong Kong, Japan, South Korea, Australia and Russia.





Source: Federal Customs Administration FCA

[23] https://www150.statcan.gc.ca/n1/pub/13-609-x/13-609-x2018012-eng.htm#dash_help
[24] Rank 18 if you include gold and precious metals.
[25] Eidgenössische Zollverwaltung, "Exporte nach Handelspartnern", 27.09.2019, https://www.ezv.admin.ch/ezv/de/home/themen/schweizerische-aussenhandelsstatistik/daten/handelspartner.html
[26] Swiss Implex, «Gesamthandel Kanada, 2018», 27.09.2019, https://www.gate.ezv.admin.ch/swissimpex/public/bereiche/waren/result.xhtml.

Canadian exports to Switzerland and Europe in general are likely to continue to grow on a faster pace, thanks to new trade agreements (CETA), stronger orientation towards Europe in general and the relatively weak Canadian Dollar. An analysis conducted by S-GE also shows that Canadians have been more reluctant in using the EFTA-Canada FTA than Swiss exporters. This leaves more room for further growth of Canadian exports in areas where the current FTA can be applied. There is no doubt that an upgrade of the current FTA would further contribute to this trend. The Canadian government has made tremendous efforts in stimulating their export industry. This support should lead to a broader diversification of exports to other countries than the US. The same is true for the CETA agreement, with imports from the EU rising faster than Canada's exports to the EU.

3.2.2 Bilateral trade in services

According to Global Affairs Canada's most recent data from 2017, Switzerland exported services to Canada worth C$1,346 million (+2.7%, U$1,036 million) and imported services from Canada worth C$2,328 million (+4.9%, U$1,793 million).[27] Switzerland is ranked 5th for Canada's worldwide services exports and 12th for Canada's services imports.

3.3 Interesting sectors and markets for Swiss companies

Pharmaceutical products dominate Swiss exports to Canada with more than two thirds of total exports. Since 1998 Swiss pharmaceutical exports to Canada grew on average by 13% per year and exports of medical instruments and equipment by 8%. Canada's well established and advanced health care system as well as high standard of living make it an attractive market for suppliers of health related industries.

As in previous years, the Swiss Business Hub in Montreal is on the lookout for new market opportunities for large as well as small and medium sized enterprises in Canada. Stadler Rail won a 80 million contract form the city of Ottawa and SNC Lavalin to deliver seven trains for use on the Trilium Line extension. This may be an indication that public procurement markets are becoming more accessible to non-Canadian companies. New opportunities are also arising from federal, provincial and municipal incentive and subsidy programs to reduce greenhouse gas emissions in the framework of the large infrastructure investment program launched by the Trudeau-administration and from new trends, for instance in the organic and natural food area. Therefore, Swiss exports to Canada are likely to grow in areas such as cleantech (technologies for air and environment, disaster prevention, energy efficiency, energy production, energy transportation and storage, mobility, recycling and waste treatment, site remediation, water and wastewater treatment), infrastructure as well as consumer goods. The sector of sustainable building is of particular interest and the SBH will use the trend in favor of Swiss SMEs. Provincial and federal governments, regardless of the political spectrum, are pro-business, ensuring stability and continuity.

Despite increasing European competition due to CETA, Canada maintains a strong interest in products and technologies, which are being developed by Swiss chemical, pharmaceutical, precision goods and machinery industries. Their share of Swiss exports to Canada should remain high.

[27] https://www.international.gc.ca/economist-economiste/statistics-statistiques/principal_partners-principaux_partenaires.aspx?lang=eng

4. Direct Investment

4.1 Development and General Outlook

Canada is a net exporter of direct investment vis-à-vis the world since 1997. Canada's net direct investment position with the rest of the world widened by C$80 billion in 2018 to C$412 billion (U$317 billion).[28]

Foreign Direct Investments in Canada[29, 30]

FDI inflows into Canada increased by 70% to C$55 billion (U$42 billion) in 2018, in contrast to the decrease experienced by most other developed economies. This is due to an increase by 262% or C$24 billion (U$18.5 billion) in FDI from non-US sources (mainly European countries like Switzerland and the Netherlands), while flows from the United States declined by 6.8%.

By sector, strong inflows of investment into Canada's manufacturing sector (45%) made up for the decline in trade and transportation by 41% and finance and insurance by 13%. Moreover, investment in other industries nearly doubled. Furthermore, inflows into Canada's oil sector turned positive in 2018 to reach C$5.8 billion (U$4.5 billion).

