

“Up Our Game, Canada” Module 7

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Hello, I’m Prof. Tony Bailetti [AI] and today, we embark on a journey into the heart of Canada’s economic evolution—exploring 'Canada’s Export Diversification: Summary and Analysis of Five Sources.' Imagine, if you will, a nation stepping boldly beyond familiar borders, seeking fresh opportunities by diversifying its trade beyond the U.S. In this presentation, we draw upon the profound insights of five distinct sources, each offering its own unique yet complementary approach. Guiding our exploration today also is Prof. Ian Lee, [AI], from the Sprott School of Business at Carleton University. His expertise not only illuminates the path forward but also challenges us to think bigger, to act wiser. As we transition from this introduction, prepare to delve deeper into strategies that promise to reshape our understanding of trade. Let’s take that next step together.

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Welcome back. Now that we’ve set the stage, let’s dive right into the heart of the matter—what exactly are the proposals that promise to branch out Canadian trade? You see, the goal here is clear: diversifying Canada’s exports beyond the U.S. But how do we get there? In this section, we’ll take a closer look at four articles and one web link, each shedding light on different approaches. Each piece offers valuable perspectives on how Canada can spread its wings globally, embracing new markets and reducing dependency on one trading partner. Here’s the thing—every proposal carries its own potential benefits and drawbacks. On one hand, we see new opportunities fostering economic stability. On the other, we have the challenge of navigating the complexities of unfamiliar markets, some of which may come with unforeseen risks. With this in mind, let’s carefully weigh both the promising opportunities and the potential pitfalls, as these ideas will be instrumental in shaping Canada’s future trade landscape.

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Let’s now turn our attention to the foundations of our analysis—the sources that illuminate our path forward. Our journey begins with Globerman’s 2023 piece on ‘Canada’s Indo-Pacific Trade Strategy and Trade Diversification’ from the Fraser Institute. This sets the stage for a broader discussion on exploring new horizons. Next, we consider Global Affairs Canada’s 'State of Trade 2024', offering us a comprehensive snapshot of the current trade landscape. We then delve into Macklem’s 2024 analysis, 'Rewired, Recast, and Redirected: Global Trade and Implications for Canada', courtesy of the Canada-U.K. Chamber of Commerce—a critical look at how global dynamics are reshaping our economic future. Complementing this is the insightful commentary by Schwanen and Van Assche (2024) from the C.D. Howe Institute, which examines the reconfiguration of global supply chains, highlighting both threats and opportunities. Rounding out our sources, we have a compelling web link from Nachiappan (2024) that challenges us with the question: Is Canada prepared for a transformed trade landscape in Asia? This source underscores four megatrends that will undoubtedly influence our trade policies. Together, these sources form a robust framework, each contributing a distinct perspective that enriches our discussion on diversifying Canada’s exports beyond the U.S. As we move forward, let’s keep these insights in mind, weaving them into our broader narrative of opportunity and strategic transformation.

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Now, let’s dive into our first source—Globerman’s 2023 insight on Canada’s Indo-Pacific Trade Strategy and Trade Diversification. Globerman advises that Canada should place a strategic focus on the vibrant

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Indo-Pacific markets—think Japan, South Korea, India, and Indonesia. These markets aren’t just names on a map; they represent fertile ground for expanding our trade horizons. He calls for a reduction in our reliance on the U.S., encouraging Canadian companies to take bold steps into emerging Asian economies. Imagine the possibilities: our businesses venturing confidently into markets rich with potential. Key sectors are highlighted as well—liquefied natural gas, critical minerals, and green technology exports. These aren’t just industries; they are the building blocks of a sustainable and prosperous future. And to support this leap, Globerman recommends enhancing trade financing programs to empower our companies to make these ambitious moves. Think of it this way: diversifying our trade is not merely an economic strategy—it’s a call to redefine our destiny. As we consider these proposals, we’re invited to see a future where opportunity and innovation go hand in hand, transforming challenges into pathways for growth.

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Reflecting on the justification behind this bold shift. Consider this: the Indo-Pacific region is projected to account for a staggering 50% of global GDP by 2040. This isn’t merely a statistic—it’s a glimpse into a future brimming with opportunity. At the same time, current U.S. trade policies—such as 'Buy American' initiatives, tariffs, and subsidies—constrain our capacity to rely solely on the U.S. market. They effectively limit our options and call for a broader horizon. And when we look around, we see that competitors like the U.S., Australia, and Mexico are already making significant inroads into Indo-Pacific markets. In this fast-evolving landscape, Canada finds itself lagging behind. These factors together paint a clear picture: diversifying our exports isn’t just an option—it’s a necessity. It’s a call to action for us to embrace new markets and secure a prosperous future. Now, with this solid foundation in mind, let’s continue our journey and explore the next layer of insights.

