

Intelligence MEMOS



From: Colin Busby
To: Canadians, Elected Officials and Journalists
Date: June 24, 2016
Re: **WHY AN OUTWARD LOOKING BRITAIN,
AND WORLD, IS KEY FOR CANADA**

A surprising and decisive referendum result will push Britain to negotiate its exit from the European Union, causing considerable uncertainty as to the outcome. Will Britain, under new leadership, build on its traditional commitment to be an outward looking country, recognizing the importance of flows in goods, services, investment and people to overall wellbeing? Or will it look inward? For Canadians, the results of these decisions will have a major impact because of the very important trade, investment and flows of people between Canada and the UK, and with other parts of the world via the UK.

As Canada's fourth largest trade destination, the flows of goods and services go well beyond exchanging Canadian wheat for British tea. Goods exports from Canada to the UK totalled around \$15.9B in 2015 – about 0.8 percent of GDP – while the UK shipped Canada around \$9.2B worth of goods in the same year.

The UK is by far the largest source of outward foreign direct investment to Europe from Canada: UK-based FDI in Canada is around \$34 billion or 2 percent of Canadian GDP, while, Canadian firms had invested \$93 billion into the UK at the end of 2015.

Trade and investment flows are intimately connected to flows of people – as economic ties between countries deepen so too does the exchange of expertise. Although we generally perceive Canada as a country of immigrants, there is a tremendous outflow, mostly temporary, of Canadians to the UK – and vice versa.

At last count, there are over 70,000 Canadians living in the UK – 70 percent of these individuals are in their prime working years, many of whom plan to return to Canada at some point. Within Canada, around 5,000 temporary work permits are obtained each year from workers from the UK. Many are for engineers, architects, scientists, physicians and skilled workers that share their expertise within a company that produces goods or services domestically.

In sum, the ties between Canada and Britain are significant – the flows of goods, services, investment and people between the two countries are a major slice of our economic activity. In addition to the challenges associated with Britain renegotiating trade deals – including provisions for the movement of such skilled workers – and calming financial markets in the wake of this decision, the major risk is losing sight of why integration among world economies is a good thing.

As an election south of the Canadian border also threatens to inflame inward-looking tendencies, Canada's elected leaders need to make the case for why we are better off in an interconnected world. They need to reach out to British leaders to ensure continued dialogue on reinforcing transatlantic trade ties, and in particular the preservation of gains made in the Comprehensive Economic and Trade Agreement with the EU. Laying the groundwork now to maintain economic ties is in everyone's interest.

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