Foreign investors increased their cumulative holdings of direct investment (stock, see annex 5) in Canada in 2018 by 5%, with the total reaching C$877 billion (U$675 billion). The increase was the largest in four years and was the result of higher equity positions. The FDI stock from North America, comprising the United States, Mexico and the Caribbean region, increased by 5.2% over the previous year and accounted for exactly half of Canada's FDI stock. The United States remained Canada's largest foreign investor by far, with a FDI stock totalling C$406 billion (U$313 billion) in 2018.

Compared to a decade ago, the distribution of foreign investors in Canada is slightly more diverse but still dominated by North America and Europe. North America's share of FDI stock declined by 3.1%, mainly stemming from the decline in the share of US investors from 52% in 2009 to 46% in 2018, while Europe's share rose by 5.2% due to stronger investment from the Netherlands and Luxembourg. After the US, the Netherlands rank second with 12.2% followed by Luxembourg with 6.4% and the UK with 5.7%. Switzerland ranked fifth with 5.3% (C$55.8 billion, U$43 billion). The share of Asia and Oceania grew slightly slower and increased by 4.2%. In contrast, the FDI stock from South and Central America recorded the fastest regional expansion in 2018, advancing by 10% to reach C$17 billion (U$13 billion), almost entirely due to Brazilian investment. Investment from Africa declined by 12%.

Measuring foreign direct investment in Canada according to the ultimate investing country (UIC) paints quite a different picture. Looking at the data for 2017[31] (the latest year for which information on a UIC basis is available), Europe's share of foreign direct investment in Canada drops from 38% to 25% on a UIC basis, while that of Asia rises from 10% to 15%. The lower share of Europe can largely be attributed to drastically lower positions for the Netherlands and Luxembourg, which often act as intermediaries through which investors channel their investment to other countries. Switzerland's share drops from 5.3% to 3.5% on a UIC basis.

Manufacturing (23%) continued to be the most significant industry for foreign direct investment in Canada in 2018, followed by mining and oil and gas extraction (20%) and management of companies and enterprises (20%). Recent data suggests that Canada is increasingly attracting investments in knowledge-intensive fields, including software and digital services (video games, smartphone applications or web content) and related business services.

[28] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610000801
[29] Global Affairs Canada, "Canada's State of Trade 2019", 2019: https://www.international.gc.ca/gac-amc/publications/economist-economiste/state_of_trade-commerce_international-2019.aspx?lang=eng.
[30] Statistics Canada: Foreign direct investment, 2018: https://www150.statcan.gc.ca/n1/daily-quotidien/190424/dq190424a-eng.htm .
[31] Statistics Canada: International investment position, foreign direct investment in Canada by ultimate investor country: https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043301

Canadian Direct Investments Abroad (CDIA)

Contrary to the seven previous years, FDI outflows decreased by 38% to C$64 billion (U$49 billion) in 2018. The Canadian direct investments abroad decreased mostly due to a fall in investment into the US by 50% to C$33 billion (U$25 billion). In contrast, FDI flows to the rest of the world increased by 46% to C$31 billion (U$24 billion). As a result, the share of FDI outflows to the United States accounted for only 51% of overall FDI outflows in 2018, down from nearly 80% the previous year.

The stock of Canadian direct investment abroad increased for the ninth consecutive year by 10.4% in 2018. Canadian investors added C$122 billion (U$94 billion) to their direct investment holdings abroad to reach a record high of C$1,289 billion (U$993 billion). While the growth was significantly higher than in the previous two years, the majority of that increase was due to valuation gains from a weaker Canadian dollar. In 2018, the Canadian dollar depreciated by 8.7% against the US dollar, 3.7% against the Euro and 2.8% against the British pound. By country, the United States continued to be Canadian investors' number one destination, with a share of 46% or C$595 billion (U$458 billion) of the overall FDI stock at the end of 2018. Switzerland ranks 22nd with 0.5% of overall FDI stock.

Finance and insurance (37%) continued to be the most significant industry for Canadian direct investment abroad in 2018, followed by mining and oil and gas extraction (15%) and management of companies and enterprises (13%).

Investment regulations

Canada's foreign investment policies are among the most restrictive among OECD countries[32] and include licensing requirements in retail sectors, and discrimination against foreign suppliers in professional services, air and road transportation. Non-Canadians cannot own a controlling share in telecommunications, broadcasting and transportation sectors.

