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# Canada's International Trade Policies in 2042: Balancing Resources, Sustainability and Employment

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# Canada's International Trade Policies in 2042: Balancing Resources, Sustainability and Employment

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# By 2042, where will Canadian oil resources reserves be?

- By 2015, held 178 billion barrels of oil (80% of non-OPEC), 3<sup>rd</sup> in world
  - Given current rate of extraction, 2.7 million barrels per day, reserves will last for 190 years
  - Value: CAD 9 trillion
    - Source: BP Statistical Yearbook, International Energy Agency, 2016
- All other large reserves are in OPEC countries. Exceptions are Russia and Brazil.
- Global demand between 2016 and 2040 driven by China and India, accounting for 54% of additional demand.

# By 2042, where will Canadian mining resources reserves be?

- By 2015, Canada had the largest mining reserves worldwide, worth CAD 1.35 trillion.
  - Production has averaged CAD \$120bn per year since 2010.
- Reserves composition by value:
  - 59% Potash (largest worldwide)
  - 20% Uranium (2<sup>nd</sup> largest worldwide)
  - 6% Iron ore (8<sup>th</sup> largest worldwide)
  - 5% Nickel
  - 3% Gold
  - 3% Copper
  - 1% Platinum (PGM)
  - Source: World Mining and Metals Council, Statistical Yearbook, 2016 and Statscan, 2016
- Median years of reserves at current production level: 56, with peaks in Potash and Uranium (150 years)
- Countries with overlapping reserves and production composition: Brazil and Russia.
- Largest drivers of global mineral demand up until 2050: China and India (for agriculture and energy)

# Canadian trade in resources

- Oil and mining has grown most since 2000, now accounting for 25% of exports.
  - Peaked reached in 2014, 34%.
- Manufacturing has been decreasing meanwhile, from 59% to 37%.
  - Lowest point in 2009, 32%.
  - Canada exported 37% manufactured goods in 1938, too.
- Overall, Canada has been a sluggish exporter since 2000.
- Nationally, trend is export dynamism moving to natural resources and to Western provinces.

# Domestic policy dilemmas arising from trade

- Likely trade profile by 2042 will deepen “primarization” of Canada’s participation in the global economy.
- Issues arising are:
  - Low employment absorption
  - High capital and technological requirements
  - Very high environmental costs, nationally and as global contributor
- Oil and mining are likely to become more foreign-owned, given market-ruled framework.

# Possible pathways to administer dilemmas

- Increases in taxation, mainly scaled by environmental impact
  - Carbon tax
    - Favours least wasteful processes of extraction
  - Taxes depending on scale or speed of extraction
    - Lower scale favours domestic capital and higher employment absorption
    - Speed of depletion controls favour monitoring of environmental impact
- Strengthening of cross-subsidization to non-extractive activities and lagging regional economies
  - Demands significant reforms in governance (provinces-federal) and regulation over private enterprises
  - Build-up of knowledge on public policies for industrialization and social services
  - Empowering of citizens/users over providers/public sector

# What international relations for a primary Canada?

- Current trend is West-nested market economy (increasingly) trading with Asian countries natural resources but by 2042:
  - Canada is no longer an industrial economy,
  - West is no longer predominant as world's industrial core,
  - market-economies are no longer the dominant state-market framework.
- Given its changing economic identity, Canada needs to realign its international linkages.
- Brazil and Russia present the two closest profiles by 2042.

Possible areas of cooperation and mutual learning