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MICRO

Special Trade Issue
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Micro-Economic Policy Analysis Branch Bulletin

Special Trade Issue

In this issue...

FEATURES

- ***Calgary Conference on North American Linkages***
- ***Ottawa Roundtable on North American Linkages: Policy Discussion and Knowledge Gaps***

Charting the Future of North American Relations

In the 1990s, economic linkages between the three North American economies increased dramatically, creating new opportunities and challenges. Trade between Canada and the United States has grown much more rapidly than supporters of the free trade agreements had predicted. Mexico is also becoming an increasingly important economic player in the North American market. The scope and pace of these developments raise many questions about the future course of North America and Canada's place in it.

In response, Industry Canada, in partnership with other government departments, has embarked on an ambitious research program on the issue of North American

linkages. As a first step, Professor Richard Harris of Simon Fraser University has prepared a work program, featured in the Spring 2001 issue of *MICRO*. This program then served as the framework for an Industry Canada conference on the theme *North American Linkages – Opportunities and Challenges for Canada*, held in Calgary on June 20-22, 2001. Seventeen studies were prepared and presented at this conference. A follow-up Roundtable was organized in Ottawa, on October 18, 2001 to focus on the findings of the Conference.

This issue of *MICRO* reports on the main issues discussed at the Calgary Conference and subsequent roundtable in Ottawa.

Announcement of an Industry Canada Expert Roundtable

New Economy and Services: Research Issues and Policy Challenges

Industry Canada is planning to organize a roundtable discussion of experts on services in the new economy. Innovative and knowledge-intensive services are the hallmarks of the new economy. The roundtable is intended to bring much needed research and policy attention to the sector. ***This full, one-day event will take place in Ottawa on February 26, 2002.*** Leading economists and experts in the field from academia, think tanks, government, statistical agencies and international organizations (such as the OECD, the World Bank and the IMF) will present and discuss issues ranging from the evolving and dominant role of services in the economy to the growing importance of services in international trade, and to statistical and measurement challenges. A background paper on these issues, prepared by Professor Brian Copeland of the University of British Columbia, will be made available to participants prior to the event. This is a "do not miss" opportunity to contribute to and influence a forward-looking, policy research oriented agenda on services. More details on the event will be available at www.strategis.ic.gc.ca early in the new year.

Autumn 2001

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INDUSTRY CANADA RESEARCH AND PUBLICATIONS PROGRAM

RECENT RELEASES

OCCASIONAL PAPER SERIES

No: 27: *The Location of Higher Value-Added Activities*, by Steven Globerman.

WORKING PAPER SERIES

No: 33: *R&D Propensity and Productivity Performance of Foreign-Controlled Firms in Canada*, by Jianmin Tang and Someshwar Rao.

No: 34: *Sectoral Impacts of Kyoto Compliance*, by Randy Wigle.

DISCUSSION PAPER SERIES

No: 10: *North American Economic Integration: Issues and Research Agenda*, by Richard Harris.

FORTHCOMING

Electronic Commerce and Productivity Growth: Defining and Assessing the Linkages by Steven Globerman.

Foreign Direct Investment and Domestic Capital Formation by Walid Hejazi and Peter Pauly.

Social Policy and Productivity Growth: What are the Linkages? by Richard Harris.

The Irish Economic Boom: Facts, Causes and Lessons by Pierre Fortin.

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Calgary Conference on North American Linkages

The key objective of this conference was to identify, discuss and start a national debate on the important issue of Canada's place in a rapidly changing North America. It also sought to energize the policy research community in forging ahead with much needed analysis and research. Seventeen studies were commis-

sioned for this conference to examine the opportunities, pressures and challenges of deepening North American linkages, and to provide sound foundations for policy development work. These papers will eventually be published through the Industry Canada Research Publications Program.

Guest speakers

V. PETER HARDER, DEPUTY MINISTER OF INDUSTRY CANADA, welcomed participants to the Conference. He set the stage by reminding all of the importance of U.S. trade to Canada's prosperity,

"The United States has been and will continue to be our largest trading partner into the foreseeable future."

