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Up Our Game, Canada!

Summary & Analysis of Five Sources focused on Canada's Export Diversification

Each source proposes distinct yet complementary approaches for Canada to expand trade beyond the U.S.

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Purpose

- Summarize proposals from three articles & two web links on diversifying Canada's exports beyond the U.S.
- Highlight the potential benefits & drawbacks of these proposals for Canada

Sources

Articles	Content in web links
<p>A1. Globerman, S. 2023. Canada's Indo Pacific Trade Strategy & Trade Diversification. Fraser Institute.</p>	<p>A5. Nachiappan, K. 2024. Is Canada Prepared for a Transformed Trade Landscape in Asia? Four Megatrends in Global Trade & their Policy Implications, Asia Pacific Foundation of Canada.</p>
<p>A2. Global Affairs Canada. 2024. State of Trade 2024.</p>	
<p>A3. Macklem, T. 2024. Rewired, Recast, & Redirected: Global Trade & Implications for Canada, Canada-U.K. Chamber of Commerce.</p>	
<p>A4. Schwanen, D. & Van Assche, A. 2024. The Reconfiguration of Global Supply Chains: Threats, Opportunities & Policy Options for Canada, C.D. Howe Institute Commentary.</p>	

A1. Summary: Gliberman, S. 2023. Canada's Indo Pacific Trade Strategy & Trade Diversification

Canada should:

1. Prioritize Indo-Pacific markets (Japan, South Korea, India, Indonesia) as key trade destinations
2. Reduce reliance on U.S. by incentivizing Canadian companies to expand operations in emerging Asian economies
3. Focus on liquefied natural gas (LNG), critical minerals, & green technology exports
4. Enhance trade financing programs to help Canadian businesses enter new markets

Justification

- The Indo-Pacific region is expected to account for 50% of global GDP by 2040
- Current U.S. trade policies (Buy American, tariffs, subsidies) limit Canada's ability to rely mostly on the U.S. market
- Canada is lagging behind other competitors (U.S., Australia, Mexico) in Indo-Pacific engagement

Implementation

- Expand the Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP) with new trade facilitation mechanisms
- Enhance infrastructure (ports, customs procedures) to support increased exports to Asia
- Strengthen commercial diplomacy efforts to reduce regulatory barriers in target markets

A2. Summary: Global Affairs Canada. 2024. State of Trade 2024

Canada should:

1. Develop a “Team Canada” trade mission approach to rapidly expand export markets in the EU, Latin America, & Africa
2. Modernize Canadian trade policy to focus on new digital & green technology trade agreements
3. Enhance trade resilience through nearshoring & partnerships with non-U.S. markets

Justification

- Global trade disruptions (Ukraine war, supply chain bottlenecks, economic nationalism) require Canada to act decisively
- New opportunities in European & Indo-Pacific green energy markets can boost Canada's economic diversification

Implementation

- Increase export financing support through Export Development Canada (EDC)
- Incentivize companies to move beyond North America via tax credits & government-backed insurance programs
- Invest in AI-powered supply chain monitoring to anticipate trade risks

A3. Summary: Macklem, T. 2024. Rewired, Recast, & Redirected: Global Trade & Implications for Canada, Canada-U.K. Chamber of Commerce

Canada should:

1. Shift Canada's trade strategy from "globalization" to "strategic regionalization"
2. Prioritize Canada-UK & Canada-EU trade expansion over reliance on China & the U.S.
3. Invest in services trade (e.g., finance, consulting, AI-driven digital commerce) as an alternative to goods exports

Justification

- The era of rapid globalization is over, replaced by regional trade blocks
- Digital services trade is growing faster than goods trade, offering Canada an advantage in AI, finance, & clean tech
- Growing economic nationalism requires a more strategic, long-term approach

Implementation

- Negotiate new digital services trade agreements with the EU, UK, & Indo-Pacific
- Expand trade in AI-driven & financial services, reducing reliance on traditional goods exports
- Strengthen Canada's role in regional trade security & critical infrastructure investment

A4. Summary: Schwanen, D. & Van Assche, A. 2024. The Reconfiguration of Global Supply Chains: Threats, Opportunities & Policy Options for Canada, C.D. Howe Institute Commentary

Canada should:

1. Develop a national supply chain strategy to enhance resilience against external shocks (e.g., tariffs, natural disasters, cyber threats).
2. Strengthen infrastructure investments (ports, logistics hubs, digital trade platforms) to facilitate diversification.
3. Enhance domestic manufacturing preparedness to reduce dependency on the U.S.
4. Leverage trade alliances to secure stable access to non-U.S. markets.

