



Alberta Enterprise Group

Tim Shipton, President

Canada U.S Trade Relations

AEG President Tim Shipton
October 4, 2012

Ports to Plains Conference, Medicine Hat

About Alberta Enterprise Group

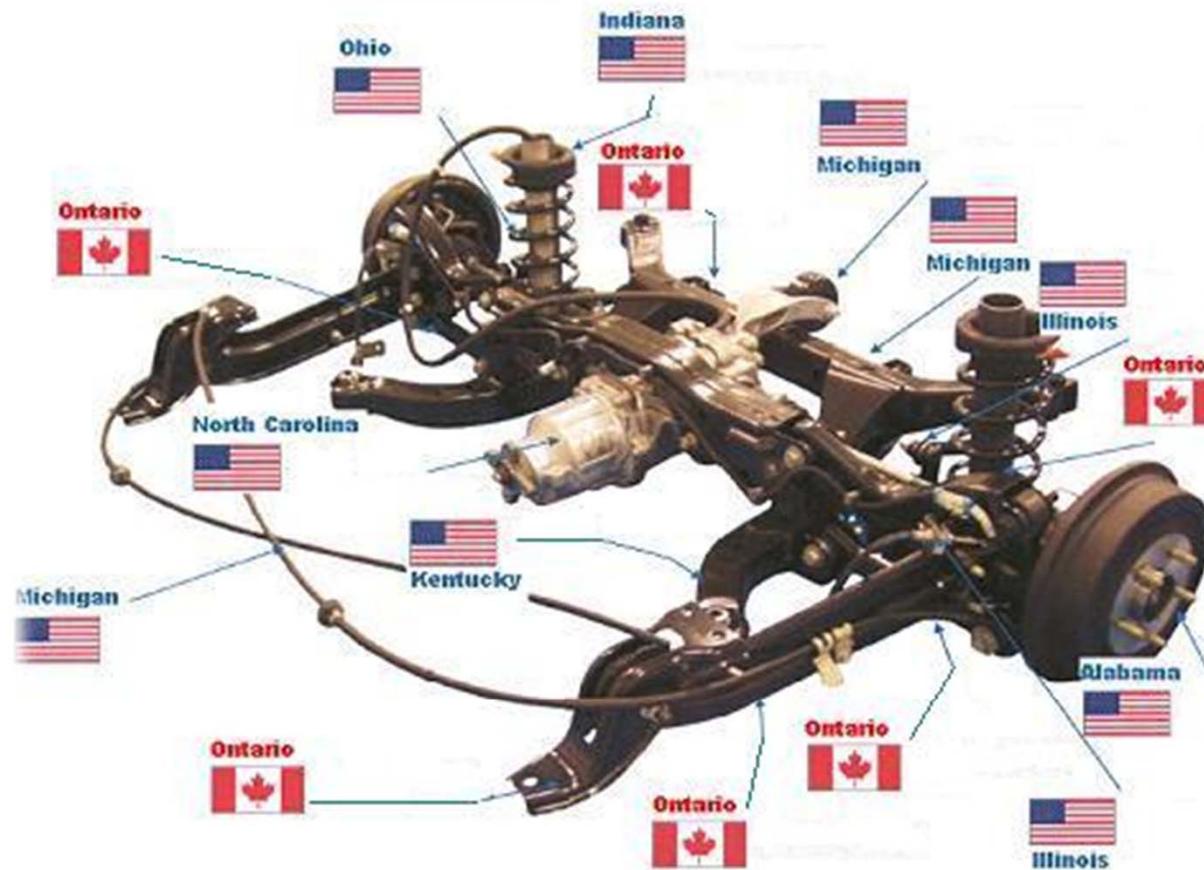
- Established in 2007
- Group of business leaders came together to contribute to economic and public policy conversation
- Elected, volunteer Board of Directors
- Member-driven
- Dedicated to making Alberta a jurisdiction of unsurpassed prosperity and quality of life
- *Canada Connects* events series: We have a mandate from AEG members to build networks across Canada and internationally.
- Organized trade missions to Washington, Geneva, Ottawa and Quebec
- Brought hundreds of business and political leaders to Alberta to learn about investment opportunities.

