

## **THE FUTURE OF CANADIAN TRADE POLICY: THREE SYMPOSIA ON CANADA'S MOST PRESSING TRADE POLICY CHALLENGES**

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### **ABSTRACT**

The global economy has gone through dramatic and rapid changes over the past 20 years and the current environment is a challenging and evolving landscape for practitioners to manage. Meanwhile, economic research on international trade is also evolving with theory and empirical evidence on a rapidly changing global economy and policy space. What are the key challenges and opportunities facing Canada in a rapidly changing global economy and what are the most important and relevant international policy directions being developed? To examine these and related questions, leading institutions and scholars organized three events where they discussed the direction of Canadian trade policy and trade policy research. The University of Calgary's School of Public Policy, the University of Ottawa's CN-Paul M. Tellier Chair on Business and Public Policy in the Graduate School of Public and International Affairs, the Centre for International Governance Innovation and Global Affairs Canada partnered to bring together leading scholars, stakeholders and trade policy experts to address Canada's most pressing trade policy issues. Topics included the effect of new technology on trade, progressive trade policy, the rise of protectionism, changes in global supply chains and the role of academia in the formulation of trade policy, among others. The result was the development of new directions for the study and practice of trade policy in Canada. This report summarizes the findings of these meetings to make them accessible to scholars and policy-makers. The programs for each of the three symposiums are provided as an appendix.

The three symposiums were developed by a research planning team that included Eugene Beaulieu, Shenjie Chen, John Curtis, Judit Fabian, Patrick Leblond, Meredith Lilly and Marie-France Paquet.

## **EVENT 1: CANADA'S TRADE POLICY AGENDA: LOOKING AHEAD**

**Rideau Club, Ottawa, Nov. 17, 2017**

*Sponsored by the University of Calgary's School of Public Policy, the Centre for International Governance Innovation and the University of Ottawa's CN-Paul M. Tellier Chair on Business and Public Policy.*

### **INTRODUCTION**

International trade is a crucial driver of Canada's economy and, as a small open economy, Canada has long recognized the importance of sound international rules and institutions. Canada has long supported and benefited from the General Agreement on Tariffs and Trades (GATT), the World Trade Organization (WTO) and agreements such as the North American Free Trade Agreement (NAFTA). However, the world economy has changed dramatically since the WTO and NAFTA came into force in the mid-1990s. New technologies such as digitization, automation and artificial intelligence (AI) are developing rapidly and in ways that will change how economic production and exchange will take place. These new technologies could potentially distort economic policies in areas such as trade, taxation, competition and regulation. In several sectors of the global economy, a few global firms are becoming ever larger and dominant, threatening competition.

In addition, globalization is facing strong headwinds and several countries are experiencing strong protectionist pressures. Some countries, like the United States, are pushing for mercantilist trade policies to favour exports and limit imports, neglecting to consider that the world economy has changed in the last 200 years. Firms now conduct their business through regional and global value chains. Other countries, such as China, are pursuing large-scale industrial policies with strong protectionist elements in order to create national champions.

What should Canada do in this context? What strategies should Canadian trade policy follow? It has never been more important for Canada to get trade policy right than in this rapidly changing global trading environment. The symposium critically examined Canada's trade policy agenda and addressed key challenges facing the Canadian government as a new agenda is developed. It focused on three important themes: 1) ideas and questions around so-called "progressive trade"; 2) the challenges of increased protectionism; and 3) the challenges of new technologies, including the impact of automation, AI and other technological change on trade and investment.

Canada needs to be clear on the international economic and trade agenda it will pursue in the next decades so that it can take advantage of the opportunities that technological changes will create. It must also manage the current and future challenges posed by such changes when combined with political, social and economic pressures in favour of protectionism.

## **NEW TECHNOLOGICAL DEVELOPMENTS**

Four main developments are happening in the field of trade, involving new technologies. First, a growing share of world trade is directly related to data and digital trade. Cross-border data flows are growing at an exponential rate, with firms increasingly using internet devices and the Internet of Things (IoT). The importance and volume of data created and exchanged across the world will continue to grow significantly. By 2050, we can expect the volume of data to be multiplied by 20, reaching a total amount of 180 trillion gigabytes. This process is expected to intensify with the upcoming introduction of 5G communication devices. Data are quickly becoming the world's most valuable resource. Amazon, Apple, Google and Microsoft are some of the most valuable and important businesses in the world today and they depend on data. These companies either were not well developed or did not even exist 30 years ago.

Second, new technologies and innovations enable an increasing portion of the services sector to be fully or partially traded across borders, leading to a "servicification" of trade. For example, Uber and Airbnb are internet platforms that allow services to be traded over borders. Some of the money spent on an Uber drive or an Airbnb stay in Canada goes back to the U.S., where these companies are located. It was noted that this process of "servicification" also happens when an increasing portion of manufacturing industries buys, sells, produces, imports and exports services. This phenomenon is closely related to the predominance of global value chains in the economy, whereby services are embedded with the production of goods, particularly for trade facilitation and for moving components across borders.

Third, new technologies, particularly robotics and digital manufacturing, will lead to shorter supply chains and more customizations for firms.

Finally, a growing number of industries are becoming innovation-based, digital-based or both. This means they are experiencing high fixed costs associated with innovation research and low marginal costs enabling economies of scale. For some, these economies of scale represent a compelling argument in support of more globalization and the need for global access for Canadian firms involved in research and development activities.

What about the impact of these new technologies on productivity, in terms of employment and wage distribution? Opinions differ on this subject. One perspective is very optimistic about new technologies and their impact on productivity; they will contribute to overcoming the massive productivity stagnation that Canada and the U.S. have faced over the last 15 years. According to this view, new technologies empower productivity and the increased productivity will result in a significant increase in wages. However, a challenge to this perspective is that productivity has continued

to increase while wages have stagnated in the U.S. since the mid-1970s. One response to this counter-argument is that new technologies are not to blame for the growth of inequality and should not be a cause for concern; they are more likely to reduce inequalities than they are to exacerbate them. The reasoning is that new technologies can distribute incomes more fairly in society by getting rid of low-wage jobs, which could be automated. Then, it would be possible to raise wages for the bottom part of society and reach a fairer distribution of income and wealth.

There is no consensus on the above optimism about technology and its impact. New technologies can increase productivity and the aggregate size of the economic pie; however, they also sharpen tensions on how to distribute wealth. If policy-makers can still hope for the best outcomes from new technologies with respect to jobs, wages and inequality, they should nevertheless plan for the worst: technology displacing less-skilled workers and destroying jobs in the labour market's bottom sphere. After the Second World War, income inequality fell in parallel with the growth of the middle class. In the years following the war, a social contract seemed to work in tandem with the opening of markets and the rise of trade. However, new technologies will bring this dynamic into tension with the displacement of numerous jobs, owing to increased mechanization and robotization in industrial processes.

Automation is not the only possible cause of labour displacement, as the nature of the goods and services we consume also plays a significant role in this dynamic. The economy is increasingly characterized by winner-take-all markets in which the best performers capture a very large share of the revenues while the remaining competitors are left with little. This type of market favours the concentration of incomes and wealth at the very top. Again, new digital technologies facilitate this phenomenon. In these markets, "superstar firms" reach very high levels of production and control larger shares of the market. This allows them to pay higher wages to attract the best employees, thereby exacerbating inequalities between both firms and individuals. As a result, policy-makers must address the following questions: How are new technologies and productivity disseminated across the economy and how should governments intervene in markets in order to create jobs and change wage distribution in the market? They need to think of policy tools that could be used to redistribute wealth more fairly in society.

In terms of the digital economy's impact on trade and trade policy, there are three main elements to think about. First, cross-border data flows have become essential for innovation and economic growth. Therefore, the U.S. and Canada need to push back against localized barriers to such flows through the WTO. Second, many countries will fight against opening service markets to trade and competition as a reaction to the "servicification" of trade. Third, large firms are important in digital and innovation-based industries. Punishing successful, highly productive firms is not necessarily efficient for an economy characterized by stagnant productivity. Therefore, competition policy should also consider the benefits of economies of scale.

It is important to recognize that we are still on a learning curve when it comes to the digital economy and that this poses major challenges for trade and domestic policy, including privacy, intellectual property protection, regulation, competition and national security. It is therefore premature to enter into detailed international agreements on data

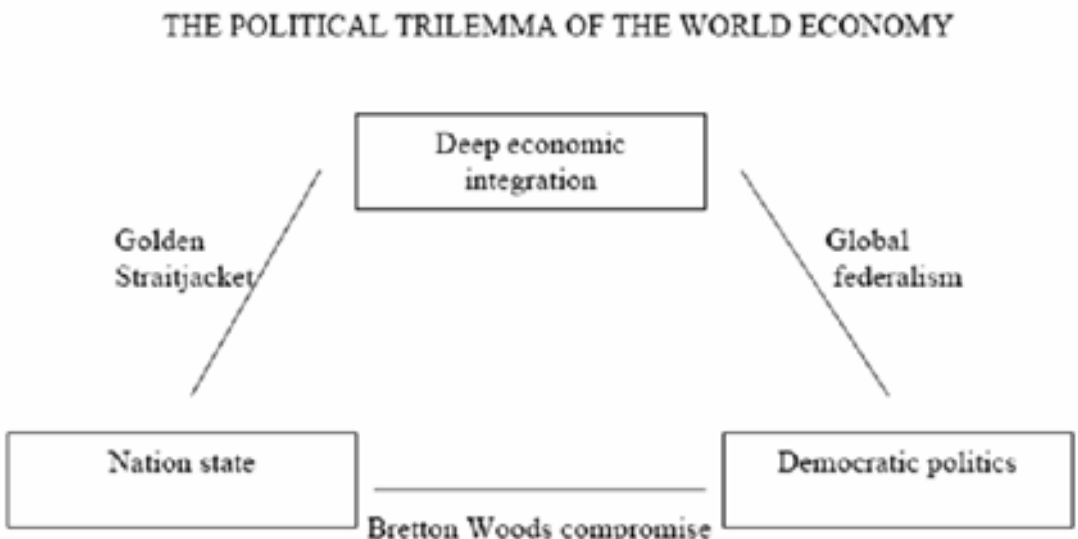
and digital goods and services while we remain on this learning curve and do not have sufficient knowledge about how the digital economy will evolve. Instead, Canada should continue learning by holding public consultations on the role of data and innovation, by supporting research and by observing what other countries, particularly in Europe, are doing and thinking on the subject. Overall, the challenge is to better understand how we can capture the benefits of a digital economy while overcoming its challenges.