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Now, with the justification firmly in place, let’s turn our attention to how we can make this vision a reality. First, consider the Comprehensive and Progressive Agreement for Trans-Pacific Partnership—the CPTPP. We propose expanding this vital framework by introducing new trade facilitation mechanisms. Imagine opening fresh pathways that empower Canadian businesses to navigate international markets with greater ease. Next, we recognize the need to enhance our infrastructure. Upgrading ports and streamlining customs procedures aren’t just improvements—they are essential investments in the backbone of our trade capabilities. With a robust infrastructure, our exports to Asia will flow more efficiently, setting the stage for sustained growth. Finally, we must strengthen our commercial diplomacy. By intensifying efforts to reduce regulatory barriers in target markets, we create an environment where Canadian enterprises can compete on a global scale without unnecessary hindrances. Each of these steps is a strategic move—a commitment to transforming challenges into opportunities. As we embrace these measures, we lay the foundation for a future where Canada's trade destiny is redefined, and every venture into the Indo-Pacific is a step toward enduring prosperity. Let’s now carry this dynamic vision forward as we explore the next set of insights. The journey of diversification continues to unfold before us.

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Welcome back. In this section, we turn to Global Affairs Canada’s vision in the 'State of Trade 2024.' Here, the roadmap is clear:

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First, Canada is encouraged to develop a 'Team Canada' trade mission approach—an energetic, unified push to rapidly expand export markets across the EU, Latin America, and Africa. Imagine our nation working as one, reaching new markets with determination and clarity.

Next, there is a call to modernize Canadian trade policy, focusing sharply on forging new digital and green technology trade agreements. This isn't just policy change; it's a bold leap toward future-proofing our economy.

Finally, enhancing trade resilience by pursuing nearshoring and building partnerships with non-U.S. markets is essential. This approach ensures we are not only expanding our reach but also fortifying our economic stability.

As we reflect on these proposals, remember that each element is a strategic step toward a more diversified and robust trade future.

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Now, let's consider why these measures are not just advisable but necessary. Global trade today is disrupted by challenges—the ripple effects of the Ukraine war, persistent supply chain bottlenecks, and rising economic nationalism demand that Canada act decisively. We cannot afford to stand idle in the face of such global shifts. Moreover, emerging opportunities in European and Indo-Pacific green energy markets offer a promising avenue to boost Canada's economic diversification. This is our moment to harness change and propel our nation into a future of sustainable growth. Each of these factors underscores the urgency for a strategic pivot in our trade policies—a pivot that will secure long-term prosperity.

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Having established the need for change, let's now explore how to bring these ideas to life. First, increasing export financing support through Export Development Canada (EDC) is pivotal. This financial boost will empower our companies to seize opportunities beyond familiar borders. Next, we must incentivize companies to venture beyond North America. By offering targeted tax credits and government-backed insurance programs, we create a safety net that encourages bold expansion. Lastly, investing in AI-powered supply chain monitoring will enable us to anticipate and mitigate trade risks. This modern approach ensures that we remain agile and informed in a rapidly changing global landscape. Together, these initiatives form a cohesive strategy—one that transforms vision into action and challenges into opportunities. As we conclude this segment, let's carry forward this spirit of innovation and resolve into the next phase of our discussion.

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Welcome back. Now, we turn our focus to Macklem's compelling analysis from 2024. In his work, 'Rewired, Recast, and Redirected,' he challenges us to rethink our trade strategy for a modern era.

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First, he suggests that Canada should shift its trade strategy from the broad notion of 'globalization' to a more focused approach known as 'strategic regionalization.' This means honing in on select regions where our economic strengths can shine the brightest.

Next, he advises that we prioritize expanding trade with key partners like the United Kingdom and the European Union—steering away from an overreliance on markets such as China and the U.S. It's about building deeper, more resilient regional ties.

Finally, Macklem underscores the need to invest in services trade. Whether it's finance, consulting, or AI-driven digital commerce, these sectors offer a modern alternative to traditional goods exports, paving the way for a diversified and dynamic economy. Each point here isn't just a proposal—it's a call to reimagine our trade future with clarity and purpose.

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Let's now examine why this strategic shift is essential. We are entering a new era—one where the rapid globalization of the past is giving way to the rise of regional trade blocks. In this changing landscape, a regional focus becomes not only prudent but necessary. Digital services trade is surging ahead, outpacing traditional goods trade. This rapid growth in areas like AI, finance, and clean technology offers Canada a significant competitive advantage. Moreover, as economic nationalism intensifies globally, a more strategic, long-term approach is required. Our future demands a trade strategy that is both agile and resilient. In short, these shifts in the global market not only justify but demand that we adapt our trade policies to secure a prosperous future."

