

WESTERN CANADA TRADE GATEWAY & CORRIDOR INITIATIVE (WCTG&CI)

INTRODUCTION/ISSUE

Canada's economy has been hard hit by the global shocks on trade due to the COVID-19 pandemic. Further, our trade-enabling infrastructure is vulnerable to the impact of extreme weather events, as illustrated recently in British Columbia.

Canada also faces the prevailing threats to its economic and national security from protectionist 'Buy America' policies of the United States, China's weaponization of trade and increased hostility to western values, and Russia's threats to Ukrainian and European security. These present both an economic and a national security concern.

In short, our trade-reliant economy is overly exposed to disruptions.

Trade is critical to our economic and social well-being. Canada's economy is trade-based and, therefore, relies heavily on access to global markets. Approximately 16% of domestic production is exported, supporting 2.9 million jobs or 18.4% of all employment (2019), according to Statistics Canada¹. In 2019, Canada's trade-to-GDP ratio was just shy of 65%, a relatively consistent annual share of national economic activity but also the highest of any OECD economy.

To further complicate challenges, Canada must repair a weakened global reputation as a reliable trading partner² and it must enhance its global trade profile not just to recover but expand our markets and help secure our globally envied standard of living³.

A post-pandemic return to prosperity will not be fully realized without a robust, sustained and strategic trade gateway and corridor investment initiative.

PROPOSAL - Western Canada Trade Gateway & Corridor Initiative (WCTG&CI)

Canada should significantly recapitalize its trade corridor fund for long-term, strategic investment in trade-enabling infrastructure to drive Western Canada's and our nation's economic growth.

The federal government is urged to harness the indispensable role Western Canada plays in enabling trade with Asia⁴ and the growing opportunities to the North American continent⁵. It is encouraged to build on past successes of trade corridor funding⁶ and launch a Western Canada Trade Gateway & Corridor Initiative (WCTG&CI) to expand markets beyond China, for greater ROI to GDP and, in so doing, protect our economic and national security interests.

Program Details

Name

Western Canada Trade Gateway & Corridor Initiative (WCTG&CI).

¹ Statistics Canada. Table 12-10-0100-01 Value added in exports, by industry, provincial and territorial

² In 2008-09 Canada was ranked 10th globally in the World Economic Forum's Global Competitiveness Index for transportation infrastructure reliability. However, with the expiry of trade programs like APGCI, which specifically targeted trade corridors, by 2019 Canada's reliability reputation precipitously dropped to 32nd. World Forum Global Competitiveness Report 2019 https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

³ See Appendix 'A' for further background information.

⁴ The Asia market offers the globe's fastest, annual growing middle class: Indonesia (7 million); India (20 million); and China (35 million).

⁵ Western Canada's access to deep-water ports makes the region indispensable to Canada's trade profile and productivity and, therefore, its economic health and prosperity. Further, with Canadian Pacific Railway's pending acquisition of KCS and KCSM, North America is also very much in play for market growth. See also Appendix 'A' for further background information

⁶ These programs include Asia Pacific Gateway and Corridor Initiative (APGCI); the National Policy Framework for Strategic Gateways and Trade Corridors; the Ontario-Quebec Continental Gateway; and, the Atlantic Gateway & Trade Corridor.

Investment

A cost sharing program with a federal contribution of \$20 billion over seven years⁷ (2022/23-2029/30) with the expectation of leveraging additional public and private-sector investment, based in part on the experience of the APG&CI program.

Trade Gateways & Corridors

Western Canada's trade gateways and corridors include existing and new marine, inland ports, road, rail and air modes supporting freight and passenger flows of regional and national significance for international commerce.

Partners:

The federal government working in partnership with the four Western provinces; territories; First Nations; municipalities; public and private transportation entities, rail, trucking and airline industries, and marine and inland port authorities.