Finally, with respect to the policy implications of growing inequalities, domestic policy is more important than ever. Education is still the most powerful way to address income inequalities exacerbated by new technologies. However, even education policies can be regressive, by benefiting the top tier of society more than the bottom. Last, it is important to acknowledge that gaining more skills through education is no guarantee that jobs will not be lost to new technologies. Therefore, alternative solutions need to be found.

**TRADE AND PROTECTIONISM**

Incidents of protectionist policies are increasing among G20 members, as WTO reports show, and most of those policies can be categorized as anti-dumping measures. In that context, Dani Rodrik’s (2011) trilemma provides a model to better understand protectionist language (see Figure 1). The trilemma succeeds in moving us beyond the pro-trade versus anti-trade debate because at any given moment we can only get two of the following: 1) deep economic integration; 2) nation state; and 3) democratic politics. Rodrik’s trilemma gives us another way to think of trade policy and introduces other fundamental components to the debate. Therefore, following Rodrik’s logic, it is worth considering the controversial suggestion that we might need to limit some forms of liberalization for the sake of preserving democracy and sovereignty.

**FIGURE 1:**



Following this logic, it was pointed out that environmental and labour issues are now part of trade agreements and should not necessarily be associated with protectionist measures. This logic may not apply to Canada's supply management system, which many see as protectionist. Even if this system has a historical legacy dating back to the 1930s and would cost billions of dollars to dismantle, its removal represents such a high political cost that the federal government has been very reluctant to challenge it. Nonetheless, it was pointed out that Canada did breach dairy's supply management system in the Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) by increasing tariff-rate quotas for its partners.

China's use of unfair practices to promote its industries was also mentioned as part of the protectionist trend: e.g., massive subsidies and intellectual property theft, especially in technology industries. It was also noted that China's internet regulatory regime is restrictive, opaque and arbitrary. However, it was pointed out that, unlike in Western countries, the Chinese have a greater trust that the technology industry will benefit people.

With President Donald Trump withdrawing from the Trans-Pacific Partnership (TPP) and putting NAFTA on the table, it was generally agreed that this was worrisome. Canada and countries all around the world need to prepare for their trading partners to potentially raise barriers very quickly and in an unexpected way. Canada has to prepare itself for the worst by trying to reach an agreement on the TPP, now called the CPTPP, and diversifying its trade partners. However, this needs to be done without undermining the WTO and the multilateral trading system, which remain very much relevant. In addition, we also need to strengthen multilateralism on issues like climate change, technology, migrants and security; however, given the political sensitivities associated with such issues, plurilateralism might be the way to achieve a more effective policy outcome in such cases.

## **PROGRESSIVE TRADE AND POLICY AGENDA**

A panel held a discussion dedicated to the new approaches to trade as well as the inclusion and application of some progressive elements in Canadian trade policy. These elements address social issues related to the impacts of trade like income inequality, gender gap and climate change.

It began with an explanation of what progressive trade is. According to former minister of International Trade, Francois-Philippe Champagne, progressive trade is defined as follows: "At its most basic level, progressive trade is about ensuring that all segments of society can take advantage of, and otherwise benefit from, the opportunities that flow from trade and investment." The essence of Canada's progressive trade agenda is to focus on the interests of small and medium-sized enterprises (SMEs), particularly those owned by women, Indigenous people and other groups who are especially vulnerable to social inequality. Progressive trade is not just about trade policy, however. It also embraces gender, labour and environmental concerns, with the ultimate goal of benefiting the entire society by sharing prosperity and improving the welfare of all



citizens. Progressive trade thus introduces a new approach that goes further than the old vision, which was mainly limited to the opposition between free trade and protectionism.

Although there were concerns about the progressive trade agenda's elements, there was general agreement that trade alone does not work as a path to sustainable development. As a result, it was suggested that trade agreements need to move away from pure market access issues and focus on governance issues such as human rights, the environment and gender equality. Building on this point, it was argued that the WTO and trade policy need to be considered along with the 17 United Nations' Sustainable Development Goals (SDGs), which were adopted in 2015 by member states and are aimed at reducing poverty and ensuring global prosperity. The SDGs represent a very helpful framework, in terms of inclusive growth and sustainable development, within which to pursue the trade agenda.

The importance of inclusive trade for emerging economies and developing countries should not be forgotten. The rise of global value chains has created new commercial opportunities and an incentive to reduce supply chain barriers. It has also created incentives for businesses to be more concerned about labour and environment standards. It is therefore in the interest of developing economies to build inclusive trade that could increase their SMEs' competitiveness, stimulate sustainable and inclusive growth, and reduce poverty in their societies.

Inclusivity also signifies reaching into small rural communities, which are struggling in today's global economy as a result of, among other things, a lack of technological infrastructure and an exodus of their youth to cities. This could become a significant issue in coming years, particularly throughout North America.

Canada has the opportunity and the capacity to exercise global leadership in promoting inclusive trade across the world, particularly in developing countries. It can serve as a model, owing to its world-leading expertise and its credibility on multiple tracks. Canada is thus expected to put inclusive trade at the forefront of its trade policy agenda.

Canada is already actively engaged in pursuing progress on gender equality, which is an important element of a progressive trade agenda and one of the UN's SDGs. For example, Canada played a leadership role in the promotion of the WTO Joint Declaration on Trade and Women's Economic Empowerment, a collective initiative to increase the participation of women in trade.

Two arguments on the importance of including a gender-based approach in trade agreements were presented. First, more equal opportunities for women would maximize economic growth and competitiveness by stimulating the economic potential of a large part of the population. Second, gender equality is necessary to democracy and effective global governance, which is itself necessary for solving global problems. Including gender in trade would not only benefit women but also the global economy.

Three additional observations concerning gender in Canada's trade agenda can be made. First, gender equality progress is bipartisan: while gender provisions in NAFTA and CETA were mostly negotiated by Conservative governments, the inclusion of gender provisions in the Asia Pacific Economic Cooperation (APEC) and the revised Canada-Chile Free

Trade Agreement (CCFTA) is mostly the result of the Liberal government’s effort. Second, gender equality is predominantly soft law, meaning it is more flexible, with less binding regulations, and therefore easier to adopt. Last, progress on gender equality develops mostly outside of the WTO. The main reason is that WTO is a hard-law institution with binding regulations that make it difficult to introduce new provisions like gender-based law. Moreover, gender equality is not included in the WTO’s charter because it adopted the GATT’s founding regulations of 1947, a time when gender-based issues in trade were unheard of. Gender equality issues therefore arise mostly in non-multilateral agreements and come in the form of soft law.

Progressive trade elements are already present in Canada’s trade agreements. For instance, in 1993 Canada signed the North Agreement on Labour Co-operation, which is a parallel accord to NAFTA. This agreement promotes co-operative activities regarding equality between men and women and the elimination of employment discrimination. Gender is also mentioned in CETA, which prohibits discrimination and promotes an equitable treatment of investors. Moreover, unlike in NAFTA, these provisions are legally binding. As mentioned, the recently revised CCFTA is the first trade agreement to fully legitimize gender equality as a topic for trade negotiations and to require the development of a comprehensive understanding of the gendered effects of trade.

Both NAFTA and CETA also contain significant provisions on labour and environment. Interestingly, however, there are only minor changes between the progressive elements contained in NAFTA and those found in CETA (see Figure 2).

**FIGURE 2: COMPARING LABOUR AND ENVIRONMENT PROVISIONS IN NAFTA AND CETA**

Agreement	Soft Provisions				Hard Provisions			
	Mutually agreed activities	Collect Statistics	Promote Awareness	Creates new commitments beyond domestic law	Assess impacts	Chapter Specific Dispute Settlement Process	Panel appointments	Enforcement
<b>NAFTA</b>								
- Labour	✓	✓	✓	✗	✗	✓	By consensus	Small fines, potential for suspension for non-payment
- Environment	✓	✓	✓	✗	✓	✓		
<b>CETA</b>								
- Labour	✓	✓	✓	Prevent lowering of standards for trade	✗	✓	By each party	Mutually agreeable plans based on expert panel findings, no specified penalties
- Environment	✓	✓	✓		✓	✓		

Therefore, in spite of the progressive trade agenda rhetoric, the federal government may be pursuing a rather “business as usual” approach in practice. This raises concerns that Canada’s progressive trade agenda is more of a façade that claims to address the distribution of wealth in society than actual fundamental policy changes.



## **EVENT 2: EXPERT WORKSHOP ON CANADA AND THE FUTURE OF INTERNATIONAL TRADE GOVERNANCE**

**University of Ottawa, Social Sciences Building, April 13, 2018**

*Sponsored by the CN-Paul M. Tellier Chair on Business and Public Policy at the University of Ottawa, the Centre for International Governance Innovation and the School of Public Policy at the University of Calgary*

### **INTRODUCTION**

New technologies such as digitization, automation and AI are developing rapidly and in ways that could be highly disruptive for how economic production and exchange will take place in the future. These technologies could potentially distort economic policies in areas such as trade, taxation, competition and regulation. In certain sectors of the global economy, a few global firms are becoming ever larger and more dominant, threatening competition. Finally, governments are concerned with identifying the right mix of policies to support development and innovation in these sectors while minimizing the negative risks that could ensue for society (e.g., individual privacy, jobs, national security, etc.).