– V. Peter Harder

pointing out that the United States has been and will continue to be our largest trading partner. The addition of Mexico and potentially other countries within the Americas presents new challenges and opportunities. Canada must also confront the fact that its standard of living remains well behind that of the United States, and the gap is not narrowing. In a context of expanding North American linkages, it will be even more important to focus on innovation and productivity.

The issue of North American linkages is therefore very important to the government. Industry Canada, in partnership with other

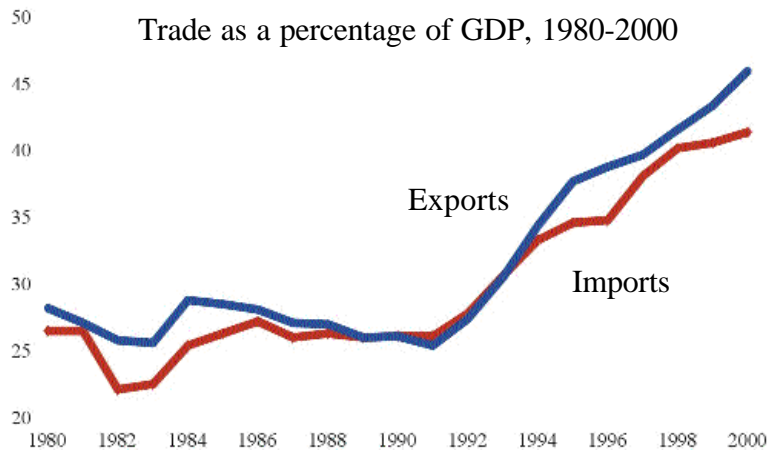
government departments, is undertaking an ambitious research program. Mr. Harder invited participants – whether from government agencies, academia, or the research community – to join in this program and ensure that it is looking at the right questions.

DAVID ZUSSMAN, PRESIDENT OF THE PUBLIC POLICY FORUM, delivered a keynote address entitled *Policy Challenges of North American Linkages*. He predicted that the most likely scenario for North American integration entailed a strengthening of economic and social linkages and further

movement toward a European Union model of integration. He observed that it is difficult to identify any domestic policy that will not be influenced by closer links between the North American partners. Increased linkages between the three countries put significant strain on Canada's ability to make its own policy decisions without considering their repercussions on its North American partners. Dr Zussman argued that this deeper integration will not only be felt by Canada and Mexico, but the United States as well.

In response, he called for govern-

Canada's trade orientation has increased dramatically in the 1990s



Source: Statistics Canada
 Compilation: Industry Canada

ments to take an incremental approach on practical issues and for NGOs, think tanks, academics and others to start thinking and debating bold new ideas. At a more general

"And, finally, we need to encourage a broad range of Canadians outside government – universities, NGOs and think tanks, to begin thinking about the future of Canada in North America. This is a debate we need to initiate as soon as possible."

– David Zussman

level, he suggested that Canada subscribe to an incremental approach when a particular issue needs to be resolved in a short time frame, such as the potato crisis and border management. Conversely, Canada should engage in broader, bold vision discussions with the United States and Mexico on questions such as the harmonization of standards. He concluded by urging that, regardless of the approaches or actions taken, Canada should engage in discussions with the Americans and Mexicans on pressing issues raised by North American linkages.

FRANK GRAVES, OF EKOS RESEARCH ASSOCIATES INC., spoke about *Canadians' Views on Growing Linkages among the NAFTA Partners*. Opinion research shows that most Canadians view North American integration as having a largely positive impact on their economic well-being. Canadians are increasingly recep-

tive to globalization and believe that deeper North American economic integration is something that should be managed, not resisted. That said, Graves noted that Canadians have some sympathy for the concerns raised by protestors at global trade talks. This reflects the fact that while it is seen as improving their economic situation, closer integration is also perceived as entailing risks for Canada's social well-being, environment and culture.