Objectives:

The program's objectives include:

1. Support economic revival in Western Canada focusing on returns of lasting value, harnessing the return on investment of trade, and in the process, promote our national security interests.
2. A multi-year, sustained national program addressing strategic investment required in Western Canada's multi-modal, trade transportation network to grow domestic, continental, and international trade.
3. Support and leverage investment in existing and new trade gateways and corridors that expand connectivity to international trade; and
4. Attract public and private investment in trade-transportation assets.
5. Address requisite climate resiliency considerations by implementing sustainable, resilient and innovative transportation solutions.

Eligibility:

The WCTG&CI program would fund projects that:

1. Incent domestic and foreign investment in value-add commerce of the region, including the needs of Arctic and northern communities
2. Target the markets of Canada's international trade agreements, to diversify our global trade profile, help shield the economy from over reliance on any single market and mitigate against the weaponizing of trade
3. Criteria for eligibility could include:
 - a. International commerce strategy – target infrastructure/networks harboring the most important challenges and opportunities tied to global commerce and emerging markets within recent trade agreements
 - b. National/regional system capacity – supported by evidence-based projections of significant levels of trade, increase the value and/or volume of goods moved in and out of Canada
 - c. Future patterns in global trade and transportation - forward looking, addressing significant trends in international trade and transportation, based upon empirical evidence and analysis.

Strategic Outcomes & Results:

1. A globally recognized, efficient network of trade gateways & corridors system in Western Canada, which support sustained, trade-based economic growth through regional trade productivity, competitiveness and global reach

⁷ The \$20 billion over seven years for a western trade gateway & corridor program is a very conservative estimate. According to recent research by the Canadian Centre for Economic Analysis (CANCEA), Canada's competitors are significantly ahead on national trade infrastructure investment programs. For example, to match Australia's national program, Canada would need to nationally invest an additional \$20 billion annually and to match the UK, an additional \$13 billion annually.

2. Expanded trade activity and, therefore, economic growth (investment, jobs, revenues to governments) through the relief of critical bottlenecks, capacity constraints and related impediments to the flow of regional and domestic trade
3. Increase existing and generate new overseas trade.
4. A restored global reputation for Canada as a reliable trade partner and desirable market in which to invest
5. Diversified global trade that helps shield the economy from over reliance on any single market and the weaponizing of trade by large-market jurisdictions; and
6. Measurable GHG emission reductions across the entire trade transportation system.

Respectfully submitted,

Business Council of Canada (BCC)

Business Councils of Western Canada- TBC

Canada West Foundation (CWF)

Canadian Chamber of Commerce (CCC)

Canadian Manufacturers & Exporters (CME) - TBC

Canadian Construction Association (CCA)

WESTAC - TBC

Western Canada Roadbuilders & Heavy Construction Association (WCR&HCA)

Business Council of Manitoba

Winnipeg Chamber of Commerce

Manitoba Chamber of Commerce

Manitoba Homebuilders Association

Canadian Manufacturers & Exporters – Manitoba

Manitoba Heavy Construction Association

APPENDIX 'A'

BACKGROUND

Western Canada's continental corridors and its access to deep-water ports makes the region indispensable to Canada's trade profile and productivity and, therefore, its economic health and prosperity. Further, with Canadian Pacific Railway's pending acquisition of KCS and KCSM, North America is also very much in play for market growth.

Accessing the continental and Asian markets through Western Canada is key to expanding Canada's global trade profile and, therefore, Canada's domestic economic and social well-being.

An important first step to accessing the Asia market opportunities can be made via the proposed *Western Canada Trade Gateway & Corridor Initiative (WCTG&CI)*.

Western Canada's (and by extension the country's) economic interests are best served by strategic investment in trade-enabling infrastructure as a region, rather than separately as four provincial jurisdictions. Ontario and Quebec's export ability are highly dependent on the western trade transportation grid. A considerable volume of their exports is destined to non-US/Mexico sources, but they have no direct connections.⁸

Western Canada is strategically situated to raise Canada's export profile and potential. It is a vast, resource rich, value-add manufacturing region, book-ended by geographically advantageous links to international markets, via Manitoba (Churchill, Emerson) and British Columbia (Port of Vancouver, Prince Rupert, Kitimat, Stewart). Almost 2/3rd of the total rail traffic carried (by tonnage) occurred in Western Canada.⁹

Investments in trade gateways and corridors will pay dividends for years to come. At current levels of investment in trade infrastructure, every \$1 million additionally invested in transportation infrastructure would create approximately 151 jobs, and export-related GDP activity would grow by up to \$17 million.¹⁰ They will deliver sustained economic growth, build stronger communities, and create well-paying jobs for Canadians.