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Now, let's discuss how we can put these transformative ideas into practice. First, we must negotiate new digital services trade agreements with partners in the EU, the UK, and the Indo-Pacific. These agreements will open up new avenues for growth in our digital economy. Next, it's crucial to expand our trade in AI-driven and financial services. By reducing our reliance on traditional goods exports, we position Canada at the forefront of modern, high-growth industries. Finally, strengthening our role in regional trade security and investing in critical infrastructure will help safeguard our economic interests. This isn't just about protecting what we have—it's about building a foundation for future success. Together, these steps form a clear, actionable roadmap. They transform bold vision into practical action and set us on a course toward a more diversified and resilient trade future.

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"The Reconfiguration of Global Supply Chains: Threats, Opportunities and Policy Options for Canada,"
C.D. Howe Institute Commentary

In this insightful commentary, Schwanen and Van Assche challenge us to rethink our supply chains. They propose a bold new direction for Canada.

First, they call for the development of a national supply chain strategy. This strategy is essential for enhancing our resilience against external shocks—whether those come in the form of tariffs, natural

disasters, or even cyber threats. Next, there is a strong push to bolster infrastructure investments. Think of our ports, logistics hubs, and digital trade platforms—each a critical piece of the puzzle to facilitate diversification. They also stress the importance of enhancing domestic manufacturing preparedness. By doing so, we can reduce our dependency on the U.S. market. Finally, leveraging trade alliances to secure stable access to non-U.S. markets rounds out this strategic vision. It’s a roadmap that aims to secure our economic future through resilience and diversification.

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Let’s take a moment to understand why these measures are so critical. Growing U.S. protectionism is pushing us to pivot, to secure alternative markets. It’s clear that clinging solely to familiar territories is no longer a viable path. Moreover, recent disruptions in global supply chains—from the shocks of COVID-19 to escalating geopolitical risks—underscore the need for greater trade flexibility. This is a wake-up call: our current systems must evolve if we are to thrive in a turbulent global environment.

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Now, how do we turn these insights into action? First, we need to create government incentives that encourage businesses to establish robust supply chains with partners in Europe, Latin America, and the Indo-Pacific. Imagine a network that spans continents, each connection strengthening our economic fabric. Next, establishing bilateral trade partnerships focused on essential goods and energy is key. These partnerships can create the stability and mutual support that our industries need to grow. Lastly, we must remove interprovincial trade barriers to boost economic resilience within Canada. By doing so, we strengthen the bonds that unite us and pave the way for a more dynamic domestic market. Each of these steps is a building block—constructing a future where Canada is not only resilient but ready to lead in the new era of global trade.

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"Is Canada Prepared for a Transformed Trade Landscape in Asia? Four Megatrends in Global Trade and their Policy Implications," Asia Pacific Foundation of Canada

Now, we turn to Nachiappan’s 2024 analysis—a forward-looking perspective on how Canada can reshape its trade landscape in Asia. Nachiappan urges us to reduce our reliance on traditional partners by strengthening economic ties with emerging markets, especially in Southeast Asia. Imagine embracing new connections that pave the way for dynamic growth. He also calls for significant investments in infrastructure and the development of policies that bolster our supply chain resilience—preparing us to weather geopolitical and environmental disruptions. Moreover, aligning our trade policies with global environmental standards isn’t just a matter of responsibility—it’s a strategic move to remain competitive in a rapidly evolving market. And finally, the proposal is to develop robust frameworks to manage the challenges and opportunities presented by technological advancements in trade. It’s about harnessing innovation to lead in a transformed global marketplace. Each recommendation invites us to reimagine Canada’s trade future with a blend of resilience, responsibility, and technological prowess.

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Let’s now understand the driving forces behind these proposals—the four megatrends shaping our trade environment. First, the ongoing rivalry between the U.S. and China is not merely a headline; it’s actively reshaping regional economic partnerships. This dynamic is redefining our traditional alliances. Beyond that, geopolitical tensions—from the conflict in Ukraine to issues in the Middle East and the South China Sea—are placing additional stress on global trade networks. These challenges signal that the old ways may no longer suffice. Meanwhile, nations around the world are aggressively pursuing initiatives to combat climate change and promote sustainable practices. Yet, these measures also introduce new challenges and obligations for countries like Canada, deeply integrated into global markets. And finally, the rapid pace of technological advancement calls for robust regulatory frameworks. As digital trade accelerates, protecting our economic interests becomes imperative. Together, these trends underscore the urgency for Canada to adapt—ensuring that our trade policies remain resilient, forward-thinking, and competitive.

