



May 2008



# Annual Report of The International Trade and Investment Centre



# Annual Report

## International Trade and Investment Centre

May 2008

*There are few neutral, inclusive forums where stakeholders from government, academia and business can meet to discuss international trade and investment research and to address challenges and successes. The International Trade and Investment Centre (ITIC) is increasingly being recognized for its unique ability to bring together experts from academia, public sector and business to inform public debate on issues relevant to Canada's global trade and investment success.*

### Our Objective

We will provide independent, evidence-based research to enhance the ability of both the public sector and business to make informed decisions by:

- Promoting informed dialogue on Canada's global economic role;
- Contributing to enhanced Canadian living standards by providing a sound basis for business and government decisions that enhance trade and investment outcomes;
- Proposing solutions for improving Canada's future trade and investment performance, rooted in the Centre's original research findings combined with other emerging analyses;
- Bringing together business and government leaders in an off-the-record forum to share the latest research and successful trade and investment strategies.

Dear Members of the International Trade and Investment Centre,

We are delighted to present this overview of Centre activities since its inaugural meeting in April 2006. Since that time the Centre has published nine research reports and two research updates. Members have attended six Centre meetings across the country and virtually. Looking forward, the Centre's Advisory Group prioritized the following themes for future research: how smaller businesses are affected by the challenges and opportunities of globalization, Canada's capabilities in global supply chains, and best global trade and investment practices.

Without the committed involvement of our members, this important research would not go forward. Again and again we hear that our work is of high quality and highly valued. Academics, policymakers, media and businesses are downloading our work, and members are providing top rankings for our meetings. We look forward to continuing the Centre's solid foundation of research and meetings over the coming years and to your comments and suggestions.

Sincerely,

The ITIC staff

Visit our Website: [www.conferenceboard.ca/itic/](http://www.conferenceboard.ca/itic/)

## Member Benefits

### Research Program

Members reviewed early results from the following Centre reports :

- Canadian SMEs and Globalization: Success Factors and Challenges, Kathleen Macmillan, May 2008
- Stuck in Neutral: Canada's Engagement in Regional and Global Supply Chains, Danielle Goldfarb and Doris Chu, May 2008
- Foreign Investment Review Regimes: How Canada Stacks Up, April 2008, Andrea Mandel-Campbell
- Trends in Foreign Direct Investment and Mergers and Acquisitions: International and Canadian Performance and Implications, February 2008, Louis Thériault, Kip Beckman
- Canada's "Missing Trade" with Asia, February 2008, Danielle Goldfarb and Louis Thériault
- Addressing Gaps in the Transportation network: Seizing Canada's Continental Gateway Advantage, October 2007, Mary Brooks
- New Wine in Old Bottles? The Democrats' Trade Agenda and its Implications for Canada, July 2007, Marc Busch
- Is Just-in-Case Replacing Just-in-Time? How Cross-Border Trading Behaviour has changed since 9/11, June 2007, Danielle Goldfarb
- Reaching a Tipping Point? Effects of Post 9/11 Border Security on Canada's Trade and Investment [overview report], June 2007, Danielle Goldfarb
- Tighter Border Security and Its Effect on Canadian Exports, [technical report] June 2007, Michael Burt
- If We Can Fix It Here, We Can Make It Anywhere: Effective Policies at Home to Boost Canada's Global Success, March 2007, Danielle Goldfarb
- Canada's Changing Role in Global Supply Chains, March 2007, Danielle Goldfarb, Kip Beckman

### Research Updates:

- Can SMEs Fit into Global Supply Chains?, November 2007, Danielle Goldfarb
- The U.S.-Korea FTA, April 19, 2007, Danielle Goldfarb

### en français...

We are pleased to announce that all Centre reports will have both French and English executive summaries. These will be sent to members and posted on our web site.

### Member Interaction

The Centre depends heavily on the active involvement of members. The flow of phone calls and emails about trade and investment-related issues from our members has been very encouraging.