The 2012 Canada U.S Trade Dynamic

- The Canada-U.S trade relationship is the most successful and prosperous in the world
- In 2011 our bilateral trade was close to \$688 billion, with more than \$1.7 billion worth of goods and services crossing the Canada-U.S. border every single day.
- A 2009 study found that trade with Canada supports over 8 million jobs in the United States.*

(THE DEPENDENCE OF U.S. EMPLOYMENT ON CANADA by Peter B. Dixon, Kevin Hanslow and Maureen T. Rimmer Centre of Policy Studies, Monash University, July 27, 2012)

The origins of a Canadian-built car



Canada-U.S. trade is highly integrated, with products crossing the border up to eight times before being finished (Industry Canada).

Snapshot of the U.S. Economy – mixed signals

- U.S housing prices starting to rebound, but it's not a straight up trajectory
- Home construction is too small to provide economic lift
- Building confidence is increasing, as low mortgage rates make homes affordable, so down the road there could be some construction lift in the economy
- Consumer confidence is rising, but incomes are not. Income is not keeping pace with inflation. High fuel prices will have an impact.
- Businesses appear less confident than consumers
- Consumer spending is up, but there are concerns about tax increases and government austerity reversing that trend over the next year.
- The U.S unemployment rate is barely treading water at 8.1 per cent
- Safe to assume U.S. demand for Canadian goods and services will remain relatively flat, with some growth areas and some contraction.

Snapshot of the Canadian Economy – Modest but stable growth

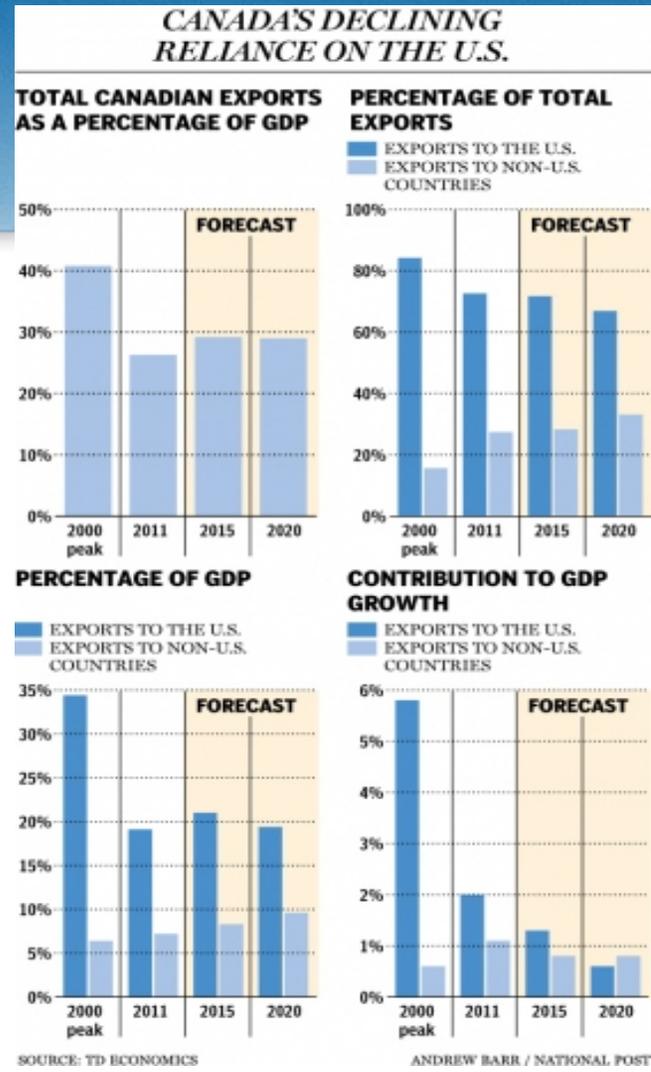
- Canada's third quarter GDP growth stronger than expected
- Even though the value of oil and gas production declined slightly in recent months, other sectors have picked up the slack
- RBC PMI (purchasing manager's index) shows Canada's manufacturing sector continues to expand, but not as quickly as last year.
- Canada's unemployment rate was 7.3 per cent in August, well below the long term average of 8.5 per cent
- On a year over year basis, employment increased by around 1 per cent, or 177,000 jobs
- Since hitting rock bottom in 2009, Canada's job market has slowly and steadily improved, but we nowhere near the unemployment lows seen in 2007
- Canada is an island of economic stability in turbulent times – thanks largely to strong demand for key natural resources.