What does this mean for Canada's (and the world's) future trade and economic agenda? Is today's trade governance regime adapted for tomorrow's economic and social reality? As a leader of open borders and global governance, Canada needs to be clear on the international economic and trade agenda that it will pursue in the next decades. Clarity is essential so that Canada can take advantage of the opportunities that technological changes will create while managing the current and future challenges posed by such changes when combined with political, social and economic pressures in favour of protectionism.

### **SESSION 1: TRADE, DATA AND THE DIGITAL REVOLUTION**

Discussion themes:

- A characterization of the tripolar regulatory situation between the U.S., China and the EU, and the narrow national interests in these different approaches to data governance;
  - The fundamental trade-offs between pursuing freedom of data flows and protecting users' control of personal data; and between continuing liberalization of e-commerce while leaving room to regulate;
  - Uncertainty over the appropriate multilateral arena to tackle emergent trade and data issues in the digital revolution.
1. In the wake of the Facebook and Cambridge Analytica scandal, discussants agreed that we are in a period of global reckoning about the rise of technology giants, and their implications for privacy rights and the public sphere. Participants agreed that policy-makers must capitalize on this attention to make the link to unresolved issues about the interaction of data privacy with digital trade. Such discussions tend to

cleave into camps of technology optimists and pessimists, but few disputed that the current international system – or lack of one – has ceded too much power to the tech giants like Facebook, Amazon, Netflix and Google (FANG). Policy inevitably reacts to technological developments, and an escape from this dynamic is unlikely. While we find it easy to talk about the benefits of increasingly liberalized international e-commerce, this freedom has encroached on our privacy in unforeseen ways, and this will continue to evolve in unpredictable directions. This tension frames the key trade-off emerging from this discussion: securing the economic benefits of free data flows, against ring-fencing user control of their personal data, and best practices for getting informed consent for data use.

2. Several participants noted recurring terminological confusion in the debate over trade and data governance, and warned that framing new policy without differentiating distinct concepts could lead to dangerous category errors. For instance, there is a tendency to conflate “digital trade” with “e-commerce”. In fact, e-commerce refers specifically to an online transaction of money for goods and services. Digital trade is an encompassing term that includes many online interactions that frequently do not include financial transactions. Just consider the “transaction” that occurs when people log onto social media sites: nominally costless communication services are delivered, while firms acquire value in user data flowing the other way. Similarly, data flows through the IoT and cloud services are outside the remit of e-commerce but essential to discussions of digital trade. This definitional confusion extends even to the texts of FTAs, where the two have been used as loose synonyms. Discussants highlighted further points of conceptual confusion for policy-makers in the wide array of different data types. They highlighted differences between 1) personal data; 2) confidential business data (e.g., company payrolls); 3) public data (census data); 4) metadata (supposedly aggregated and anonymized); and 5) machine-to-machine data on the IoT (e.g., jet engines that communicate with the manufacturer’s home servers). These distinctions are rarely bright lines, and there is overlap between different types. Yet any regulatory strategy, whether national or international, must avoid one-size-fits-all rules for the umbrella term of “data”. Furthermore, speakers highlighted a gap between expectations and reality with regard to metadata. The promise of metadata is anonymization, but in practice it may be crossed with other data sets to triangulate individual users in exploitative and illegal ways. A further problematic distinction in a world of international data flows is the location of data processing and the location of data control, which frequently occur in different jurisdictions, while the bulk of the value accrues to the data controller.
3. Instead of convergence to global norms, the U.S., China and the EU are adopting divergent strategies that set them on a path to regulatory conflict. Chinese and American firms are competing directly to set the digital order, and this is reflected in their governments’ hesitant engagement on the issues in global forums. For instance, Chinese officials are more focused on how they can leverage their position to support Alibaba and Tencent than how they can contribute to establishing globally generalizable best practices on data security. The EU’s approach is more defensive, since it does not represent groups like FANG or the Chinese giants. In the long term, the EU’s goal is to establish a digital single market by removing regulatory differences

among member states. In the short term, the introduction of the EU's General Data Protection Regulation (GDPR) in May 2018 is the most significant development in this area. The EU approach values the free flow of data in principle, but prioritizes data protection in practice, as reflected in the GDPR's proscription of data localization. This approach reveals fundamental differences between the European and American approaches to data governance. Whereas the U.S. sees data as a trade commodity, the EU tends to see it as an asset with societal or welfare value. While discussants spoke of Canada stuck in a transatlantic rift between American and European priorities, there was also consensus that the EU is winning the race to externalize its regulatory preferences. The GDPR is a remarkable development because of the scope of extraterritorial application. Any firm in the world that uses EU data, even if processed outside the EU, will be subject to the GDPR's rules. Non-compliance will be met with punitive penalties, and non-EU firms may change their behaviour to distance themselves as much as possible from the GDPR. In effect, any country that fails to develop its own strong data protection framework is going to have the void filled by the GDPR. The GDPR is in direct contravention with other regimes relevant to Canada, such as the CPTPP, on such issues as the right to access source code.

4. Participants highlighted the gulf in preparation for digitization observed between states. While countries like the U.S. and Canada have official trade attachés for data issues, many countries with less sophisticated tech sectors have barely begun to consider their own interests in the field. This poses co-ordination problems for Canada. Smaller economies are only likely to find strength in numbers, and the great international variation in preparation for the fourth industrial revolution leaves some of Canada's potential allies less influential than they might be. One potential ally raised in the discussion was the United Kingdom, which like Canada has a flourishing tech sector and concerns about being locked out of governance debates in ways that constrain its firms. However, despite the U.K. signalling its intent to lead in this field, its co-operation can only achieve a limited amount because of bandwidth constraints that the U.K. government faces as it leaves the EU. A more productive focus of Canada's diplomatic efforts would be on back-channel discussions with large players in international tech that are currently less open in their outlook. India was frequently cited as a reluctant actor whose co-operation could nonetheless be crucial to establishing a meaningful multilateral discussion on global data norms. While it remains obstructionist, some suggested that a change of stance by India would push China into a more co-operative stance in multilateral discussions.
5. While there was consensus that informal discussions were vital to setting the stage for a multilateral progress, there was very little agreement on the appropriate institutional stage for any eventual multilateral system for data governance. Countries currently use FTAs to experiment, learn and hedge, meaning that treaty provisions for data are mostly limited to aspirational language. This cuts to the core of the ambiguity over trade's remit over data, since these FTAs are developing in a void of WTO authority. The WTO currently says nothing about data governance, although it supposedly covers it through dispute settlements. While some participants argued that the WTO was the only realistic forum for shaping effective global norms, the speed of the evolution in data governance debates means the world can ill afford

progress to stall for any length of time. Furthermore, data issues so frequently have one foot in the trade world and another foot out that it is unclear whether the trade arena is the appropriate space for this discussion. Digital trade activities like cloud services obviously require international data governance, but related online problems such as denial-of-service (DDoS) attacks and malware exist apart from the trade world. It is precisely these issues that most urgently need internationally co-ordinated regulatory responses. While some trade experts are partial toward the WTO as a forum for data governance debate, others suggested that this is merely because the WTO already exists, finding it hard to see how the institution is equipped to deal with these non-trade issues.

#### Areas of consensus:

- Policy-makers must be mindful of the fact that “data” is an umbrella term. Designing a new regulatory framework must take account of the fine distinctions between the myriad categories of data that exist.
- Many data firms are unsure what trade policy per se can do for them — except when it comes to free movement of people, which is a very significant barrier to trade in the IT sector. Policy-makers can make themselves most useful to firms in this domain.
- Only global norms can counteract the tendency toward narrow interest from the largest players; the world needs technologically neutral rules that are a) internationally interoperable and b) give citizens greater control over their data.

#### Areas of disagreement:

- The fuzzy boundary between trade and data governance is an obstacle to progress, and there was little agreement on delineating the fields more sharply. There could be a trade-off between balkanizing the data governance regime into trade and non-trade components, and it is not clear that this would be desirable.
- The appropriate forum for these discussions remains unsettled. Diplomatic back-channels may stimulate preliminary conversation, but these can only be a precursor to more substantive talks in formal negotiations. While the WTO is a space where the discussion might begin, it is equally a space where the discussion might peter out.

## **SESSION 2: TRADE, COMPETITION AND NEW DYNAMICS**

#### Discussion themes:

- The survival of Canadian industrial clusters in a global value chain world;
- The threat to global trade posed by neo-mercantilist ideas that misunderstand or reject the logic of global value chains;
- A new periodization of industrialization, characterized as the data-driven economy;
- The rise of U.S. tech giants and the implications for Canada’s investment policy.

