



Trade: the catalyst for economic growth in Western Canada

By John Law

For Canada, the economic imperative of trade corridor infrastructure has been established. Trade, and the transportation infrastructure that enables it, accounts for two-thirds of Canada's national income. It is the foundation of our economy.

Moreover, improving trade corridor infrastructure can be a catalyst, particularly in Western Canada, for the next generation of economic growth and can start in 2021 with the path back from the COVID-19 pandemic.

To capitalize on this opportunity and better understand emerging trade infrastructure needs, we can learn from three recent periods in which trade in Canada went through important changes.

Western Canada's decade of growth

In the decade before the COVID-19 pandemic, Western Canada's businesses embraced a globalization trend to expand their domestic and international customer bases. For 10 years, Canada enjoyed a 4.5% average annual growth in imports and exports. By adding new markets, Western Canadian companies of all sizes, including small and medium-sized enterprises, increased profits

and created jobs.

This growth increased pressure on our trade corridor network and heightened supply-chain vulnerability as businesses exports were exposed to more "points of contact" across their interconnected trade networks.

Growing uncertainty and accelerating competition

Over the last 3 to 4 years, Canada's privileged trade relationship with our US neighbours has been challenged by the Trump Administration's more openly protectionist trade policies, unexpected tariffs, and a forced renegotiation of NAFTA.

Similarly, China invoked arbitrary trade sanctions on Canadian food exports, and as one example of the growing competition to Canada's share of the international trade pie, displaced Canada for the first time as the largest trader with the US.

Domestically, Canada also had to deal with rail blockades and labour disruptions, hurting its reputation for trade reliability.

Continued on Page 5 »



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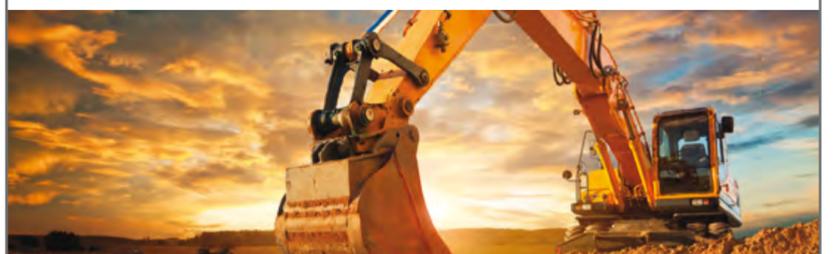


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» Continued from Page 4

2020 and the COVID-19 pandemic

Multiple phases of the global spread of COVID-19 led to a pattern of “closing-shutdown-re-openings” that immediately induced a stop and go back-up of cargo traffic at ports around the world. This was accompanied by unprecedented drops in trade activity as well as major changes to consumer spending patterns which, in combination with logistics interruptions, produced freight rates that hit record levels amid a changing shipper and carrier relationship.

Key developments to watch for in 2021

Economic forecasters are projecting a return to trade growth for Canada of 5-8% in 2021 and 2022 respectively. However, robust growth will only be realized when the pandemic is brought under control, which is tied to the success and timing of the vaccine roll-out.

As Canada moves away from the pandemic crisis, economic recovery will be uneven both domestically, differing by industry, as well as internationally, depending on, amongst other factors, how foreign customers are able to distribute the vaccine.

Businesses in Western Canada should anticipate and plan for markets to recover at different times and at different speeds. This implies that different sectors will require very different strategies and that even for the same product different foreign markets will require different approaches.

Another key issue to watch in the coming year will be whether businesses and countries choose to mitigate recent supply-chain risks by diversifying their customer bases or alternatively by “reshoring” in favour of increasing self-sufficiency closer to home.

A key signal on this front affecting Canada’s most valuable trade relationship will be the emerging policy approach the new administration in the United States. Pay attention to the results of President Biden’s 100-day review of the US supply chain.

What’s next

Beginning later in 2021 Western Canada can expect a return to trade growth in an environment of intensifying international competition and demands for more nimble supply-chain execution. It is hard to imagine an economy, as reliant on trade as that of Western Canada, where investments to improve domestic trade corridors can have a greater impact.

Recent years have taught us that, in this evolving world of international trade, there will be ongoing changes and many variables beyond our control.

However, we can and should improve the productivity of the corridor infrastructure that facilitates our trade-based economy. Doing so will send an important message to our international customers and set the stage for future economic growth.

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