Canada – US Trade Trends

2000 peak year for trade

Free Trade Deal 25 years old

Canada and US pursuing other bilateral trade deals



Andrew Barr, National Post

Current Trade State of Play

- Keystone XL
- Softwood Lumber
- Prescription drugs
- Immigration and labour mobility
- Beyond Borders – common security perimeter
- US National Export Initiative
- Oil Sands/Energy boom – 465,000 jobs in US (2011-2035) - CERI
- \$45 billion/year impact to GDP – CERI
- Border thickening post-9/11
- Beef recall

4 Strategies in shifting environment



Peter Bono, The Lawyers Weekly

Embrace trade, reject protectionism

- FDI – US to CAD
- Pre-free trade: \$76 billion
- Today: \$326 billion
- FDI – CAD to US
- Pre-free trade: \$51 billion
- Today: \$276 billion
- Source: BMO
- Jobs, jobs, jobs
- Technology
- Competitiveness & Productivity
- New Markets both ways

Leverage through Diversification

- Canada a price taker, not maker
- Brent – WTI spread bad economics
- Energy is gateway to enhanced trade

Coalitions

- Complexity of economic, political and trade issues necessitate new ways of thinking
- Established institutions changing
- Need for likeminded coalitions never more apparent

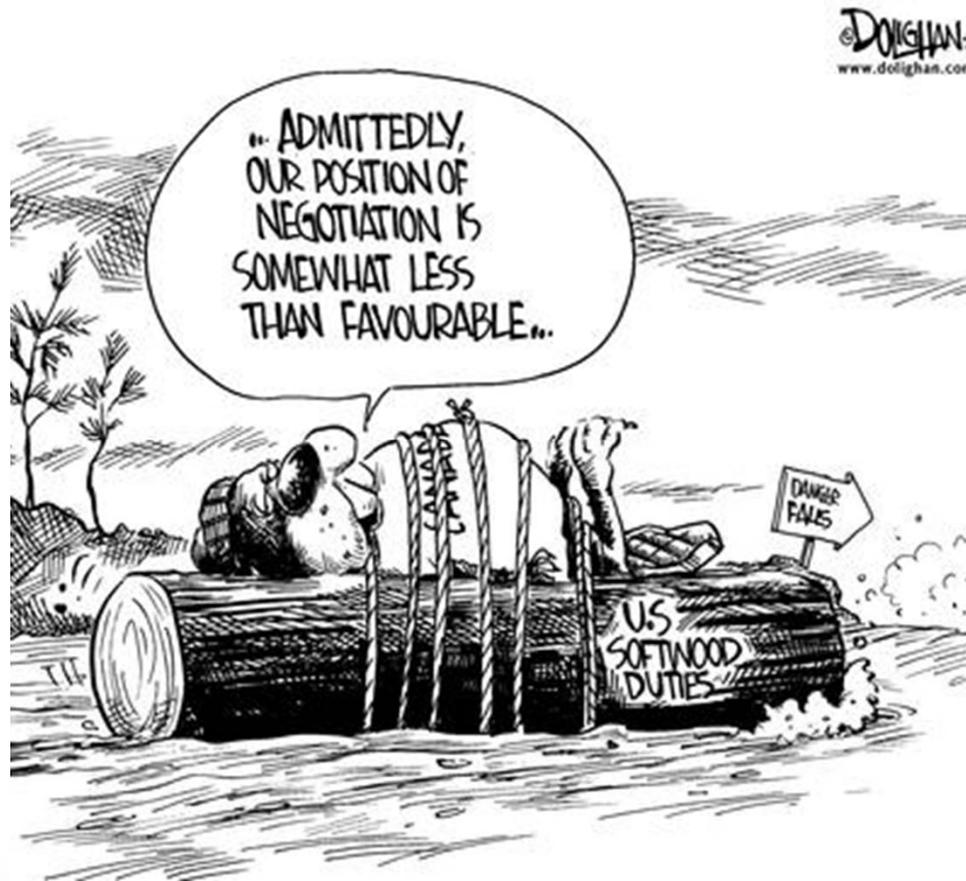


PORTS-TO-PLAINS
ALLIANCE

Securing the Benefits of Commerce to
North America's Energy & Agriculture Heartland



Politics vs. Facts



Conclusion

- CAD-US trade foundational piece of economy
- Relationship evolving due to global economic realities
- Still best thing going globally