

From: Daniel Schwanen
To: Canadians Concerned About Inflation and Standards of Living
Date: September 1, 2022
Re: **AN ASEAN TRADE AGREEMENT WOULD HELP LOWER INFLATION AND RAISE STANDARDS OF LIVING**

With the world in the grips of inflation, nations whose governments look outward and strengthen ties with complementary economies stand a much better chance than others to avoid a prolonged weakening of standards of living.

Canada currently has a good shot at deepening mutually beneficial ties with countries in South-East Asia, a rapidly-developing region of the world. It can do this by bringing its free trade negotiations with the Association of South East Asian Nations (ASEAN) – and bilaterally with the largest ASEAN economy Indonesia – to a successful conclusion.

As the world emerged from pandemic restrictions over the past year, the cost of supply chain disruptions and general shortages has become painfully apparent. And COVID aftershocks have been joined by disruptions due to war, threats of economic “de-coupling” along national security lines, and the effects of climate change. In some cases, as in the UK’s withdrawal of the European Union, these costs of economic de-integration are self-inflicted.

Many governments have been tempted to respond to these challenges by looking inward, in a bid to decrease their economies’ vulnerability to fickle trade partners or unpredictable global events.

There are many things Canada could do on its own to make its economy more resilient and thereby promote growth in future standards of living. These include eliminating remaining barriers to internal trade, unleashing the innovative potential of its healthcare sector, promoting the digitalization of Canadian businesses, re-investing in housing and other infrastructure, strengthening defence capabilities, promoting innovation in energy, enhancing opportunities for disadvantaged populations, and focusing on attracting and retaining talent and skills.

But reaping the full rewards from all of these require boosting the commercialization of goods and services created or made in Canada – Canadian research and ideas are plentiful, but their commercialization relatively weak. We should not see it a coincidence that Canada’s approach to enhancing its trade links with the economies of the Indo-Pacific – abounding in opportunities – has similarly been relatively timid. Canada was a laggard in opening the South Korean market to Canadian exporters, and in entering negotiations for the then-Trans-Pacific Partnership (now CPTPP). Trade talks between Canada and India have been plodding, while competitors such as Australia managed to recently ink a trade deal with that country.

This contrasts with Canada’s noted successes in opening markets in the EU and resisting US protectionist impulses – but these involve more mature, familiar economies.

More Canadians need to embrace opportunities at the frontier of new trade linkages, and this frontier is located largely in the Indo-Pacific, as embodied by the 15-nation Regional Comprehensive Economic Partnership (RCEP), the world’s largest trade bloc, which includes China and came into effect this year.

The Asian business press notes the eagerness of partners from Europe and the United States – including under both the Trump and Biden administration – to strengthen their presence in the region, in part to offer a counterweight to growing exposure to China. Others are eager to strengthen relations with Indo-Pacific as well: Peru finally ratified the CPTPP last year, citing the need to strengthen cross-Pacific supply chains.

For Canada, while China may be “too hot” and India “too cold” right now, ASEAN is “just right”.

On balance, though obviously not uniformly, countries in the association have become more open, both from a business and human rights vantage points, facilitating cooperation and dialogue. Major regulatory reforms in Indonesia are a case in point. As a group, ASEAN economies are about twice the size of Canada’s, but with a population that will soon be 20 times as large, which clearly portends very significant growth potential, a potential which ASEAN can help realize through closer economic relations with a more mature, large and diverse economy such as Canada’s.

A deal would enable both sides to sell more to each other, and more importantly, would support fruitful exchanges of people, ideas, and investments, enabling Canada and ASEAN economies to more easily “build things together” across a vast geography, and better compete together in regional supply chains. For Canada, such an outcome would help it fulfill the necessary prerequisites for joining RCEP and access to its even broader trade network.

Canada and Canadian businesses and talents have a lot to offer – in life sciences, food and agriculture, digital technologies, financial services, and clean tech to name a very few – that would benefit ASEAN economies.

More open trade between these like-minded partners would help fight inflation and strengthen supply chain resiliency on which standards of living mutually depend. Progress at the forthcoming [meeting](#) of ASEAN Economic Ministers in mid-month could not come at a better time, for Canada, ASEAN, and the global economy.

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