1. One point of departure for this discussion was an examination of the extent of international economic integration through global value chains, and a warning from the past about how fragile this synchronization can be. In 2008, the world saw a steep, severe and synchronized decrease in global trade that took over three years to return to pre-crisis levels. The present familiarity of global value chains should not distract from trends that threaten their viability once more. Indeed, the key new dynamic in international trade emerging from the political shocks of 2016 has been the rise of neo-mercantilist ideas. The change in tone was attributed in large part to the new wave of aggressive unilateralism in the U.S., with its misguided focus on bilateral and sectoral trade deficits, and the use of national security as a rationale for aggressive trade remedies. Participants taking the long view underlined that Canada will not be dealing with Trumpian tactics forever, and that trade remedies per se are not all bad. In fact, they help the system to survive, as long as they are neither too cheap nor too costly to use. Mechanisms that allow for deviations from obligations in a controlled fashion are important, although the integrity of such mechanisms is clearly weakened as the scope of their application is cynically expanded by actors with little commitment to a rules-based trading order.
2. Putting aside the challenges of neo-mercantilism, panellists discussed how technological shifts appear to be affecting the specialization patterns in Canadian industrial clusters like Toronto and Montreal. Local clusters originally developed according to the logic that co-location led to positive network externalities, and that these local clusters were embedded within a global cluster network. The subsequent global value chain (GVC) story has been the abandonment of local suppliers — once of Montreal, now of Mexico. This is in line with the prediction that GVCs could hollow out clusters irreparably. However, speakers also adduced evidence showing a sustained growth of local linkages in sectors like aerospace, telecommunications and biotechnology. This is an indication that industrial clusters are changing their specialization pattern. In yesterday's world, concentrated supply chains delivered larger parts of the value chain. Today, their efforts are focused on delivering smaller slivers. In other words, activities that are outside core competencies are outsourced, but within core competencies firms are tending to foster greater horizontal or local linkages. If this “slivering” effect of increasing cluster specialization is true, firm performance now depends more on who firms partner with in their supply chains. Policy-makers seeking to support Canadian clusters cannot hope to develop policies that help all clusters simultaneously, because it is not in every firm's best interest to develop the same linkages. However, the alternative is to leave companies to fend for themselves. Speakers mentioned the case of Element AI in Montreal, which is making efforts to find collaborator firms in Singapore and China while seeing next to no action in terms of policy on getting more talent and firms flowing into Montreal. Other Canadian clusters like Waterloo are experiencing these trade-offs in a very direct way. One of the reasons that BlackBerry failed was its lack of external linkages.
3. One of the most profound problems participants raised was the future of competition in the data-driven economy (DDE). They highlighted some novel economic dynamics that may require corrective intervention. First, it was asserted that the combination of big data and AI forms a new production factor that may increase efficiency and

raise average incomes, at the cost of less inclusive growth and markets that are ever more concentrated by restricted access to valuable data sets. Second, the conversation focused on the corollary claim that DDE produces an anticompetitive “winner-takes-most” dynamic. The present system tends to create a few superstars and many also-rans, which is corrosive to markets remaining competitive over time. The erstwhile competitors Yahoo and Google are now separated by a gulf in market capitalization — at the end of 2017, Yahoo was valued at \$4.5 billion, compared to Google’s \$700 billion. Market concentration tends to be accentuated by cynical pre-emptive takeovers, as every superstar firm seeks to avoid becoming the next MySpace or AltaVista (e.g., Facebook’s \$19-billion capture of WhatsApp). Foreign direct investment (FDI) is a double-edged sword in the DDE, as inward FDI from international superstars extracts the most promising firms of smaller countries, leaving them with the “mediocre middle”.

4. These dynamics of the DDE leave a small open economy in an invidious position. Canada has high-tech strengths, such as in the field of AI, which afford the country some capability and a strategic role. However, nothing about the situation described above leads toward a more level playing field. Canada could compete in a world where its firms could acquire data at the same cost or ease of access as U.S. or Chinese firms. Engineering this kind of structure is the central priority for any future model of international economic organization. A related issue lies at the domestic level, in that the DDE divests ordinary citizens of their earning potential. One participant proposed an idea that could mitigate these domestic and international dynamics. New institutions, perhaps in the form of national data banks, could establish market-creating regulations by introducing competition over proprietary data. A data bank would be a public intermediary that controlled the data with high security, record keeping and anonymity, which should prevent user identity being triangulated in an exploitative way. With user consent, the data bank could commercialize traceable data to third companies. This would aim to curtail monopoly rents and create a medium for data owners to capitalize on their own data, which platforms value and currently acquire too cheaply. A data bank would not be a nationalization of Canadian data that gave privileged access to Canadian firms. This mercantilist approach would be unwise because it would limit us to what we have at home. Canadian companies need larger scale data to compete globally. Given the transnational nature of data flows, internationally distributed data banks would be optimal for competition. International data banks could compete to control user data on the quality of data protection and value of user dividends. In the longer term, national systems could converge to create a supranational organization for transnational data governance. Naturally, this proposal was not presented as a fully fledged institutional model capable of addressing all the DDE’s challenges. Many participants greeted it skeptically and wondered how current competition law could govern such an international market-type structure. However, the broad analysis of the DDE’s distributional problems was more widely shared, and generated some other policy proposals in a similar vein. One such was the idea of creating a scheme analogous to the patent system wherein user data could only be monopolized by a firm for a pre-ordained period. After this elapsed time, the data would become



available to all firms that wished to use it, thereby limiting the winner-takes-most dynamic. Another proposal was to adopt a form of the telecommunications sector's "last mile" regulation as a means of making data more widely available to non-superstar firms.

5. Such proposals would ideally be realized so as to also address other salient political issues, such as the tech giants' effect on Canada's cultural sector. Content provision platforms such as YouTube are inimical to the viability of much of independent music, film and television production. Pirated versions of original content are freely uploaded to YouTube and monetized via advertising with original creators reaping ever smaller rewards from their work. Data bank-style institutions could also function as the mechanism by which national governments curtail YouTube's impunity in the area of content piracy. Currently, YouTube refuses to share any data on the scale of the problem, and it is under no obligation to do so in Canada. Some form of national intermediary with responsibility for Canadian data provision would arguably be better equipped to approach the problem than existing government agencies.

Areas of consensus:

- There are emergent monopolies in areas that have effectively become essential services — Google's domination of search is the paradigm example.
- The disruptive effects of the DDE are era-defining problems. The search is on to develop policies and institutions that protect citizens from the worst effects of digitization on the economy.

Areas of disagreement:

- All suggested solutions to these problems were somewhat embryonic. Creating bespoke institutions ex nihilo seems appealing, but it is unclear how the proposed data banks would work in practice. Data flows are necessarily global, so national-level regulation immediately becomes problematic. Currently, all these proposals are necessarily just placeholders that set the stage for a more informed public debate. Whatever the precise policies that are ultimately enacted to stabilize the DDE, countries will need new rules that compete away the monopolistic rents that the superstar tech platforms currently capture.

### **SESSION 3: INCLUSIVE TRADE: HOW FAR SHOULD WE GO?**

Discussion themes:

- The mainstreaming of the inclusive trade agenda within Canada;
- The ongoing ambiguity over the definition and scope of inclusive or progressive trade;
- The reticence of many developing countries, and some developed ones, to bind themselves to progressive trade provisions;
- The risk of allowing a dichotomy between progressive and basic FTAs to emerge;
- The limits on what goals FTAs can and should be expected to achieve.

1. The mainstreaming of progressive trade has been one of the most salient developments in Canadian trade policy over the last few years. Participants discussed the emergence of the progressive trade agenda in the 2016 standoff over CETA's signature. Foreign Affairs Minister Chrystia Freeland was credited with pushing the agenda as she toured around European capitals, developing the association of Canada with progressive social values to reassure Europeans. Her work was helped enormously by the fact that there were no images of Canadians protesting in the streets against free trade; Canadians know their prosperity depends on trading links with the outside world. Any domestic disquiet about the adverse distributional consequences of trade is mitigated by Canada's social safety net. Participants drew a clear line between this situation and the lack of a social safety net in the U.S., where potent anti-trade sentiments have taken a foothold. When cross-country comparisons are as stark as the Canada-U.S. one, the concept of progressive trade can seem well delineated. However, participants agreed that it is quite possible for two people to have divergent conceptions of what "progressive trade" signifies. Political considerations tend to override any universal claim on the term, as progressive trade is a retail policy that governments define to appeal to their domestic constituencies. In Canada, progressive trade has come to refer to four narrow pillars of trade commitments; namely, labour, environment, gender and Indigenous chapters within FTAs. In contrast, allowing room within FTAs for differentiated national regulation is part of the progressive trade agenda in the EU. The mainstreaming of progressive concerns within Canada's trade agenda has relied in large part on finding sympathetic partners; Canada's credentials as a progressive trade pioneer were greatly enhanced by the inclusion of a gender chapter in its revised FTA with Chile. In future, however, Canada could find its progressive trade agenda stalled by the lack of like-minded partners. The conversation in many developing countries is very skeptical of making binding commitments within this agenda, potentially out of the fear that countries like Canada could use non-compliance with higher standards as a pretext to impose trade barriers.
2. Canada is caught between domestic support for further progressive trade provisions and the limited leverage over larger partners that Canada's middle-power status confers. These constraints are most obvious in the ongoing trade discussions with the U.S. and China. Slow progress in NAFTA 2.0 can be attributed in part to struggles within the U.S. over the broader inclusive trade agenda. Given that U.S. safety nets like health care, pensions and adjustment programs are far more precarious than in Canada, it is difficult for Trump to sell the progressive trade agenda's more esoteric provisions to his base. However, many participants agreed that NAFTA 2.0 will ultimately have enforceable labour and environment chapters, and that an aspirational gender chapter is achievable. Conversely, it would be surprising if an Indigenous chapter were agreed to. This will show the limits of how far Canada's four-pillar progressive trade agenda can push a reluctant great power into meaningful commitments. Similarly, China has made clear its own hostility to the progressive trade agenda. The Chinese ambassador to Canada recently made an unusual series of public interventions seemingly designed to push Canada into launching negotiations devoid of any progressive elements. If the government capitulated on this, it would

inflame Canadian public opinion, and would set an unfortunate precedent for discussions with India, which is likely to adopt a similarly hostile stance to Canadian requests for commitments on the four pillars. Participants speculated that only a multilateral buy-in on progressive content could push the agenda forward, but this might not encompass all four pillars in their entirety. Securing commitments on labour and environment is easier because there is a clear economic rationale to constrain free-riding, whereas the rationale is possibly less clear cut with some features of gender and Indigenous chapters. However, participants also discussed whether setbacks could be offset by the inclusion of other pillars in the progressive trade agenda. Taxation was highlighted as a prime candidate.