The issue

Canada's economy has been hard hit by the global impacts on trade due to the COVID-19 pandemic. Further, our trade-enabling infrastructure is vulnerable to the impact of extreme weather events, as illustrated recently in British Columbia. Our trade-reliant economy, therefore, is overly exposed to disruptions.

Canada must also repair a weakened global reputation as a reliable trading partner. It must enhance its global trade profile not just to recover but expand our markets and help secure our globally envied standard of living. The lack of a long-term predictable investment plan on trade-enabling infrastructure has placed Canada at a competitive disadvantage compared to its global trade competitors. In fact, it has been described as potentially the biggest barrier to Canada's export success.¹¹

There are key infrastructure investment considerations as Canada positions itself to seize the pent-up trade potential as the pandemic abates, taking advantage of recent international trade agreements -- the Canada-United States-Mexico Agreement; Canada-European Union Comprehensive Economic and Trade Agreement; and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

⁸ Approximately 10% of Ontario's and Quebec's exports transported by freight are destined to non-US / Mexico markets. Source: Statistics Canada Canadian Freight Analysis Framework, Table 23-10-0142.

⁹ Statistics Canada Canadian Freight Analysis Framework, Table 23-10-0142.

¹⁰ Estimates based and calculated using Statistics Canada Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual, Table 36-10-0608-01 Infrastructure Economic Accounts, investment and net stock by asset, industry, and asset function, and Table 36-10-0013-01 Input-output multipliers, summary level.

¹¹ Canadian Centre for Economic Analysis, Export and Infrastructure 2022

We have successful templates that can serve as models for a Western Canada trade gateway and corridor initiative: Asia Pacific Gateway and Corridor Initiative (APGCI); the National Policy Framework for Strategic Gateways and Trade Corridors; the Ontario-Quebec Continental Gateway; and, the Atlantic Gateway & Trade Corridor, to name but a few.

These and similar programs helped elevate Canada's global reputation. By 2008-09, Canada was ranked 10th globally in the World Economic Forum's Global Competitiveness Index for transportation infrastructure reliability. However, with the expiry of programs like APGCI, which specifically targeted trade corridors, by 2019 the Index showed Canada's reliability reputation precipitously dropped to 32nd.

Our global trade competitors have committed to long-term trade investment strategies, which has increased the productivity of their investments. Instead, Canada's investments in transportation infrastructure are made sporadically rather than in a sustained way, causing investments to be more volatile, less productive, and inefficient¹². Canada's transportation investments have also fallen markedly in the last five years; 30% of businesses cite transportation infrastructure as an obstacle to export¹³.

The trade agreements referenced above were signed since the last major infusion of trade corridor and gateway investment, which have ramped up the expectations of our trade partners and potential demands on these corridors.

The trade potential residing within our trade agreements – focusing on emerging Eastern and European markets – cannot be realized without a new trade transportation infrastructure policy framework so that prior investments bear fruit across the West, to the greater benefit of all of Canada.

¹² The US has a similar five-year average investment in infrastructure as a percentage of GDP to Canada, but Canada's investment volatility is 10 times higher. Source: Statistics Canada. Table 33-10-0104-01 Difficulty of obstacles when exporting or attempting to export goods or services, by industry and enterprise size.

¹³ Annual investments in infrastructure of 0.6% of GDP in the last 5 years, half the level of Australia's investments. Sources: OECD Transport Infrastructure Investment / Statistics Canada. Table 33-10-0104-01 Difficulty of obstacles when exporting or attempting to export goods or services, by industry and enterprise size