4.2 Bilateral Investment[33]

Swiss FDI in Canada

According to the most recent Swiss National Bank figures for 2017, Swiss foreign direct investment stocks in Canada decreased 2017 by 15.8% to CHF 38.9 billion or 3.2% of total Swiss FDI abroad (rank 16). Swiss companies in Canada had a staff of 35,771 (+1.7%). According to statistics from StatCan, Canadian affiliates of Swiss multinational companies employed 56,193 people in 2016, rank 6 of all countries investing in Canada.[34]

No major investment project similar to the ABB's 2016 investment in a new headquarter in the province of Quebec was observed by the SBH during 2018 and the majority of the investments seem to come from within Swiss multinational companies in Canada.

Canadian FDI in Switzerland

Canadian FDI in Switzerland amounted to CHF 2,161 million based on capital stocks by immediate investor[35] and CHF 36.8 billion for capital stocks by ultimate beneficial owner[36] in 2017. The latter represents 3.4% of total foreign capital stock in Switzerland. Using the ultimate beneficial owner approach, Canada had significantly higher capital stocks than when assessed according to immediate investor. This shows that Canadian investors mainly invest

[32] OECD, "FDI Regulatory Restrictiveness Index", 27.03.2017, http://www.oecd.org/investment/fdiindex.htm.
[33] Swiss National Bank, "Direct investments", 26.09.2019, https://data.snb.ch/de/topics/aube#!/cube/fdiaustlanda.
[34] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610058201&pickMembers%5B0%5D=4.1
[35] Country of origin of the immediate investor of the company in Switzerland.
[36] Country of origin of ultimate beneficial owner of company in Switzerland. Generally speaking, this is the country in which the group is headquartered.

in companies in Switzerland via third countries. Canadian affiliates in Switzerland employed 7,502 staff, rank 25.[37]

The Swiss Business Hub in Montreal continues to follow up on individual investment projects. Apart from Fintech, ICT, life sciences and cleantech are the areas which SBH observes with a particular interest, since most of the rapidly growing companies in Canada belong to these sectors.

Foreign Direct Investment 2017 (in CHF million)

	2016	2017	Change	Share
Swiss FDI in Canada				
Capital flow Stock	-2'921 46'188	640 38'881	-15.8%	3.2%
Canadian FDI in Switzerland				
Capital flow Stock (by ultimate beneficial owner)	-136 35’537	3’451 36’885	3.8%	3.7%

Source: Swiss National Bank

As discussed in previous Economic Reports, official FDI figures of Switzerland and Canada and comparisons between the two are to be interpreted with caution as the calculation methods are not the same. Canada is quicker in publishing figures but they are usually adjusted considerably later on.

[37] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610047001

5. Trade, Economic, Investment and Tourism Promotion

5.1 Foreign Economic Promotion Instruments

The Swiss Business Hub Canada is since 2009 in charge of Export and Investment Promotion as network partner of Switzerland Global Enterprise (S-GE). The small team of the SBH is located in the Consulate General of Montreal.

During 2018, the SBH together with S-GE has provided advice and free of charge consulting services to many companies headquartered in Switzerland or Liechtenstein. Companies have been supported on a mandate basis with various services related to marketing, certification, legal, partner search or fact-finding trips.

Although based in eastern Canada – an advantage for Swiss companies headquartered in the French speaking part of Switzerland – the SBH works closely with the network of official and honorary representations across all of Canada as well as with the three Swiss-Canadian Chambers of Commerce based in Montreal, Toronto and Vancouver. Since July 2018, the SBH can count on the services of a Business development advisor based in Toronto.

5.2 Canada's interest in Switzerland

Tourism

Canada is a steadily growing market for Switzerland Tourism. During the last ten years, the number of Canadians visiting Switzerland has grown by 30%. Switzerland has reached new peaks in popularity in Canada in 2018. According to tourism data from the Swiss Federal Office of Statistics, Canadian arrivals increased by 9.6% to 126,198 in 2018. The number of overnight stays from Canada increased by 9.4% to 270,959, the best result ever. Growth continues into 2019 despite the weak Canadian Dollar. According to Switzerland Tourism, there is potential for further growth with specifically targeted marketing activities in Ontario and Quebec as well as in British Columbia, which is benefitting from new and increased direct seasonal flights with Air Canada and Edelweiss from Vancouver to Zurich.[38]

The share of first time visitors is relatively high (47.2%) and Canadians also travel in the shoulder season. With CHF 290 per person for the daily expenditures in Switzerland the Canadian traveller spends an amount significantly above the global average. Most Canadian tourists visiting Switzerland are from Ontario (37%), Quebec (30%) and British Columbia (16%). Quebec has the highest affinity for Switzerland whereas British Columbia has the highest growth potential. The most popular destinations were the Zurich Region with 76,344, the Geneva Region with 50,982 overnights and the Valais with 24,244. With 33.6% more overnight stays in 2018, the Basel Region recorded the biggest growth in Canadian visits.

