



Rethinking North American Integration in a Time of Turmoil

*ITIC - Toronto
February 5, 2009*

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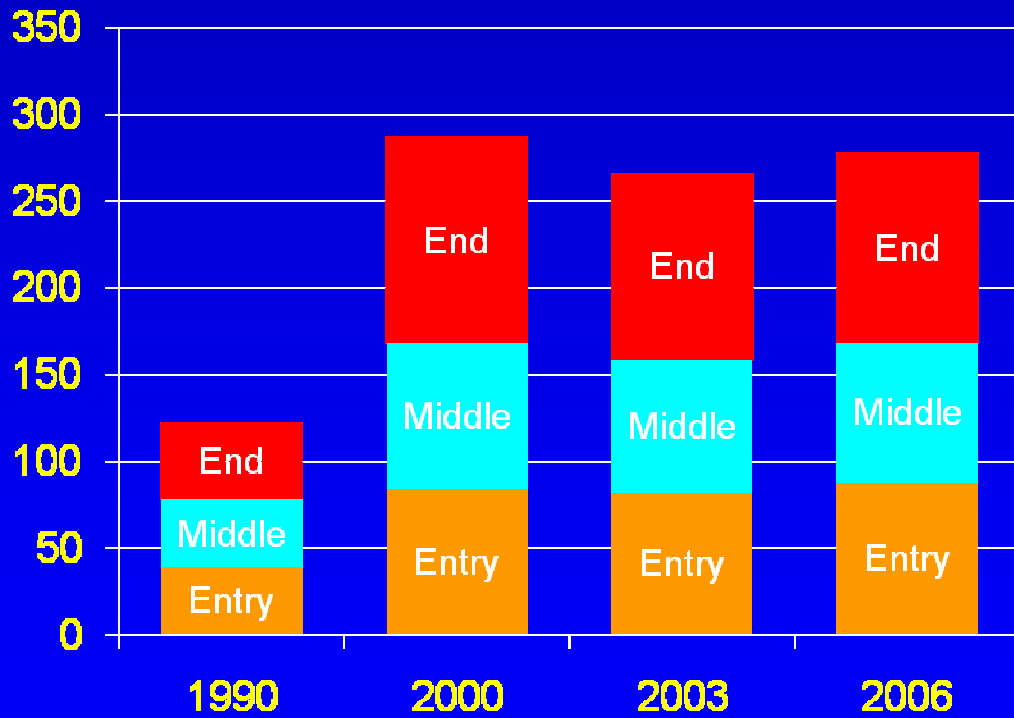
Conference Board Research on North American Integration

- Canada-U.S. trade integration soared under FTA and NAFTA -- until 2000
- But we are now “Stuck in Neutral”
- Real trade volumes have declined with the U.S. since 2000
- Share of trade in inputs has not progressed

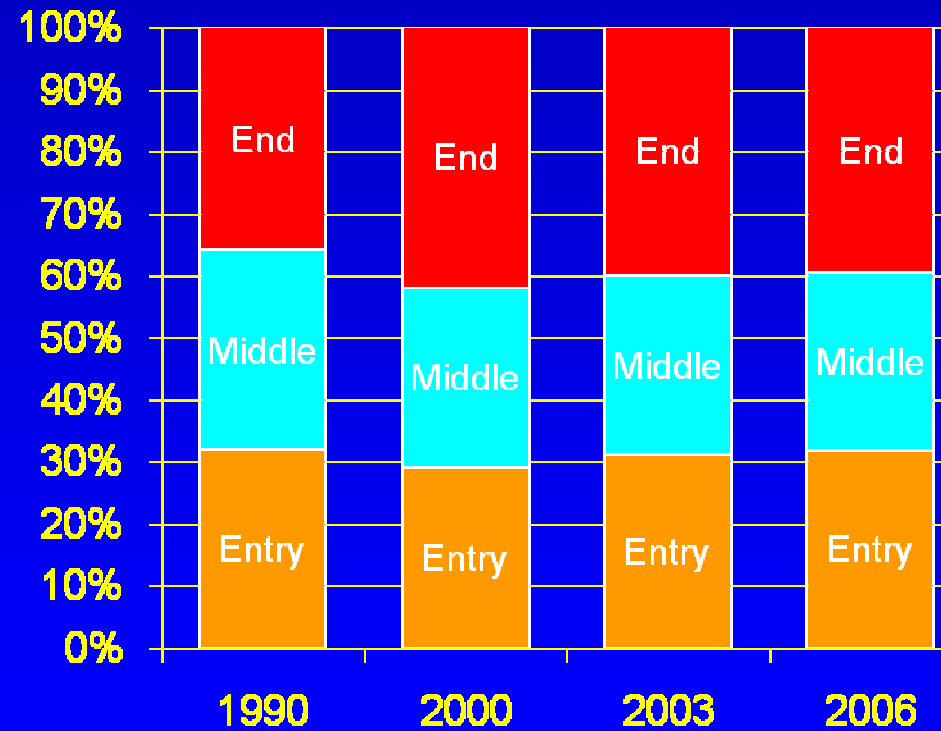


Canada's Exports to the U.S. Top 25 Goods

Volumes (billions of 2002\$)