3. The most significant fear expressed in this discussion was that these dynamics seem to be creating a dichotomy in Canada's trade policy between progressive FTAs with developed partners, and non-progressive FTAs with developing partners. There was a broad consensus that Canada should strive to avoid a two-tier outcome, in which progressive FTAs map onto those countries where, for example, the gender equality imperatives are less pronounced, and plain FTAs in which the gender-differentiated effects of trade are most severe. Above all, policy-makers should reject the notion that FTAs without these progressive elements are somehow neutral, as the progressive trade research agenda reveals their regressive distributional effects. However, in view of the leverage asymmetry in negotiations with countries like China, participants feared that Canada could sleepwalk into precisely this kind of two-tier arrangement.
4. While Canada has successfully positioned itself as one of the global pioneers of a progressive trade agenda, participants noted that Canadian trade professionals could still learn a great deal from more diverse sources. Canadian trade professionals would do themselves a service by keeping abreast of progressive trade innovation in non-EU, non-U.S. and non-Canadian trade agreements that frequently produce many innovative provisions. For instance, in the specific case of Indigenous provisions, participants noted that South American FTAs are an excellent place to look for previous examples and best practices. Moreover, it was observed that one should not judge FTAs by their cover; e.g., despite eschewing any progressive trade labels, China often enforces stricter environmental standards in its FTAs than Canada does in its agreements.
5. The progressive trade agenda's expanding scope calls into question the purpose that trade policy and FTAs serve. At the most fundamental level, FTAs are legal treaties that allow for the reciprocal expansion of market access rights between trading partners. However, these institutions are to some degree victims of their own success. Because FTAs are international accords with dispute settlement provisions, countries are guilty of trying to shoehorn issues that have very little to do with trade into binding FTAs. This expansive attitude has had the perverse consequence of making developing countries fearful that FTAs could be used as protectionist pretexts by developed countries. This could even be behind some of the generalized antipathy to free trade around the world. Society at large attributes to trade policy many sins that have very little to do with trade, possibly because trade policy is used so expansively

as a framework for policy issues outside its wheelhouse. Some participants advocated greater modesty, while a broader section of participants agreed that skepticism was necessary in the process of expanding the remit of trade policy to non-trade issues under the guise of progressive policy. Renewed scrutiny on the disruptive effects of trade means policy-makers must urgently re-evaluate the appropriate social response to these market forces. There is disagreement about the respective remits of national policies versus trade agreements. The degree of complementarity between the two approaches remains unclear, because no one considers them to be perfect substitutes. Part of this ambiguity is the non-overlapping definitions that “trade policy” attracts within broader progressive policy agendas. On the one hand, the discussion implies a redefinition of some fundamental trade concepts (e.g., market access being redefined in terms of giving women or Indigenous groups more access to foreign markets). On the other, it could mean carving out some space within trade agreements to allow for (positive) “discrimination” in favour of some disadvantaged or under-represented group.

#### Areas of consensus:

- There is international pressure on Canada to give in to a two-tier system of progressive and basic FTAs. Conceding this ground would be unwise, because FTAs without progressive elements can no longer simply be considered neutral instruments. Canada should persist in seeking a minimum threshold of inclusiveness in all its FTAs.
- While Canada has positioned itself at the global vanguard of progressive trade, Canadian trade professionals need to stay abreast of developments in FTAs outside their area of regional expertise.

#### Areas of disagreement:

- There was little consensus on how far trade policy can be pushed to address issues that do not have direct links to international trade. The appropriate social response to global market forces is a key question of our era, but there are in principle issues of economic self-determination that trade policy cannot fix. Officials should therefore be wary of using trade to address problems that lie beyond its power.

## CONCLUSION

Throughout the three sessions, the discussion was tied together by a consensus that the rules-based trading system will not protect itself from the threats posed by old-school politics and new-wave technologies. The onus is clearly on politicians, policy-makers and academics to engage proactively with the issues discussed above; passivity in the face of popular suspicion cannot convincingly support the ongoing validity of the rules-based trading system. While many countries have seen a backlash against trade, we have not yet seen an equivalent backlash against technology. This could be in the pipeline, and prove to be uglier still in its societal and political ramifications. It is precisely for this reason that the clarion call for greater international co-operation in the realm of data governance must be heeded in short order. For all its capabilities, Canada is constrained by its middle-power status, as the U.S., EU and China jockey for advantage in the fourth

industrial revolution. Nonetheless, a well-measured diplomatic strategy to convince reluctant players that their interests align with ours could be the key to unlocking a productive multilateral discussion.

There was a renewed call to arms for policy-makers to think urgently about the distant distributional consequences of further trade liberalization in the current climate. Clearly, selling the benefits of freer trade policies must be done with one eye on the encompassing social policy context. While the Canadian public's continuing preference for freer trade is somewhat *sui generis*, it is still related to the strength of the social safety net. On this point, the way public opinion maps domestic expectations onto Canada's international relations is essential to the wide public support for Canada's progressive trade vision. Indeed, as the research agenda progresses, the assumption that a bare-bones FTA can be treated as a neutral policy instrument will come under greater scrutiny. The direction of travel for trade professionals is to design policy with a higher resolution focus on the geographic, demographic and distributional consequences of international trade in all the affected regions of the world.

### **EVENT 3: TRADE EXPERTS ROUNDTABLE: POLICY DIRECTIONS AND THE ECONOMIC RESEARCH AGENDA**

**Robertson Room, Global Affairs Canada, 125 Sussex Dr., Ottawa, May 17, 2018**

*Sponsored by Global Affairs Canada, the School of Public Policy at the University of Calgary, the CN-Paul M. Tellier Chair on Business and Public Policy at the University of Ottawa, and the Centre for International Governance Innovation*

#### **INTRODUCTION**

The 14<sup>th</sup> Trade Experts Roundtable brought together leading economic researchers and policy practitioners for a dialogue on research priorities. The global economy has gone through dramatic and rapid changes over the past 20 years and the current environment is a challenging and evolving landscape for practitioners to manage. Meanwhile, economic research on international trade is also evolving with theory and empirical evidence on a rapidly changing global economy and policy space. What are the key challenges and opportunities facing Canada in this economy and what are the most important and relevant international policy directions being developed? Are the policy directions informed by economic theory and evidence and is the research agenda well developed and properly focused in order to guide policy? The 14<sup>th</sup> Trade Experts Roundtable addressed these questions by bringing together leading economic researchers and policy practitioners for a dialogue on research priorities.

Academics are generally not well aware of the priorities of the private sector and governments. Moreover, policy practitioners are challenged to keep up with the most recent academic developments. This roundtable brought together senior-level policy-makers from the Canadian government and international trade economists to do a deep dive on the most pressing challenges facing the global trading system. The roundtable

was a perfect opportunity to have a frank discussion on the most challenging aspects and biggest opportunities of global commerce – and ensuring that international economic policy is relevant, effective and based on economic theory and evidence.

The roundtable included a small and select group of senior policy experts from across government who are impacted by global commerce and who interact in the global policy space either directly or indirectly. It also included leading empirical trade economists who are developing new approaches to analyzing international trade policy.

The roundtable was structured as follows: 1) introductory remarks and a keynote presentation; 2) an open discussion on policy priorities; and 3) a discussion on research agendas on international trade.

## **1. OPENING REMARKS AND KEYNOTE PRESENTATION**

The opening remarks provided an overarching view of the key issues currently affecting Canada's international trade:

- The success of other international FTAs (CETA, CPTPP, Southern Common Market [MERCOSUR] and the Association of Southeast Asian Nations [ASEAN]). One of the greatest new opportunities that the CPTPP presents is access to the Japanese market;
- The rise of protectionism in the U.S., although politically motivated, has assumed a core trade policy dimension of the current administration;
- Concerns with the ongoing NAFTA negotiations, in particular the pressure for a sunset clause, as well as high-wage requirements sought by the U.S. for auto parts components could adversely impact Canada's competitiveness. Canada's supply management issues, intellectual property and softwood lumber are areas where U.S. demand for reforms continues;
- The challenge of attracting investors to Canada in light of recent U.S. tax reforms;
- Interprovincial trade – reductions in interprovincial trade barriers may be as beneficial as reductions to barriers in international trade;
- Progressive trade policy: Agenda driven by the idea that free trade benefits everyone. It is not necessarily about forcing countries to raise their standards, but instead to not let them deteriorate.

## **2. POLICY PRIORITIES AND RESEARCH DIRECTIONS**

A panel on policy priorities and research directions followed the opening remarks and keynote presentation. The panel's purpose was to identify and discuss the key international economic policy challenges facing government policy-makers and examine recent theoretical and empirical evidence that could help guide policy development in a rapidly changing global economy. The goal was to look beyond short-term current affairs, to take a forward-looking perspective, to discuss the biggest challenges and uncertainties in the global economy and then to identify gaps in the current research



knowledge and consider research agendas that can better inform policy-makers. The discussion gravitated toward two overarching themes: a) the significance of data and digital trade and b) current challenges in quantitative modelling.

The discussion identified the following areas as important issues for Canada's international trade policy.

### **The Significance of Data and Digital Trade:**

Panellists asked various questions about the place of data in Canadian trade policy. What is the government's strategy for valuing and managing data? Which government departments deal with valuing data? Is it too soon to regulate data? There must be clear answers to these questions as the volume of data has been increasing. However, methods to analyze and derive value are out of date and lacking.

- Are Canadian businesses expressing concerns about moving data? Panellists noted that businesses are concerned about customers, decreasing costs and compliance. Large businesses are much more ready for these changes than SMEs.
- Panellists discussed the role of the Digital 7 (originally Digital 5) – a network of leading governments that offer digital services. Improvements to the Digital 7 could include more focus on private firms and more public-private collaboration. Canada has to work on better co-ordinating government data and digital services.
- How will governments share information with each other? This communication could take place by means of a distributive ledger. The main benefit of this approach is that it would help governments connect without the use of intermediaries.
- Panellists discussed the place of data in FTAs. Should Canada include data chapters in FTAs? Notably, CPTPP prevents data localization.
- There was a discussion on whether data should be considered a resource. Should we protect it as a resource (as an infant industry)? One panellist argued that protecting data is not the issue. Rather, more important issues pertain to competition. Ensuring proper access to data is critical. A problem is that the Canadian government does not know what type of data will be collected. Then, there are difficulties in creating a regulatory framework (how to collect data, destroy it, etc.). The EU, with its GDPR, has done a lot more work on this issue than the Canadian government.
- Panellists asked why data is different from any other resource. There are various reasons, including that it is not transparent to the rest of the world. This information asymmetry leads to competitiveness issues. In particular, the value of data to firms is high. In contrast, the value of data to citizens is not high.
- Panellists discussed the place of data in quantitative economic models. How can intangible assets, such as data, be incorporated in quantitative modelling? Data is quantifiable in some context. For example, it is quantifiable when assessing the responses of U.S. firms (value of their shares) when there is a change in EU policy. However, in many instances, it is not immediately clear how data is quantifiable.