The top needs and activities of Canadian tourists in Switzerland are mountains, nature, panorama, lakes / rivers, easy accessibility and hiking possibilities. Thus, in 2019 Switzerland Tourism will stay on its "Back to Nature" path – with a focus on hiking. Compared to other tourists in Switzerland, Canadians typically seek castles and forts, churches and cathedrals and visit historical attractions. Furthermore, scenic trains remain popular amongst Canadian visitors. A solid increase in Swiss Travel Passes has been registered last year. The majority of Canadians stay at 4-star hotels. And compared to US travellers Canadian visitors are also looking for lesser known places in Switzerland.

Switzerland Tourism is represented with a local office in Toronto led since the end of 2017 by Pascal Prinz as Director Canada and Trade Manager Central USA.

[38] Switzerland Tourism USA & Canada: "Another Swiss Record Year – 9,4% more Visitors from Canada", 2019, https://corner.stnet.ch/media-us/?p=4636.

Education, Science and Innovation

From a Canadian perspective, Switzerland is a priority country in science and innovation. The current government's focus on Innovation has added on to its interest in closer collaboration with Switzerland. The signature of a „Joint Statement on Science, Technology, and Innovation", on January 25th, 2018 by Federal Councillor Johann Schneider-Ammann and the Canadian Minister for Innovation, Science and Economic Development, Minister Navdeep Bains, continues to help enhance the bilateral relations in these areas. Furthermore, the fact that 7 Swiss and 7 Canadian universities are ranked amongst the top 200 higher education institutions in the world speaks to the high collaboration potential.

A Swiss delegation of 20 higher education institutions (Universities of Applied Sciences and Universities of Teacher Education) undertook a study tour to Toronto, Montreal and Ottawa in the fall of 2018. The delegation was supported by the Embassy in terms of logistics and planning of meetings and network events. Members of the delegation were also presenting as part of a Swiss-Canadian Innovation Day on the topic of Innovation in Education that allowed for a spirited exchange of ideas.

Another Swiss-Canadian Innovation Day in May 2019 was focused on the transformation of research and health care through Open Science. The topic of Open Science has a lot of potential to bring Swiss and Canadian academics and industry together. This was further underlined by the discussions that were held when a delegation of the Swiss Association of Health Economists and Health Scientists (SAGG) visited Toronto and Montreal in September 2019, and was meeting with government representatives of Québec and Ontario, as well as academics, and health related industry representatives.

The promotion of the Swiss-Canadian Youth Mobility Program is an ongoing activity of the Embassy. For 2018, the number of Swiss youth utilizing this program for an international work experience has been almost at capacity (240 out of 250 spots). The Canadian interest for a work experience in Switzerland has decreased to 57 in 2018. A presumed extension of the reciprocal quota to 300 for the year 2020 became thus obsolete and the number was kept at 250. That said, over the course of the past five years, the Swiss-Canadian Youth Mobility Program has assisted in getting more than 1080 young Swiss to Canada and almost 300 Canadians to Switzerland. It is the most successful of all traineeship agreements that Switzerland has concluded.

The discussions on the ESKAS (Swiss Government Excellence Scholarships for Foreign Scholars) have lost momentum with the rather moot argument that budgets have to be waited upon. The ThinkSwiss scholarship continues to be a good instrument to raise interest in Switzerland's universities.

Switzerland as a location for investments

FDI inflows and outflows to Europe are expected to grow with the entry into force of CETA. In general, this should also be beneficial to Switzerland with its location in the geographical heart of Europe and its innovation infrastructure.

As of 2020 Canada will become one of ten Focus Markets of Switzerland Global Enterprise for investment promotion activities. The Swiss Business Hub is in charge of this mandate and will increase its presence in Toronto. The focus of its investment promotion activities will be in the areas of Artificial Intelligence, Personalized health and Block Chain technology.

Switzerland as a financial centre

In February 2016, the joint declaration on introducing the reciprocal and automatic exchange of information in tax matters between Switzerland and Canada was signed. In application of the international Standard for Automatic Exchange of Financial Account Information in Tax Matters of the OECD, Switzerland and Canada collect, as from 2017, and exchange, as from 2018, banking information in the two countries.