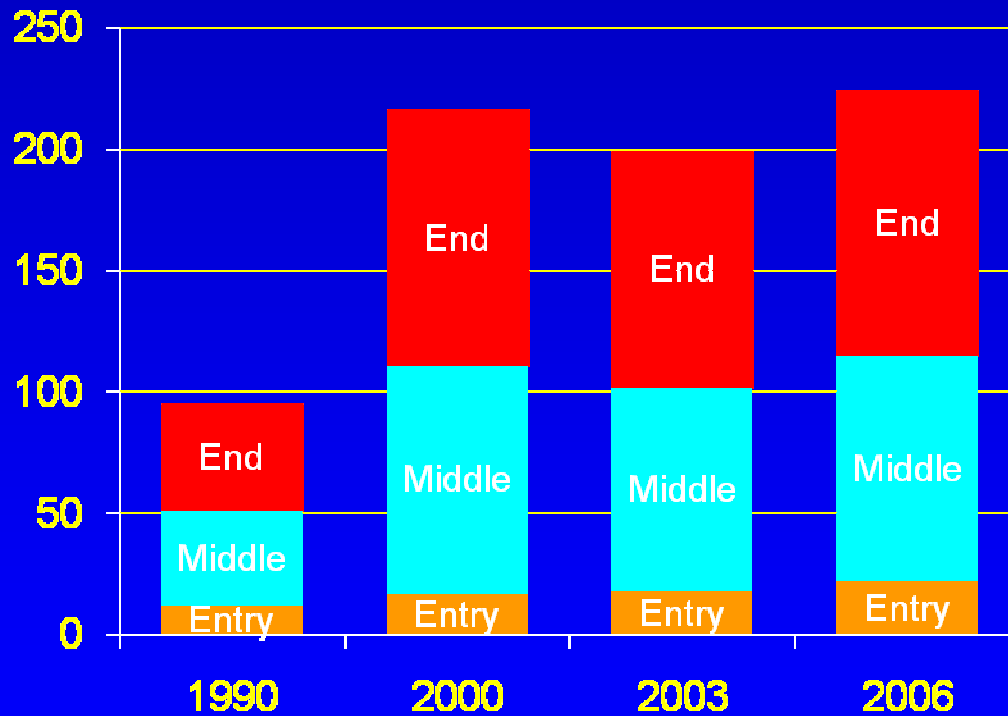
Share (%)



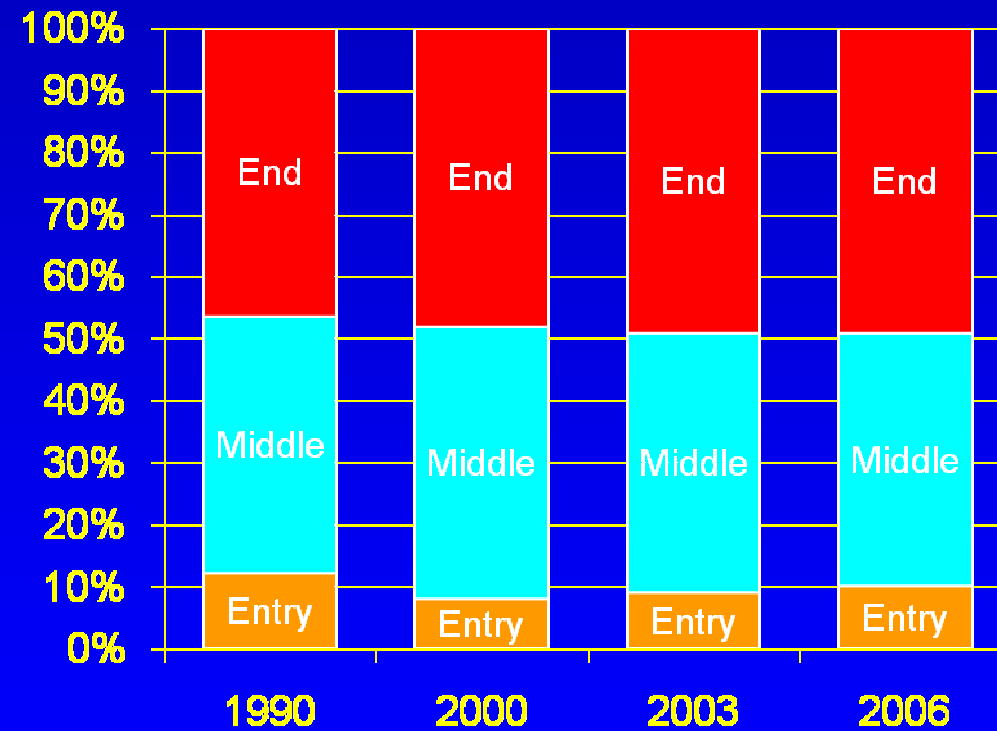
Source: Calculations from Industry Canada Trade Data Online.

Canada's Imports from the U.S. Top 25 Goods

Volumes (billions of 2002\$)



Share (%)



Source: Calculations from Industry Canada Trade Data Online.

First Stabilization, then Growth

- U.S. economy in recession; recovery will be slow
- Canada also in recession; full recovery is tied to U.S. fortunes
- Need to push back on protectionism
- Time to work together to strengthen North American competitiveness



What Next?

- Reposition Canada–U.S. economic relationship, using concept of “integrated regional value chains”
- Make reductions in non-tariff barriers (mis-aligned regulations and standards) a top priority
- Act unilaterally within Canada to reduce internal trade barriers and prepare us for deeper North American engagement



Unilateral Action in Canada

- Implement mutual recognition of credentials by Canadian provinces
- Create a single national securities regulator
- Accelerate efforts to establish pan-Canadian standards and regulatory processes
- Remove barriers to imports used in production
- Reduce barriers to FDI in Canada and provide greater openness in the *Investment Canada Act*
- Introduce explicit policies to promote outward investment by Canadian firms





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