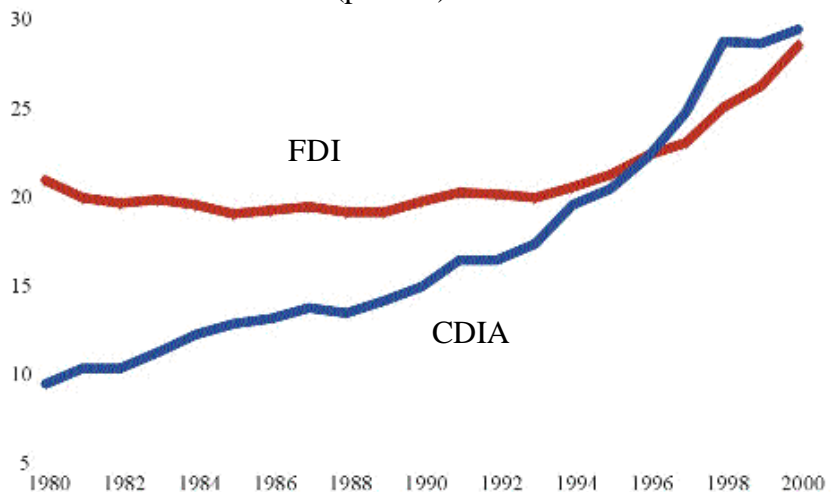
According to Mr. Graves, while about half of the population feels that it is highly likely that Canada will become part of a North American union over the next 20 years – only 20% view this as unlikely – there is little desire to become part of the United States. Moreover, Canadians believe that it is important to maintain a unique

system of values and national identity in the face of globalization. Canadians also see a need to maintain a strong customs and immigration presence at the Canada-U.S. border, and consider that it is relatively important for Canadians to buy products made at home. And, despite concerns about its recent weakness, most Canadians want to retain the Canadian dollar.

While EKOS detects a remarkable similarity in values between Canada and the United States, some key differences remain. In particular, Americans are more concerned than Canadians about security, family values and keeping the role of government small. Canadians are increasingly cosmopolitan, and more tolerant of diversity than their U.S. counterparts. Survey results also point to a broader social consensus within Canada.

Canada's foreign direct investment has increased dramatically in the 1990s

Shares of foreign direct investment (FDI) and Canadian direct investment abroad (CDIA) stocks in GDP, 1980-2000 (percent)



Source: Statistics Canada
Compilation: Industry Canada

Values within Canada tend to vary more strongly across regions, while American values differ most strongly along class lines.

CHRISTOPHER SANDS, OF THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, in Washington, D.C., offered *A U.S. Perspective on North American Linkages*. He highlighted the qualitative shifts in Canada-U.S. relations over the last two decades and stressed that the deepening of North American linkages is about more than expanding trade and investment. It is also about how policy issues in each country are increasingly impacted by developments across North America. He also argued that, over the last two decades, there has been a substantial shift in the way the United States manages its relations with

Canada: Americans have given more deference and weight to Canadian policy in their decision-making process. He used developments in tax, defence and energy policy to elaborate on this evolution in relationship management.

According to Mr. Sands, the bilateral relationship between Canada and the United States has changed in three ways. First, Canadians and Americans have become more aware of one another's strengths and weaknesses. This has led to a better understanding of the issues of interest to both countries. Second, specific bilateral and multilateral agreements have placed constraints on Canada's policy choices. Third, U.S. policy toward Canada is becoming more sophisticated as it now seems to understand and

exploit the fault lines in Canadian politics.

Sands concluded that it is important for policy makers north of the border to understand that the United States approaches Canada, as opposed to Ottawa. Relations are strengthening between the private sectors and non governmental sectors. He argued that traditional dispute resolution processes focused on formal channels (e.g. the Embassy in Washington) may be less effective than informal ones. As well, Canadians should take advantage of the broad networks to which they belong across North America. The role of governments could increasingly be to ratify solutions generated by individuals at the working level through their professional relationships.

Working Sessions and Papers

Session 1 - North American Linkages: Empirical Evidence

In *Canada's Trade and Foreign Direct Investment Patterns with the United States*, Ram Acharya, Prakash Sharma and Someshwar Rao of Industry Canada discuss the substantial rise in Canada's trade and investment with the rest of the world over the last ten years. They note that international trade in products and services currently represents over 90% of Canada's gross domestic product. As well, Canada's foreign direct investment (FDI) outflow to the rest of the world is up substantially, and since

1996 it has even exceeded FDI inflows to Canada. They argue that strong growth in the United States and Canada's weak dollar provided major impetus to the growth of Canadian exports to the United States.