- We greatly appreciate members who have hosted various meetings: Export Development Canada, Federal Express, Foreign Affairs and International Trade Canada, and the British Columbia Ministry of Economic Development.
- Meetings have been well-attended with an average of 66% of member organizations at each meeting.
- Our last four meetings were rated by members at 4.4 out of 5, an above average level of satisfaction.

### Outreach and Education

An important part of ITIC's mandate is to help provide an evidence-basis for public discussion, as well as propose solutions for improving Canada's future trade and investment performance.

We are pleased to note that:

- Over 7,500 copies of Centre reports have been downloaded from our web site. <http://www.conferenceboard.ca/ITIC/> (To facilitate evidence-based discussion on trade and investment, Centre reports are available free of charge to the public.)
- Visitors to the web site now number over 6,400.
- The Centre encourages collaboration with academics and researchers in government and elsewhere. We invite relevant academic researchers to participate in meetings and conduct regular, informal discussions with them to ensure the Centre is up-to-date on the latest research. The Centre also regularly sends papers to outside researchers for review.

Staff made presentations on trade- and investment-related research to other organizations, including:

Glen Hodgson:

- House Committee on Trade: Columbia, May 2008
- Standing Senate Committee on Foreign Affairs and International Trade – the Rise of China, India and Russia in the Global Economy, April 2008
- Canada's Productivity and Competitiveness Challenges at the Economic & Finance Counsellors Conference, March 2008
- eDiscussion on Ensuring Canadian Prosperity in a Changing Global Economy, Foreign Affairs and International Trade Centre, December 2007
- Presentation on Trade Matters, House of Commons Standing Committee, February 2007
- Trends in FDI and M&A: International and Canadian Performance and Implications, CanCompete Advisory Group, December 2007

Danielle Goldfarb:

- Canada's "Missing Trade". Presentation to Federal-Provincial meeting of trade representatives, March 2008
- Reaching a Tipping Point? The Effects of the Post 9/11 Border on Canadian Trade and Investment, Association of Canadian Studies in the US, Toronto, November 2007
- International Trade, Senate Committee on Foreign Affairs and International Trade, May 2007
- Canada's Changing Role in Global Supply Chains, Emerging Dynamic Global Economies (EDGE) Network

Louis Thériault:

- Emerging Economies: Do we really know what is happening, Emerging Dynamic Global Economies Network 2nd Annual Conference (EDGE), Vancouver, October, 2007
- Mission Possible: Stellar Economic Performance in the Global Economy, Compensation Research Centre - Public Sector Executive Network Forum, November 2007

Michael Burt:

- Post -9/11 Border Security and Canada-US. Trade and Investment, Transportation Border Working Group, Montreal, October 2007

### **Media Coverage:**

Since the first reports of the Centre were published in March 2007, we have attracted significant media attention. See Appendix 1 for selected quotes.

- 180 stories appeared in both national and local print media; this translates into an audience reach of over 17 million
- There were 37 print, radio, and television interviews with staff regarding Centre research

## **Meeting Presentation and Discussion Highlights – 2006-2008**

### **April 2008 – Webinar**

#### **Canadian SMEs and Global Engagement: What the Evidence Tells Us**

- Small and Medium-Sized Businesses and Globalization: What the Evidence Tells Us (Kathleen Macmillan)

### **January 2008 – Toronto**

#### **Is Canada Being Hollowed Out? New Evidence and Lessons from Peers**

- Trends in Foreign Direct Investment and Mergers and Acquisitions Activity (new Conference Board report)
- The Hollowing Out of Corporate Canada: Myth or Reality? (new Conference Board report)
- Comparison of Peer Country Investment Screen Practices (soon to be released Conference Board report)