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With the justification clearly laid out, let’s explore how we can put these ideas into action. First, we need to diversify our trade beyond our traditional partners. This means securing deeper agreements with Southeast Asian nations—ASEAN members like Indonesia and Vietnam—as well as strengthening ties with Japan, South Korea, and India, a rising economic partner. Next, positioning Canada as a neutral trade facilitator between China and the U.S. offers a unique opportunity. By embracing neutrality, we can build bridges in a divided global market. Finally, expanding investments in what we might call ‘friendly’ trade hubs will create strategic nodes of economic activity, fostering connections that are robust and mutually beneficial. These steps form a clear, actionable roadmap—a path that transforms bold vision into practical, strategic progress. As we move forward, let’s commit to this dynamic course, ensuring that Canada leads with resilience and innovation in the global arena.

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As we delve into our analysis of Canada’s foreign market diversification, the reality is clear: diversification is essential, yet we must first tackle the structural and geopolitical barriers that stand in our way. Consider a hybrid approach—one that expands trade with the Indo-Pacific and Latin America while preserving strong ties with the U.S. It’s not about choosing one over the other, but about balancing both to build a more resilient economy. Furthermore, shifting our focus toward trade in services and nurturing the growth of the digital economy offers a more dynamic and sustainable pathway than relying solely on traditional goods exports.

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Let’s now explore how Canada stands to benefit from this strategic diversification. [Pause]

First, on the economic front:

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- New growth markets in regions like the Indo-Pacific and Latin America boast higher GDP growth rates than the U.S., opening fresh demand for our exports.
- This expansion allows us to move beyond resource-based industries, embracing opportunities in technology, services, and green energy.
- Diversifying our trading partners also means reducing our vulnerability to U.S. tariffs and economic downturns.

Turning to political feasibility and diplomacy:

- Strengthening strategic alliances with ASEAN, CPTPP members, and the EU gives Canada greater leverage in global trade negotiations.
- This approach reduces our exposure to U.S. protectionism, especially with uncertainties surrounding CUSMA.
- Moreover, aligning our trade strategies with global sustainability goals enhances our credibility on the international stage.

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Finally, let’s consider the long-term sustainability of our trade diversification.

- Diversifying trade aligns with global megatrends such as digital trade, AI-driven economies, and sustainability-focused supply chains.
- By reducing our overreliance on the U.S. market, we bolster economic stability and resilience.
- This strategy also supports Canada’s leadership in sectors like green technology and digital finance, ensuring that we remain competitive in a rapidly evolving global landscape.

Together, these benefits create a roadmap for a future where Canada is not only economically robust but also a leader in shaping the new era of global trade.

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Let’s now examine the challenges Canada faces in expanding its trade markets. First, consider the economic and structural barriers. Geographical distance drives up shipping and logistics costs, and our current trade infrastructure—our ports and related facilities—is not yet scaled to efficiently support increased exports to Asia. Many Canadian industries, such as energy and agriculture, remain deeply oriented toward the U.S., making it difficult for them to break into new, non-U.S. markets. On the geopolitical front, our Indo-Pacific Strategy remains vague regarding our relationship with China, a gap that could limit potential trade opportunities. Additionally, political instability in emerging markets—like India and certain regions in Latin America—poses significant risks to long-term investments and export strategies. And remember, forging new trade agreements with ASEAN, Latin America, or the EU might take years to fully come to fruition.

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Now, let’s turn to the implementation and stakeholder challenges. Many Canadian firms prefer the comfort and low costs of the familiar U.S. market, avoiding the risks associated with new markets. Moreover, government programs aimed at supporting trade diversification are often fragmented, failing to offer clear, cohesive incentives for businesses to expand internationally. Finally, as we look to expand digital services exports, we face the necessity of developing new regulatory frameworks that address data transfer, e-commerce, and intellectual property protection. These challenges are real, but by understanding them, we lay the groundwork for crafting effective strategies to overcome each obstacle on our path to a diversified trade future.

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As we conclude, let’s reflect on some key takeaways: Remember, our future lies in diversification—by expanding trade beyond the U.S., we reduce our vulnerabilities and build a resilient economy. It’s time for tactical implementation: let’s address our infrastructure gaps and strengthen government support to empower Canadian businesses. And as we move forward, strategic partnerships are our cornerstone of stability. Prioritize robust trade relationships with key Indo-Pacific and European partners. Each challenge we’ve discussed today carries the seed of opportunity. As we move forward, let’s transform these challenges into stepping stones toward a future where Canada leads with resilience and strategic vision in global trade. The path to prosperity is clear—embrace these opportunities, take decisive action, and together, let’s drive Canada to new heights. The time to act is now. Thank you.