Justification

- Growing U.S. protectionism necessitates a pivot to secure alternative markets
- Disruptions in global supply chains (COVID-19, geopolitical risks) highlight the need for trade flexibility

Implementation

- Create government incentives for businesses to establish supply chains with Europe, Latin America, & Indo-Pacific partners
- Establish bilateral trade partnerships focusing on essential goods & energy
- Remove interprovincial trade barriers to increase economic resilience within Canada

A5. Summary: Nachiappan, K. 2024. Is Canada Prepared for a Transformed Trade Landscape in Asia? Four Megatrends in Global Trade & their Policy Implications, Asia Pacific Foundation of Canada

Canada should:

1. Reduce reliance on traditional partners by strengthening economic ties with emerging markets, particularly in Southeast Asia
2. Invest in infrastructure & policies that bolster supply chain resilience against geopolitical & environmental disruptions
3. Align Canadian trade policies with global environmental standards to remain competitive & responsible
4. Develop & implement robust frameworks to manage the challenges & leverage the opportunities presented by technological advancements in trade

Justification

Four megatrends:

- The ongoing rivalry between the U.S. & China is reshaping regional economic partnerships
- Beyond the U.S.-China dynamic, other geopolitical tensions in regions like Ukraine, the Middle East, & the South China Sea are further stressing global trade
- Countries are increasingly implementing initiatives to address climate change & promote sustainable practices but also introduce new challenges & obligations for nations like Canada that are deeply integrated into the global trading system
- The rapid advancement of technology necessitates robust regulatory frameworks to manage digital trade & protect economic interests

Implementation

- Diversify trade beyond China & the U.S. by securing deeper agreements with Southeast Asia (ASEAN, Indonesia, Vietnam), Japan & South Korea (existing CPTPP members), & India (as a rising economic partner)
- Position Canada as a neutral trade facilitator between China & the U.S.
- Expand Investment in "Friendly" Trade Hubs

B. Analysis: Canada's Foreign Market Diversification

- Foreign market diversification is necessary, but Canada must address structural & geopolitical barriers to ensure success
- A hybrid approach—expanding Indo-Pacific & Latin American trade while maintaining strong U.S. ties—is more realistic than full-scale trade decoupling
- Trade in services & digital economy growth is a more viable diversification pathway than only focusing on traditional goods exports.

How Canada Benefits from Foreign Market Diversification ^{1/2}

1. Economic advantages

- New growth markets (e.g., Indo-Pacific & Latin America) have higher GDP growth rates than the U.S., creating demand for Canadian exports
- Canada can expand exports beyond resource-based industries to include technology, services, & green energy
- Diversifying trading partners reduces vulnerability to U.S. tariffs & economic downturns

2. Political feasibility & diplomacy

- Strengthened strategic alliances with ASEAN, CPTPP members, & the EU provide Canada greater leverage in global trade negotiations
- Less exposure to U.S. protectionism, especially with CUSMA trade uncertainties looming
- Aligns with global sustainability goals, enhancing Canada's trade credibility

How Canada Benefits from Foreign Market Diversification 2/2

3. Long-Term Sustainability

- Trade diversification aligns with global megatrends, such as digital trade, AI-driven economies, & sustainability-focused supply chains
- Reduces overreliance on the U.S. market, improving economic stability
- Supports Canada's leadership in green technology & digital finance

Challenges Canada Faces in Expanding Trade Markets ^{1/2}

1. Economic & structural barriers

- Geographical distance increases shipping & logistics costs
- Canada lacks sufficient trade infrastructure & ports to efficiently scale exports to Asia
- Many Canadian industries (e.g., energy, agriculture) are still U.S.-oriented & struggle to enter non-U.S. markets.

2. Geopolitical & Political Risks

- Canada's Indo-Pacific Strategy is vague about its relationship with China, potentially limiting trade opportunities
- Political instability in emerging markets (e.g., India, Latin America) poses risks to long-term investment & export strategies
- New trade agreements with ASEAN, Latin America, or the EU may take years to materialize

Challenges Canada Faces in Expanding Trade Markets ^{2/2}

3. Implementation & stakeholder challenges

- Many Canadian firms prefer low-cost, familiar U.S. markets rather than risky expansions
- Government programs supporting trade diversification are fragmented & may not provide clear incentives for businesses
- Expanding digital services exports requires new regulatory frameworks for data transfer, e-commerce, & IP protection

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