"The buoyant U.S. economy and the depreciation of the Canadian dollar are mainly responsible for the dramatic increase in Canadian exports to the United States."

-Ram Acharya, Prakash Sharma and Someshwar Rao

In *Comparative Advantage and Trade in North America: A Sectoral Analysis*, Lawrence Schembri of Carleton University considers trade in manufactured goods at the sectoral level in a North American context. His results suggest that trade within North America will continue to grow as a result of lower trade barriers and technological advances.

In *Cities, Regions and North American Integration*, Pierre-Paul Proulx of Université de Montréal focuses on the growth of large cities as a complement to North American economic integration, with special attention to a number

of technological developments that promote concentration of economic activity in urban areas. He argues that urban growth brings positive externalities in terms of innovation and economic growth, but also contributes to deepening the divide between cities and remote areas.

Session 2 - Role of Trade and Labour Mobility for Canada's Economic Performance

In *Free Trade and Canadian Economic Performance: Which Theories Does the Evidence Support?*, Keith Head and John Ries of the University of British Columbia examine the impacts of NAFTA on trade creation, trade diversion, the inter-sectoral allocation of resources in manufacturing, and productivity. According to the authors, the record suggests that NAFTA has indeed resulted in trade creation and not trade diversion. While greater specialization has occurred within the manufacturing

"Since the critics of free trade have not yet presented any serious evidence of a link between more trade and lower welfare in Canada . . . we see no reason why Canada should deviate from its commitment to open market policies."

-Keith Head and John Ries

sector, it does not appear to be attributable to the free trade agreement *per se*. They find that manufacturing productivity growth in Canada during the 1990s was not

the result of economies of scale, and conclude that NAFTA's impacts on efficiency are not clear.

In *The Changing Role and Impact of Labour Mobility within an Integrating North America*, Richard Harris and Nicolas Schmitt of Simon Fraser University argue that despite an apparent drop in mobility over the past two decades, there are good reasons to expect labour mobility to become a much more significant issue. In part, this will reflect the growth in services trade, pressures to attract foreign direct investment to Canada by facilitating the movement of employees across borders, and pub-

"...there is a need for research on the distributive consequences of greater labour mobility in Canada."

-Richard Harris and Nicolas Schmitt

lic concern in Canada about the brain drain to the United States. Harris and Schmitt suggest that a continental labour market with full mobility rights for all NAFTA workers could be necessary in order to reap the full economic benefits of North America's integration.

Session 3 - Human Capital Mobility

In *Canada-U.S. Integration and Labour Market Outcomes: A Perspective within the General Context of Globalization*, Paul Beaudry and David Green of the University of British Columbia argue that Canada and the United States have accumulated less capital per worker relative to European

". . . can we hope to avoid problems of falling real wages and increased inequality by integrating with an economy that itself has those problems?"

-Paul Beaudry and David Green

economies and have paid the price in the form of falling real wages and increased inequality. This situation is likely to persist since both Canada and the United States will continue to be net importers of international capital. They caution that Canada will only obtain a larger share of North American investment if it can leverage further economic integration with the United States into increased investment from third-party countries.

In *Tax Treatment of Human Capital in Canada and the United States: An Overview and Examination of the Case of University Graduates*, James Davies of the University of Western Ontario and Kirk Collins of the University of Ottawa observe that progressive tax systems in both countries create moderate disincentives for human capital accumulation, with higher effective tax rates in Canada. Effective tax rates on human capital are important for two distinct types of individual choices: investment in education itself, and the location of work between countries. For example, subsidizing the cost of education and making income tax more progressive may leave the effective tax rate on human capital unchanged, while creating a stronger incentive to leave the

country following graduation. The question of whether or not a high effective tax rate on human capital results in a sub-optimal

". . . one of the lowest effective tax rates in Canada is that on highly able Canadians who move to the United States to reap their rewards after graduation."

-James Davies and Kirk Collins

level of human capital depends on how other types of capital are taxed.