The regulation of data:

- Promoting the development of Canada's information and communications technology (ICT) sector with data-location requirements and by selectively blocking foreign acquisitions of data/IP-intensive firms could limit the ability of Canadian businesses to work across borders. Without foreign collaboration, the Canadian ICT sector would not have the scale necessary to succeed.
- In regard to competition policy, data should not be treated in the same manner as other types of inputs in the production of goods and services for the following reasons: market externalities (i.e., asymmetric information) due to privacy issues associated with different types of data; network effects due to increasing returns from accumulating large amounts of data; the effect of data on the returns of intangible assets; the non-transparency of data when compared to IP; and the unique property of zero marginal cost once the data has been created.
- Discussion ensued around where to set boundaries. One discussant argued that asymmetry of information leads to market failure; therefore, government needs to intervene. He felt that access was a key issue (for example, to train AI) and so there is a need for a well-designed regulatory framework to foster a competitive environment.
- Several speakers stressed that blanket regulation should be avoided as there are many different types of data that all present different regulatory challenges. There is still too much uncertainty regarding how data will evolve; therefore, it may still be too early to create effective regulation.
- The challenges governments face concerning how they will share data with each other, and the challenges associated with gathering firm-level data.
- Data protection by governments has hindered research in international economics; an example is the distortion of data as a result of investment flows being directed through tax havens. Recent work by Statistics Canada identifies the ultimate investor country responsible for the investment stock.

### **Challenges in Quantitative Modelling:**

Panellists noted various challenges with quantitative modelling. These include:

- A lack of data on services at the provincial level;
- Issues in linking data together, especially for multinationals and remote goods;
- Tax laws inhibit the access to some forms of data which are necessary for quantitative modelling. In some cases, access to data is granted but is only used for specific tax policies;
- Accessing data also takes too much time. It requires some sort of government intervention;
- Incorporating intangible assets into computable general equilibrium (CGE) models;

- The importance of modelling GNP instead of GDP; both integrated national accounts and household-level accounts are needed in order to model the effects of FTAs.

The explosion in the availability of data necessitates a solution to these problems.

- Panellists made various suggestions concerning how to improve quantitative modelling in economics. One panellist suggested there should be more focus on modelling GNP instead of GDP in economic models. Another panellist argued that economic modelling activity should include assets. It was also suggested that there should be a move toward a formal quantitative data model.

### **Trade with China**

Panellists noted that Canada needs to take advantage of the large and growing Chinese economy. This could include negotiating a FTA. However, Canadian trade policy should also prioritize the Canadian economy's place in the broader context of the global economy. This must include other areas besides trade and focus on enhancing Canada's trading relationship with China. In addition, Canadian trade policy should make efforts to further embrace the rules-based nature of the global economy.

### **Interprovincial Trade Barriers**

Panellists discussed whether Canada is close to finding solutions to mitigate interprovincial trade barriers. The cause of free trade in Canada has been advancement with the Canada Free Trade Agreement (CFTA). However, panel members noted that its success depends on the political will of individual provinces and interest groups. This may mean the agreement has an uncertain future.

### **Fair Trade**

Panellists asked what long-term strategic goals could ensure fair global trade. Would these strategies necessarily entail a multi-country trade framework or a bilateral framework? Some panellists argued that the WTO is failing to be an effective means of obtaining fair trade. In addition, multilateral agreements are failing in this regard.

### **Progressive Trade Strategy**

Panellists discussed the nature of progressive trade. This included questions such as how do countries react to progressive trade agreements and how do these agreements differ from other trade agreements? One panellist noted that progressive trade is not a recent revolution in trade policy. Rather, it is a field that has been developing for quite some time. Another panellist noted that Canada should not compromise current agreements at the expense of newer progressive ones. Finally, a panellist noted that the gender sections of FTAs are not as significant as usually thought.

## The Direction of Trade Policy Research

Has the academic community had an influence on trade policy and have they been asking the right questions? Panellists believed that it is clear that trade experts have had an impact on policy. However, some noted that macro economists were not always inquiring into the right areas. This has contributed to a disconnect between trade research and policy. Further, there is a need for experts to disseminate their research in a more effective way and further engage with policy-makers.

### 3. RESEARCH AGENDAS ON INTERNATIONAL TRADE

This panel's goal was to explore some of the leading-edge research in international economics in order to provide an overview of where academic research is going and attempt to connect research agendas to the challenges facing policy-makers. The discussion followed three general themes: a) a discussion of the most important work in empirical international economics in the past 20 years; b) current research areas being explored by the panel; and c) the issues that the government would like to see explored in future research.

The panellists identified the following as areas that current research on international trade could improve upon:

#### a) Most Important Work in Empirical International Economics in the Past 20 Years:

- The much tighter link between structural modelling and empirical work; structural parameters are now better identified. Integrating labour into general equilibrium (GE) models has a lot of value as does thinking about how external shocks propagate through the economy (Dave Donaldson's work was cited). This will shed light on inclusive trade issues as well as provide job gains/losses (and wage changes) estimates for trade negotiations modelling.
- **Structural Modelling:** In the last 10 years, structural modelling in trade economics has improved, including in the use of CGE models. This includes improvements to structural identification. For example, when analyzing wages, economists can now understand general equilibrium interactions, rather than just specific interactions. In the future, it will be important to improve the integration of economic models. Structural modelling, in the Canadian context, should also take into account that Canada's regions are affected differently by macroeconomic shocks.
- **Econometrics:** Econometrics should focus more on the actions of firms, in contrast to a macroeconomic perspective. This is because micro-level firms drive aggregate-level changes and differences. Further, there is a need to understand the challenges that firms face in the global economy. Besides tariffs, there are other elements inhibiting firms from exporting more. It is relevant for policy-makers to have specific econometrics that demonstrate that various types of firms have different challenges. It is also important that econometrics takes into account that different Canadian regions are affected by external shocks differently.

- Macro-effect impacts can be affected by micro policies. Micro-level interactions and inefficiencies can affect macro-level performance. This implies policy-making will need to become more granular in nature, to better assess overall impacts.
- Increase in research considering worker heterogeneity. The move from who workers are to what workers do is a significant development in trade and labour economics.

#### b) Current Research Areas:

- Trade costs of exporting for firms (ex. finding buyers/wholesalers, maintaining relationships, contractual issues).
- Why productivity is declining in a world where markets have never been more open.
- The reaction of Chinese firms to a shock to tariffs; as tariffs increase, firms are less likely to enter the market.
- **Lobbying and Trade Agreements:** Many believe that trade agreements are as much about advancing corporate interests as they are about opening borders. Lobbyists for larger corporations often have a disproportionate amount of influence over the negotiation process. This means there are a small number of big firms that are able to influence trade policies significantly. Trade policy research should spend more time addressing this issue. This could help further consensus for the benefits of free trade.
- An interesting finding in the literature is that large firms tend to lobby almost exclusively for FTAs, in contrast to the common view that there is substantial lobbying against free trade agreements by special interests.
- A small number of firms can affect policy. Through better resources, accessibility and lobbying, a small number of large firms can effect policy changes to protect their interests.
- **Trade with China:** Economists are occupied with understanding China's economic impact on the rest of the world. This research is important and should continue. One panellist noted that information from this topic comes from customs forms (which document unity and quantity). Another notable observation is that the supply of highly differentiated consumption goods is relatively inelastic. In contrast, the supply of consumption goods that are not differentiated is very elastic. Researchers and policy-makers should be aware that future expected tariffs will affect future business decisions.
  - Product differentiation in China – the elasticity of exports from producers with differentiated products is found to be small, while the elasticity of exports from firms with non-differentiated products is very elastic.
  - Chinese firms adjust markups to different markets in response to currency valuation changes and don't sell more/less because of depreciation/appreciation, suggesting that these firms are maximizing profits across countries.

- Environmental regulations and the effect on trade; these regulations may have an effect that is similar to labour regulations.
- Statistics Canada has produced a longitudinal employer/employee data set that has potential for future research.

### c) Issues the Panel would Like to See Explored in Future Research:

**Research for Policy-Makers:** The gap between academic research and the actions of policy-makers is too large. In particular, micro-level research is hard to communicate to policy-makers. For example, this is true of policy-makers at the EU Commission. More effort is required to bridge this gap. There was considerable discussion and agreement that researchers need to do a better job of disseminating and communicating key findings and policy implications of their research.

- Researchers need to make a habit of publishing a condensed summary of their research for the mainstream media to read. This could include papers of 1,500 words or less with a link to the research.
- Researchers need to make better use of technology to make their work more accessible through the public (news, podcasts, Twitter, etc.)

There was some discussion that complementary case studies may be a solution for the desire for greater granularity. Case studies may contribute to the understanding of the causal mechanisms of policy, but can be manipulated to show the desired results. As a result, they should be used with caution in policy-making.

### The Issues for Further Work Included:

1. The distribution of the costs and benefits of trade, specifically by demographic, region and gender. **Distribution of Productivity:** Panellists noted that Canadian productivity has been stagnant despite engaging in significant economic integration with the global economy. This is troubling, as an important argument in favour of free trade has traditionally been that it leads to productivity gains. Trade policy researchers need to understand why this poor productivity performance is occurring.
  - Why SMEs do not export as much as larger firms, and why SMEs have a lower survival rate of exporting.
  - Why female SMEs export less than their male counterparts, and why they have a lower survival rate of exporting.
  - Increased research on the evaluation of non-tariff measures.
2. **How to Provide Adjustment Systems:** Panellists noted that there is an increase in specialization in the workforce. It is increasingly important that the workforce becomes more dynamic. This will require macro- and micro-level economic policy responses.