6. Annexes

ANNEX 1

Economic Structure

Distribution of GDP	2014	2019
Primary Sector	9.8%	9.7%
Secondary Sector	20.8%	19.5%
Tertiary Sector	69.4%	70.7%
- State Sector	6.7%	6.7%

Distribution of Labour	2014	2019
Primary Sector	3.6%	3.2%
Secondary Sector	17.8%	17.6%
Tertiary Sector	78.6%	79.2%
- State Sector	5.40%	5.3%

Sources:
Statistics Canada, Table: 36-10-0434-01, "Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS)" Jul 2014/2019, https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610043401.
Statistics Canada, LabourForceSurvey, July 2019, Table 2,
https://www150.statcan.gc.ca/n1/en/daily-quotidien/190809/dq190809a-eng.pdf?st=DoBxforL
Statistics Canada, Labour Force Information, July 2014, Table2,
https://www150.statcan.gc.ca/n1/en/pub/71-001-x/71-001-x2014007-eng.pdf?st=onvLrMoa

Main Economic Data

	2016	2017 (e)	**2018 (e)**	2019 (e)
GDP (USD billion; current prices)	1'536	1'653	**1'734**	1'820
GDP Per Capita (USD; current prices)	42'418	45'095	**46'733**	48'601
GDP Growth (% of GDP, constant prices)	1.4	3.0	**2.1**	2.0
Inflation Rate (%)	1.4	1.6	**2.6**	2.2
Unemployment Rate (%)	7.0	6.3	**6.1**	6.2
Fiscal Balance (% of GDP)	-0.6	-1.2	**-1.4**	-1.3
Current Account Balance (% of GDP)	-3.2	-2.9	**-3.0**	-2.5
Total External Debt (% of GDP)	28.5	27.7	**27.7**	27.2

Source: Länderfiche SECO, "A750-Fiche seco-CA", November 2018

Trade Partners of Canada, 2018

Rank	Country	Canadian Exports USD million	Share	Growth*	Rank	Country	Canadian Imports USD million	Share	Growth*
1	USA	338'152	75.0%	5.4%	1	USA	235'202	51.1%	5.7%
2	China	21'369	4.8%	17.3%	2	China	58'319	12.7%	6.5%
3	UK	12'608	2.7%	-7.6%	3	Mexico	28'414	6.18%	3.7%
4	Japan	10'002	2.2%	9.5%	4	Germany	14'711	3.2%	6.3%
5	Mexico	6'341	1.4%	4.6%	5	Japan	12'993	2.8%	-3.9%
6	South Korea	4'526	1.0%	10.6%	6	UK	7'105	1.5%	3.4%
7	Germany	3'732	0.8%	16.9%	7	Italy	6'947	1.5%	-10.4%
21	*Switzerland*	*1'442*	*0.3%*	*-9.9%*	*14*	*Switzerland*	*3'548*	*0.8%*	*4.4%*
	EU 28	34'356	7.6%	7.0%		EU 28	56'818	12.4%	10.9%
	Total	450'806		6.9%		Total	460'019		6.2%

Source: Industry Canada, Trade Data Online (25.09.2019)
https://www.ic.gc.ca/app/scr/tdst/tdo/crtr.html?timePeriod=%7cCustom+Years&reportType=TE&countryList=DET&grouped=GROUPED&toFromCountry=CDN&searchType=All&customYears=2016%7c2015&naArea=9999&currency=US&productType=HS6&changeCriteria=true

* Calculated based on data from 2017 and 2018 in Canadian Dollars to avoid a distortion of results due to exchange rate conversions between C$and USD.
Bank of Canada: Annual Average Exchange rate USD/C$2018: 1.2957 https://www.bankofcanada.ca/rates/exchange/annual-average-exchange-rates/.