### **October 2007 – Vancouver**

#### **Enhancing Canada-Asia Supply Chains for Goods and Services**

- Canada's Role in Asia: Opportunities & Obstacles – Canada's Ambassador to Japan
- Canada's "Missing Trade" with Asia (new Conference Board report)
- Business Perspectives on Canada-Asia Supply Chains (BuildDirect, University of British Columbia, Elk Valley Coal Corp, and IBM Canada Ltd.)
- Will West Coast Ports Choke Again? (Export Development Canada)
- Tour of Vancouver Port by the Vancouver Port Authority
- The Impact of Global Asia on Canada (Asia-Pacific Foundation)
- Advisory Group meeting on future research priorities

### **June 2007 – Teleconference**

#### **Challenges, Lessons Learned and Success Factors in Going Global**

- New Dawn in the Desert – a documentary about Canadian company's experience in the Middle East  
Experiences from the five different businesses on their organizations' global challenges and successes  
March 2007 – Ottawa
- Boosting Canada's Global Economic Success Through Effective Policy-Making at Home
- The Alberta-British Columbia Trade, Investment and Labour Mobility Agreement (Alberta International, Intergovernmental and Aboriginal Relations)
- A Future-Oriented U.S. Perspective on Securing Canada-U.S. Supply Chains (Can-Am Border Trade Alliance)
- Effects of the Post-9/11 Border Security Environment on Canada-U.S. Economic Interests: Presentation of Conference Board Findings and Roundtable Discussion

### **March 7, 2007 – Ottawa**

#### **Boosting Canada's Global Economic Success Through Effective Policy-making at Home**

- The Alberta-British Columbia Trade, Investment and Labour Mobility Agreement (Alberta International, Intergovernmental and Aboriginal Relations)
- A Future-Oriented U.S. Perspective on Securing Canada-U.S. Supply Chains (Can-Am Border Trade Alliance)
- Effects of the Post-9/11 Border Security Environment on Canada-U.S. Economic Interests: Presentation of Conference Board Findings and Roundtable Discussion

### **November 2006 – Toronto**

#### **Canada in the Global Economy – Achieving Sustainable Prosperity:**

- Presentation of key findings from Mission Possible: Stellar Canadian Performance in the Global Economy (Conference Board of Canada)
- US Trade Policy After the Congressional Elections: Implications for Canada (School of Foreign Service, Georgetown University)
- Advisory Group meeting on future research priorities

## **April 2006 – Inaugural Meeting – Ottawa**

- Existing research related to international trade and investment from The Canada Project
- Discussion on the proposed research plan
- Discussion to establish the mission statement

# **Looking forward 2008-2009**

## **Meeting Calendar**

Over the next year, with your input, we will design meetings that include the latest research, as well as dialogue with business and public sector thought leaders.

### **September 24-25, 2008 –Montreal**

Co-Host: Business Development Bank of Canada

Topic: Global Opportunities and Challenges for Small and Medium-Sized Canadian Businesses

## **Upcoming Research:**

### **Proposed publications for 2008-2009 include:**

1. Obstacles, Opportunities and Adapting to Rapid Change: How SMEs Are Responding to Globalization
  - a. Best policy/strategy practices and lessons from peers
  - b. Other papers to be determined based on advisory group discussion of concept paper
2. Mobility of Business People and Implications for Canada's Global Engagement
3. Briefs on cutting edge academic research and emerging issues.

### **Possible themes for 2009-2011 (subject to Advisory Group prioritization):**

1. SMEs and globalization – ongoing research themes to be identified based on 2008 research
2. Canada's capabilities in global supply chains or "global value chains" – ongoing research
3. Canada and NAFTA Renewal
4. Canada's "missing" goods and services trade with the US, Latin America, Europe, etc.
5. Best practices: What are the policy and business lessons from other countries' global success?
6. The post-9/11 border: has investment and trade in both goods and services been harmed?
7. The US post-election and what it means for Canadian economic interests
8. Environment, energy and trade (lessons from Scandinavians on matching environmental sustainability with high productivity?)
9. Briefs on cutting edge academic research and emerging issues identified by members and others.