When treating adjustment systems in academia, there is a greater focus on the occupation of workers. Policy-makers do not share the same focus.



There are many issues with the distributional consequences of trade and the policies that seek to address these consequences. For example, EI in Canada does not offset wage loss. Further, adjustment systems are fraught in the U.S. compared to Canada and Germany. Trade policy research could focus on addressing these redistribution challenges.

3. **Trade Consumption:** Knowledge of micro-level forces, including households, is crucial for sound trade policy. There is a need for a stronger understanding of trade consumption of different households with different levels of income.
4. **New Data from Statistics Canada:** Statistics Canada should start collecting new kinds of data. This includes an employment/employee database. Further, some panellists argued that Statistics Canada should collaborate more with other entities to manage information and create a MOU with the Bank of Canada.
5. **Econometrics into Policy:** Policy-makers need to start translating econometrics into concrete policies. This will help to bridge the gap between trade policy research and the practice of trade policy. It will also help to develop practical policy responses to Canada's challenges in the global economy.
6. **Environmental Regulations:** More focus should be placed on understanding environmental regulations on trade flows. It was noted that environmental regulations have an effect on trade that is similar to labour regulations.
7. **Global Supply Chains:** There is a need to diversify trade and promote the participation of SMEs in the global supply chain system. The supply chain could be used as a proxy to understand trade flows in academia.
8. **FDI Spillover:** In the IP sector, there are various negative externalities. Trade policy should spend more time addressing these externalities.

## OVERALL CONCLUSION

The last of the three symposiums on the future of Canada's trade policy took place a year ago. A lot has happened since then. First, Canada concluded the NAFTA 2.0 negotiations with Mexico and the U.S. and signed the Canada-United States-Mexico Agreement (CUSMA). At the time of writing, the agreement's ratification remained uncertain, because congressional Democrats are concerned over the Trump administration's threat to put tariffs on Mexican products to pressure the Mexican government to stop the flow of migrants to the U.S. Second, the U.S. and China are engaged in what is becoming a true trade war. Finally, Canada's economic relations with China are hurting. There are diplomatic tensions because Canadian authorities arrested Meng Wanzhou — Huawei's chief financial officer and daughter of the company's founder, Ren Zhengfei — following an extradition request from the U.S. In retaliation, China arrested two Canadians, Michael Kovrig and Michael Spavor, for allegedly spying. In addition to reducing trade and investment flows between the two countries, these tensions have also put to rest the idea of a free trade agreement between them.

Although the above developments are significant for Canada's trade policy, they do not change the findings that have come out of the three symposiums held in 2017-2018. The long-term opportunities and challenges have essentially remained the same. Access to U.S. markets is and will always be Canada's No. 1 priority. This is why it is so important to get CUSMA ratified, not because it is the best agreement for governing trade and investment between the three North American partners (it is not!), but because it will provide certainty to businesses to invest and plan for the future.

The U.S.'s importance for the Canadian economy does not mean, however, that Canada should not work hard at diversifying its trade flows in order to reduce its dependence on the U.S. economy. This means more than simply negotiating new free trade agreements; it means investing significant resources to help Canadian SMEs to access new markets beyond the U.S. and then grow their business in these markets. The recent beefing up of Canada's Trade Commissioner Services is therefore a key step in the right direction.

Notwithstanding the current political and economic tensions, Canada must continue to engage with China, whose economy is too big to ignore. In addition to resolving the current disputes in the short term, Canada must develop a medium- and long-term strategy for its economic engagement with China. Such a strategy is also important as Canada seeks to develop closer ties with the other countries in the Asia-Pacific region. Nowadays, China casts a shadow, directly or indirectly, over all economic relations in the region, whether it is in terms of supply chains, infrastructure or navigable waterways for the transport of goods by sea.

The uncertainties surrounding Canada's economic relations with the U.S., China and other parts of the world make reforming the WTO's rules and functioning a crucial endeavour for Canada, whose prosperity depends on an effective rules-based multilateral trade system. Through co-operation with like-minded allies, Canada can devise common, international rules to govern its economic relations with the rest of the world. Such rules provide certainty to Canadian businesses. They also minimize Canada's dependence on big economies, like the United States, that seek to impose unilateral, mercantilist rules. The creation of the Ottawa Group on WTO reforms in the fall of 2018 is very good news.

The economy's increasing digitization and the data that drive it are another element that should be at the core of Canada's future trade policy. The opportunities are immense and Canada is well placed to take advantage of them. The challenge, which does not pertain only to Canada, is to ensure that data can flow easily across borders in support of trade activities but without jeopardizing, for example, the country's ability to protect people's privacy and firms' specific know-how, as well as to ensure a high degree of competition in the data-driven economy (e.g., prevent the monopolization of data).

Finally, a large majority of Canadians agree that trade is vital for the economy. To maintain this support, it is crucial that people see the benefits derived from international trade while they feel that governments and firms are taking steps to minimize the costs associated with the negative consequences that arise from increased competition from abroad. This is what the so-called "progressive trade agenda" is all about. Certainly, Canada's trade policy must take into account both the benefits and

costs of greater international trade for the Canadian economy; however, we need to be careful not to ask too much from trade policy as compared to other policy instruments (e.g., fiscal policy, labour policy, competition policy, etc.). What is key is to make sure that Canada's trade policy is properly aligned and co-ordinated with other policy areas at all levels of government to ensure a prosperous and equitable economy for Canadians for decades to come.

## APPENDIX: THREE PROGRAMS ON TRADE POLICY



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### CANADA'S TRADE POLICY AGENDA: LOOKING AHEAD

Ottawa, November 17  
The Rideau Club

International trade is a crucial driver of Canada's economy and as a small open economy, Canada has long recognized the importance of sound international rules and institutions. Canada has long supported and benefited from the GATT, the WTO and agreements such as NAFTA. However, the world has changed dramatically since progress was made at the WTO and since NAFTA was ratified. Moreover, globalization is facing strong headwinds and several countries are experiencing strong protectionist pressures. Leaders advocating mercantilist trade policies, notably the United States, lead some governments. Other countries, such as China, are pursuing large-scale industrial policies with strong protectionist elements in order to create national champions. In certain sectors of the global economy, a few global firms are becoming ever larger and dominant, threatening competition. At the same time, new technologies such as digitization, automation and artificial intelligence are developing rapidly and in ways that will change how economic production and exchange will take place in the future, potentially distorting economic policies in areas such as trade, taxation, competition and regulation.

What should Canada do in this context? What strategies should Canadian trade policy follow moving forward? It has never been more important for Canada to get trade policy right in a rapidly changing global trading environment. This symposium will critically examine Canada's trade policy agenda and address key challenges facing the Canadian government as a new trade policy agenda is developed. More specifically, Canada needs to be clear on the international economic and trade agenda that it will pursue in the next decades so that it can take advantage of the opportunities that technological changes

will create while managing the current and future challenges posed by such changes when combined with political, social and economic pressures in favour of protectionism.

We will focus on three important themes: 1). The symposium will critically examine the ideas and questions around “progressive trade” 2). Challenges of increased protectionism 3). Challenges of new technologies, including impact of automation, Artificial Intelligence (AI) and other technological change on trade and investment. The symposium will conclude with an examination of Canada’s Trade Policy Agenda: Looking Ahead.

## AGENDA

7:15 – 8:00 a.m. Registration and Breakfast

8:00 – 8:15 a.m. Introductory Remarks

8:15 – 9:45 a.m. Progressive Trade

*This session explores how Canada’s new progressive trade agenda compares to other visions for inclusive trade and examines the application of ‘progressive trade’ in Canada to date. It also explores how Canadian trade policy might embrace progressive elements such as human rights and gender more systematically in the future and considers the role of emerging economies and developing countries in this debate.*

Moderator: **Patrick Leblond**, Associate Professor and Associate Director, Graduate School of Public and International Affairs, Paul M. Tellier Chair on Business and Public Policy, University of Ottawa, and Senior Fellow, Centre for International Governance Innovation

Speakers: **Margaret Biggs**, Matthews Fellow in Global Public Policy, School of Policy Studies and Department of Political Studies, Queen’s University

**Judit Fabian**, Postdoctoral Scholar, The School of Public Policy, University of Calgary, and Visiting Researcher, Graduate School of Public and International Affairs, University of Ottawa

**Meredith Lilly**, Simon Reisman Associate Professor, International Affairs, The Norman Paterson School of International Affairs, Carleton University, and Senior Fellow, Centre for International Governance Innovation

9:45 – 10:00 a.m. Break

10:00 – 11:30 p.m. **Challenges of new technologies, including impact of automation, Artificial Intelligence (AI) and other such technological change on trade and investment**

*Rapidly developing new technologies, such as digitization, automation and artificial intelligence are changing how economic production and exchange will take place in the future, affecting economic policies in areas such as trade, taxation, competition and regulation. Moreover, some countries are employing industrial policy to protect domestic firms and establish a lead in dynamic industries while global firms have emerged to dominate certain industries and threaten competition. What should Canada do in this context? More specifically, Canada needs to be clear on the international economic and trade agenda that it will pursue in the next decades so that it can take advantage of the opportunities that technological changes will create while managing the current and future challenges posed by such changes when combined with political, social and economic pressures in favour of protectionism.*

Moderator: **Hugh Stephens**, Executive Fellow, The School of Public Policy, and Senior Fellow, Asia Pacific Foundation of Canada

Speakers: **Robert D. Atkinson**, President, Information Technology and Innovation Foundation

**Emily J. Blanchard**, Associate Professor, Business Administration, Tuck School of Business, Dartmouth College

**David Crane**, Columnist, The Hill Times

11:30 a.m. -  
12:15 p.m.