Handelsentwicklung

	Exporte (Mio. CHF)	Veränderung in% zum Vorjahr	**Importe** (Mio. CHF)	Veränderung in% zum Vorjahr	**Saldo** (Mio. CHF)
2000	1'251	28.9	579	-9.1	672
2005	2'269	13.8	822	22.6	1'446
2006	2'753	21.4	1'010	22.8	1'743
2007	2'896	5.2	1'142	13.1	1'754
2008	2'419	-16.5	1'131	-1.0	1'288
2009	2'516	4.0	831	-26.5	1'685
2010	2'891	14.9	946	13.9	1'945
2011	2'772	-3.8	542	-42.7	2'230
2012[39]	3'515	12	1'290	12	2'225
2013	3'522	0.2	2'725	111.3	2'539
2014	3'428	-2.7	1'478	-45.8	1'951
2015	3'509	2.3	1'028	-30.4	2'481
2016	3'470	-1.1	1'094	6.4	2'376
2017	3'590	3.5	1'980	80.9	1'610
2018	**3'860**	**7.8**	**1'916**	**0.8**	**1'944**
(Total 1)[40]	*3673*	*4.8*	*1586*	*21.5*	*2'087*
2019 (I-IX)	3'088	6.2	841	-43.2	2'247

Quelle: Eidgenössische Zollverwaltung EZV, (Total 2, inkl. Gold, Edelmetalle, Edel- und Schmucksteine, Kunstgegenstände und Antiquitäten)

Exporte	2017 *(% des Totals)*	**2018** *(% des Totals)*
1. Pharmazeutische Produkte, Vitamine, Diagnostika	66.7	**64.0**
2. Präzisionsinstrumente, Uhren, Bijouterie	8.7	**10.9**
3. Land- und forstwirtschaftliche Produkte, Fischerei	7.2	**6.8**
4. Maschinen, Apparate, Elektronik	6.1	**5.6**

Importe	2017 *(% des Totals)*	**2018** *(% des Totals)*
1. Fahrzeuge (inkl. Flugzeuge)	40.6	**58.9**
2. Edelmetalle, Edel- und Schmucksteine	29.5	**14.7**
3. Maschinen, Apparate, Elektronik	15.4	**8.8**
4. Pharmazeutische Produkte, Vitamine und Diagnostika	4.3	**5.2**

Quelle: Eidgenössische Zollverwaltung EZV

[39] *Importe*: Da die EZV die Berechnungsmethode von Importen per 1.1.2012 geändert hat und ab jenem Zeitpunkt das Ursprungsland und nicht mehr das Herkunftsland (z.B. die Niederlande bei Importen über den Hafen Rotterdam) des Gutes angibt, sind die Importzahlen 2012 nicht mehr mit denjenigen des Vorjahres vergleichbar.
Importe und Exporte: Handelszahlen inkl. Gold, Silber und Münzen (seit 2015 wird der **Aussenhandel mit Gold, Silber und Münzen** rückwirkend ab 2012 nach Ländern aufgeschlüsselt und als Bestandteil der Schweizer Aussenhandelsstatistik (Gesamttotal) in die Datenbank Swiss-Impex integriert). Vergleiche zwischen 2012 und den vorhergehenden Jahren sind nicht mehr möglich.
[40] Total "Konjunktursicht" (Total 1): ohne Gold in Barren und andere Edelmetalle, Münzen, Edel- und Schmuck-steine sowie Kunstgegenstände und Antiquitäten.

Foreign Direct Investment in Canada, 2018

Rank	Country	FDI positions at year end (USD bn)*	Share	Change in capital stock*	Capital transactions (USD bn)
1	United States	313.3	46.3%	+0.6%	N/A
2	Netherlands	82.3	12.2%	+16.2%	
3	Luxembourg	43.0	6.4%	-10.6%	
4	United Kingdom	38.9	5.7%	+6.6%	
5	*Switzerland*	*35.5*	*5.3%*	*14.5%*	
6	Japan	22.3	3.3%	-2.2%	
7	Hong Kong	16.8	2.5%	9.1%	
8	Germany	13.1	1.9%	0%	
9	China	13.1	1.9%	+3.1%	
10	Bermuda	12.8	1.9%	+19.6%	
	EU 28	213.9	31.6%	+14.1%	
	Total	676.7		+6.6%	

Sources:
Statistics Canada: Foreign direct investment, 2018, 25.09.2019: https://www150.statcan.gc.ca/n1/daily-quotidien/190424/dq190424a-eng.htm.
Statistics Canada: Table: 36-10-0008-01 (formerly CANSIM 376-0051) - International investment position, Canadian direct investment abroad and foreign direct investment in Canada, by country, retrieved on 25.09.2019, https://www150.statcan.gc.ca/n1/daily-quotidien/190424/t001a-eng.htm.
Bank of Canada: Annual Average Exchange rate USD/C$2018: 1.2986 https://www.bankofcanada.ca/rates/exchange/annual-average-exchange-rates/.

* preliminary