## Membership

### Advisory Group (Champion & Lead Members)

Alberta International and Intergovernmental & Aboriginal Relations  
Bank of Canada  
British Columbia Ministry of Economic Development  
Business Development Bank  
Canada Mortgage and Housing Corporation  
Export Development Canada\*  
Federal Express Canada Ltd.  
Foreign Affairs and International Trade Canada\*  
Forest Products Association of Canada  
Industry Canada

Ministère du Développement économique, de l'Innovation et de Exportation  
Natural Resources Canada  
Ontario Ministry of Economic Development  
Purolator Courier Ltd.  
RBC Financial Group  
Sun Life Financial Inc.  
TD Bank Financial Group  
TransAlta Corporation  
Western Economic Diversification Canada

\* Champion members

### Partner Organizations

Bombardier Inc.  
Investissement Quebec

Nova Scotia Depart. of Economic Development  
Transport Canada

### **At Your Service!**

Glen Hodgson, Executive Vice-President & Chief Economist

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Louis Thériault, Director

*(On Leave)*

Danielle Goldfarb, Associate Director

*(Maternity Leave)*

Donna Mcleod, Coordinator

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## APPENDIX 1

# Selected media coverage of Centre's research

Some Canadian companies have responded by lengthening delivery schedules or setting up warehouses across the border to stockpile parts....“Just-in-case is replacing just-in-time,” noted a recent study by the Conference Board of Canada. *The Economist, March 1, 2008*

A recent analysis by the Conference Board of Canada suggests that, at least with respect to Asian supply chains, Canadian firms could do more to exploit opportunities. *From the first public address by Mark Carney in his new role as Governor of the Bank of Canada to the British Columbia Chamber of Commerce and the Business Council of British Columbia, February 18, 2008*

“We have to get in the game as investors.” Mr. Hodgson [of the Conference Board] said. “We have to open more market access to Canadian exporters of all types. We’re still triflers. We’re selling raw materials and doing the occasional investment.” *The National Post, February 15, 2008*

[A new Conference Board report shows that] Canada’s trade numbers, cited regularly in media and by politicians, are out of step with global realities – especially when it comes to trade with Asia. *Op-ed, by Danielle Goldfarb published in the Financial Post, February 15, 2007*

Last June, the Conference Board of Canada reported that Canadian businesses are reacting to the border problems by reverting to old pre-free trade methods. Just-in-time shipping is being replaced by inventory stockpiling. *National Post, February 12, 2008*

Recent mega-deals are exceptions to the long-term investment trend in M&A activity in Canada,” says Louis Thériault, director of the International Trade and Investment Centre. “Based on the aggregate data over the past 15 years, it is difficult to conclude that Canada is being ‘hollowed out’.” *The National Post, February 11, 2008*

For 2005, the official Canadian government figures say our export of goods to Asia was worth \$25 billion. But the Conference Board says another \$22 billion should be added to that. *The Vancouver Sun, February 11, 2008*

The [Conference Board] findings counter the notion that Canada is up for sale. The slew of smaller deals by Canadian companies of foreign firms may not have grabbed headlines and therefore added to the impression that Canada is being hollowed out – a trend the board suggested isn’t happening. *The Globe and Mail, February 7, 2007*

The latest comes from a report by Louis Thériault, who studies international trade at the Conference Board of Canada. There is, indeed, reason to be worried about foreign investment in Canada, Thériault concludes, but the real problem is that there isn’t enough of it. *The Gazette (Montreal), February 7, 2008.*

Authors Danielle Goldfarb and Louis Thériault [of the Conference Board’s International Trade and Investment Centre] note that when newspapers and politicians make a big deal over our trade with China (\$34-billion Canadian in 2006), they fail to note that, like the iPod, much of the stuff found in Wal-Marts and dollar stores is not truly made in China, merely assembled there. *The Globe and Mail, February 6, 2008*

“Trade statistics have not kept pace with reality, especially increasing services trade and the significant role of Canadian affiliate sales in Asia,” said Danielle Goldfarb, co-author of the [Conference Board of Canada] report, “Canada’s Missing Trade with Asia”. Our trade statistics measure less than half of Canadian trade in goods and services with Asia,” she said. *The Vancouver Sun, February 5, 2008*

Protectionist politicking and security nittypicking are slowing border traffic, often to a standstill. The Conference Board of Canada says the backups are eroding hard-won efficiency gains from free trade. *The Globe and Mail, December 21, 2007*

The [Conference Board] report is more evidence of how the harsh security crackdown has affected cross-border exporting.