**Keynote Lunch**

**Caroline Freund**, Senior Fellow, Peterson Institute for International Economics

12:15 – 1:45 p.m. **Challenges of Increased Protectionism**

*This session moves us beyond the pro-free trade versus anti-free trade dichotomy. Recent and ongoing challenges of increased protectionism highlight the need to move beyond neo-liberalism and neoclassical economics as the basis of trade policy. However, what is the right balance for a small open economy? In particular, what is the right balance for Canada? This session is searching for the right mix of ideas about what the key priorities and strategies of Canadian trade policy should be in this environment. The session brings together different perspectives in order to start a dialogue about what the right mix of Canadian trade policy might look like.*



Moderator: **Stephen Tapp**, Deputy Chief Economist, Export Development Canada

Speakers: **Susan Aaronson**, Research Professor of International Affairs, Cross-Disciplinary Fellow, George Washington University

**Eugene Beaulieu**, Program Director, International Economics, The School of Public Policy, University of Calgary

**Scott Sinclair**, Director, Canadian Centre for Policy Alternatives

1:45 – 2:15 p.m. Networking Break

2:15 – 3:45 p.m. **Canada's Trade Policy Agenda: Looking Ahead**

*In light of the above, what are the trade policy options for Canada? This session includes short speaker presentations followed by an open discussion with the audience on the future of Canada's trade policy.*

Moderator: **John Curtis**, Executive Fellow, The School of Public Policy, University of Calgary

Panelists: **Wendy K. Dobson**, Professor, Rotman School of Management, University of Toronto

**Jonathan T. Fried**, Co-ordinator, International Economic Relations, Global Affairs Canada

3:45 p.m. **Concluding Remarks**

## CANADA & THE FUTURE OF INTERNATIONAL TRADE GOVERNANCE

Expert Workshop

*Sponsored by the CN-Paul M. Tellier Chair on Business and Public Policy at the University of Ottawa, the Centre for International Governance Innovation and the School of Public Policy at the University of Calgary*

April 13, 2018

University of Ottawa

Social Sciences Building #4004

8:30am - 5pm

### **Purpose**

New such as digitization, automation and artificial intelligence are developing rapidly and in ways that could be highly disruptive for how economic production and exchange will take place in the future, potentially distorting economic policies in areas such as trade, taxation, competition and regulation. In certain sectors of the global economy, few global firms are becoming ever larger and dominant, threatening competition. Finally, governments are concerned with identifying the right mix of policies to support development and innovation in these sectors while minimizing the negative risks that could ensue for society (e.g., individual privacy, jobs, national security, etc.).

What does this mean for Canada's (and the world's) future trade and economic agenda? Is today's trade governance regime adapted for tomorrow's economic and social reality? As a leader of open borders and global governance, Canada needs to be clear on the international economic and trade agenda that it will pursue in the next decades so that it can take advantage of the opportunities that technological changes will create while managing the current and future challenges posed by such changes when combined with political, social and economic pressures in favour of protectionism.

This closed-door (Chatham House Rule) workshop is a follow up to the public conference that was held at the Rideau Club on November 17, 2017 (<https://www.cigionline.org/events/canadas-trade-policy-agenda-looking-ahead>). The goal is to examine much more deeply the issues that were raised at the November 17 conference.

### **Workshop's Objectives**

General

- Provide intellectual support for Canada's leadership on ensuring that international trade governance is adapted for the economic, social, political and environmental realities of the next decades;
- Identify concrete proposals with regards to international trade governance for Canada to pursue and promote;
- Identify the key elements of a Canadian research program in international trade governance. In other words, what are the knowledge gaps that we need to fill?

## Specific

- Determine how new technological developments like digitization, data flows, automation, artificial intelligence affect and will affect economic structures and international trade in the future;
- Determine to what extent the existing international trade governance architecture is equipped to handle these technological changes
- Identify potential ways in which the international trade governance architecture and its policies should be modified for effectively dealing with such technological and structural changes to Canada and the world's economies.

## Output/Deliverable

- Workshop report to be published jointly by CN-Paul M. Tellier Chair/CIGI/SPP.

## Program

### Friday, April 13, 2018

- 8:00 – 8:30: Arrival (continental breakfast served)
- 8:30 – 10:30: **Discussion Theme #1: Trade, Data and the Digital Revolution**  
Short presentations to set up the discussion
- Danielle Goldfarb (Confirmed)
  - Susan Aaronson (Confirmed)
  - Robert Wolfe (Confirmed)
- 10:30 – 11:00: Break
- 11:00 – 13:00: **Discussion Theme #2: Trade, Competition and New Economic Dynamics**  
Short presentations to set up the discussion
- Eugene Beaulieu (Confirmed)
  - Dan Ciuriak (Confirmed)
  - Ari Van Assche (Confirmed)
- 13:00 – 14:00: Lunch
- 14:00 – 16:00: **Discussion Theme #3: Inclusive Trade: How Far Should We Go?**  
Short presentations to set up the discussion
- Michèle Rioux (Confirmed)
  - Judit Fabian (Confirmed)
  - Meredith Lilly (Confirmed)
- 16:00 – 16:15: Break
- 16:15 – 17:00: **Summary and next steps**



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**TRADE EXPERTS ROUNDTABLE: POLICY DIRECTIONS  
AND THE ECONOMIC RESEARCH AGENDA**

May 17, 2018

Global Affairs Canada, Robertson Room  
125 Sussex Drive, Ottawa

The global economy has gone through dramatic and rapid changes over the past 20 years and the current environment is a challenging and evolving landscape for practitioners to manage. Meanwhile, economic research on international trade is also evolving with theory and empirical evidence on a rapidly changing global economy and policy space. What are the key challenges and opportunities facing Canada in a rapidly changing global economy and what are the most important and relevant international policy directions being developed? Are the policy directions informed by economic theory and evidence and is the research agenda well developed and properly focused in order to guide policy? The fourteenth Trade Experts Roundtable will address these questions by bringing together leading economic researchers and policy practitioners for a dialogue on research priorities.

Academics are generally not well aware of the priorities of the private sector and governments. Moreover, policy practitioners are challenged to keep up with the most recent academic developments. This roundtable brings together senior level policy makers from the Canadian government and international trade economists to do a deep dive on the most pressing challenges facing the global trading system. The roundtable is a perfect opportunity to have a frank discussion on the most challenging aspects and biggest opportunities of global commerce - and ensuring that international economic policy is relevant and effective and based on economic theory and evidence.

The roundtable will include a small and select group of senior policy experts from across government that are impacted by global commerce and who interact in the global policy space either directly or indirectly. It will also include leading empirical trade economists

who will be in Ottawa for an in-depth academic conference on empirical international economics that will take place for the three days following the policy roundtable.

## AGENDA

12:00 – 12:45 p.m. Registration & Lunch

12:45 – 1:15 p.m. **Introductory Remarks and Keynote Presentation**  
**Tim Sargent**, Deputy Minister of International Trade

1:15 – 3:15 p.m. **Policy Priorities and Research Directions:**  
The purpose of this panel is to identify and discuss the key international economic policy challenges facing government policy makers and examine recent theoretical and empirical evidence that could help guide policy development in a rapidly changing global economy. The goal is to look beyond short-term current affairs, to take a forward-looking perspective and to discuss the biggest challenges and uncertainties in the global economy and then to identify gaps in the current research knowledge and consider research agendas that can better inform policy makers moving forward.

Chair: **Marie-France Paquet**, Chief Economist, Global Affairs Canada

3:15 – 3:30 p.m. Break

3:30 – 5:30 p.m. **Research Agendas on International Trade:**  
The goal of this panel is to discuss and explore some of the leading-edge research in international economics. The discussion will provide an overview of where the academic research is going and attempts to connect academic research agendas to the policy challenges and knowledge gaps identified in the first session.

Chair: **Eugene Beaulieu**, Program Director, International Economics,  
The School of Public Policy, University of Calgary

5:30 – 5:45 p.m. **Concluding Remarks**

### **Reception and Dinner 6:30-9:00**

**The Rideau Club**, 99 Bank St, Ottawa, ON K1P 1H4

**Welcome:** Eugene Beaulieu

### **After dinner “Fireside Chat”:**

Moderator John Curtis, with Laura Dawson and Meredith Crowley

**May 18-20, 2018:** Rocky Mountain Empirical Trade Conference at University of Ottawa  
(see program for details)

### **About the Author**

**Dr. Eugene Beaulieu** (PhD, Columbia, 1997) is a Professor in the Department of Economics at the University of Calgary and the Program Director, International Economics at The School of Public Policy. Before pursuing a doctorate at Columbia he worked as an economist for the Government of Kenya and the Bank of Canada. Dr. Beaulieu publishes widely in economics and public policy journals and his principal area of research is empirical international economics, with a focus on trade policy, foreign investment, firm dynamics, labour markets and income inequality. He works broadly in the areas of public policy, political economy and economic development. Dr. Beaulieu has held several research grants and awards including the Petro-Canada Young Innovators Award, a Killam Resident Fellowship, and held the Norman Robertson Fellowship at the Canadian foreign affairs office.

**Patrick Leblond** is CN-Paul M. Tellier Chair on Business and Public Policy and Associate Professor in the Graduate School of Public and International Affairs at the University of Ottawa. He is also Senior Fellow at the Centre for International Governance Innovation (CIGI), Research Associate at CIRANO and Affiliated Professor of International Business at HEC Montréal. Dr. Leblond is an expert on economic governance and policy with a particular focus on Canada, North America, Europe and, increasingly, China. He has published extensively on financial and monetary integration, banking regulation, international trade and business-government relations. Before embarking on his academic career, he worked in accounting and auditing for Ernst & Young as well as in corporate finance and strategy consulting for Arthur Andersen & Co. and SECOR Consulting

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