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

- Pablo Heidrich, Carleton University

Conference Sponsor(s):

Faculty of Public Affairs

Partners:

Presenting sponsor:

Manulife
Canada’s International Trade Policies in 2042: Balancing Resources, Sustainability and Employment

Pablo Heidrich
BGInS, Arthur Kroeger College of Public Affairs
By 2042, where will Canadian oil resources reserves be?

• By 2015, held 178 billion barrels of oil (80% of non-OPEC), 3rd in world
  • Given current rate of extraction, 2.7 million barrels per day, reserves will last for 190 years
  • Value: CAD 9 trillion

• 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 (2nd largest worldwide)
  - 6% Iron ore (8th largest worldwide)
  - 5% Nickel
  - 3% Gold
  - 3% Copper
  - 1% Platinum (PGM)

- 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