*The Globe and Mail, November 22, 2007*

Ottawa's stipulation that ports be self-financing is self-defeating, says Brooks [in a report for the Conference Board of Canada]. It means port lack both the cash and fiscal flexibility to initiate long-term upgrades to build-it-so-they-will come.

*The Windsor Star, November 3, 2007*

Congestion at the Canada-United States border may stand in the way of Canada becoming the gateway of choice for goods coming to North America, according to a Conference Board of Canada report released Monday. *Daily News (Prince Rupert), October 26, 2007*

The Conference Board of Canada believes we have yet to fully exploit a major geographic advantage – Canada is the closest NAFTA country geographically to both Europe and Asia. *Op-ed by Glen Hodgson and Danielle Goldfarb published in Vancouver Sun, October 23, 2007*

But author [of the Conference Board report] Marc Busch, a Canadian trade specialist at Georgetown University in Washington, says Canadians are not getting all they can from their close relationship with the U.S. and in fact are being outmanoeuvred by other nations in a game where they enjoy home field advantage. *The London Free Press, July 7, 2007*

Security measures at the Canada-U.S. border introduced since the 9/11 terrorists attacks have not slowed the flow of goods into the U.S. but have added to costs for Canadian companies, the Conference Board of Canada said Monday. *The Vancouver Sun, June 5, 2007*

Canadian companies are facing indirect costs or increased uncertainty about new border policies, the Conference Board said. *The National Post, June 5, 2007*

To minimize the costs and maximize the security and efficiency benefits of the post-9/11 border, governments need to keep new rules simple and predictable, and provide companies with better, one-stop access to border-crossing information, the Conference Board said. *The Gazette (Montreal), June 5, 2007*

“And even small cost increases could cause companies to reach a ‘tipping point’ at which it is less advantageous for production to locate here in Canada,” said Danielle Goldfarb, Board principal research associate. *The Record (Sherbrooke, QC) June 7, 2007*

A new [Conference Board] report from the Conference Board of Canada, titled “If We Can Fix It Here, We’ll Make It Anywhere”, argues that our trade policy lacks focus. *Canadian Business, April 9, 2007*

“Trips abroad to negotiate agreements with other countries or promote Canadian trade and investment put the cart before the horse,” said Danielle Goldfarb, a Conference Board researcher. “Were Canada to eliminate barriers to competition, trade and investment within its control – from addressing infrastructure deficits to removing interprovincial barriers-it would be better positioned to take advantage of global trade and investment opportunities.” *The Windsor Star, April 11, 2007*

“Countries that are interested in negotiating bilateral agreements with us tend to be marginal to Canadian economic interests,” the Conference Board said. “Larger countries with greater economic potential tend to be less interested, viewing us more as a regional adjunct of the United States.” *Vancouver Sun, April 6, 2007*

“Trade and investment promotion and negotiation abroad are likelier to boost Canada’s global economic performance, after barriers to trade, investment and competition have been addressed at home,” the Conference Board of Canada said. “Trips abroad to negotiate agreements with other countries or promote Canadian trade and investment put the cart before the horse,” said Danielle Goldfarb, a conference board researcher. *CanWest News Service, April 4, 2007*

In its study of global supply chains, the Conference Board said developing infrastructure was essential for business to seize opportunities and maintain global competitiveness, a key determinant of our future prosperity. *The Vancouver Sun, March 22, 2007*