Session 4 - Foreign Direct Investment and Corporate Taxation

In *The Distribution of Foreign Direct Investment in North America*, Steven Globerman of Western Washington University and Daniel Shapiro of Simon Fraser University examine con-

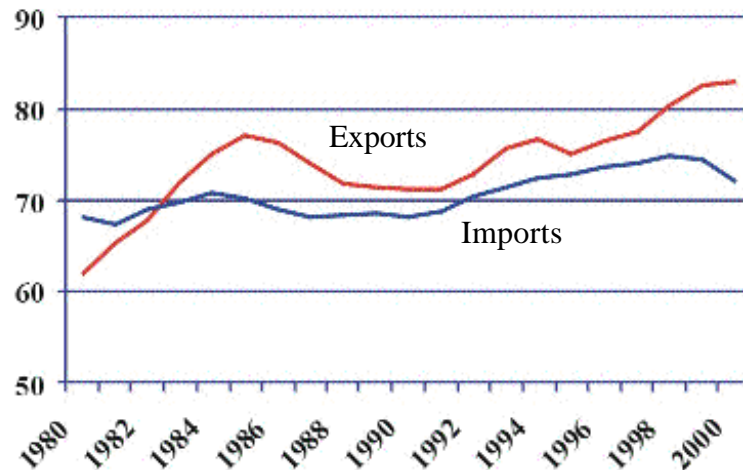
". . . the data cast doubt upon the empirical relevance of differences in tax rates for Canada's under-representation in new economy industries."

-Steven Globerman and Daniel Shapiro

cerns that Canada has become increasingly less attractive than the United States as a place to invest. They find that although

Trade linkages between Canada and the US increased considerably in the 1990s

US share of Canadian Trade of Goods and Services, 1980-2000 (percent)



Source: Statistics Canada
Compilation: Industry Canada

Canada's share of inward foreign direct investment (FDI) in North America has effectively decreased to the profit of the United States, a high level of acquisitions of U.S. companies by European investors, especially from the United Kingdom, explains a large part of the U.S. performance. They recognize the importance of having a competitive tax regime to attract FDI, but do not believe that the tax rate differential between Canada and the United States is a major determinant of recent FDI trends.

In *North American Integration: Implications for Business Taxation*, Bev Dahlby of the University of Alberta examines the implications of North American economic integration on business income tax regimes and the potential for a race to the bottom. He concludes that there is no evidence of a major shift away from taxes on corporate income

among OECD countries, and consequently no evidence of a race to the bottom. However, he argues that in the presence of foreign tax credits, small capital-importing countries such as Canada should set their corporate income tax rates close to those of their major sources of foreign investment.

Session 5 - Deepening the Linkages

In *Canada, the United States and Deepening Economic Integration: Next Steps*, Michael Hart of Carleton University argues that additional trade mechanisms should be explored to increase the already significant benefits Canada and the United States are enjoying as a result of the FTA, the NAFTA and the WTO. Economic growth in both countries would increase if governments removed some or all of the remaining trade irritants, including "cumbersome rules of origin, dis-

criminatorary government procurement restrictions, complex antidumping procedures, vexatious security considerations, and both-ersome immigration procedures." In his view, the political mood both

"Deepening integration is exposing a further set of policies and practices that stand in the way of more beneficial trade and investment."

-Michael Hart

in Ottawa and in Washington is right for discussing broad proposals to simultaneously reduce many of the remaining trade barriers while providing Canadians assurance that trade agreements will not compromise their social and environmental programs.

In *Impacts on NAFTA Members of NAFTA's External Tariffs*, Drusilla Brown, Allen Deardorff and Robert Stern of the University of Michigan analyze the impact on global welfare of reductions in particular tariffs. They estimate that a 33% reduction in agricultural tariffs would increase global welfare by \$20.8 billion. While welfare in Canada and Mexico would improve by \$67 million and \$111 million respectively, the United States would experience a welfare loss of \$4.1 billion. Similarly, a 33% tariff reduction in mining and manufacturing tariffs would increase global welfare by an estimated \$201.7 billion. As one would expect, the model also suggests that the net benefits achieved through multilateral trade agreements would far

exceed the benefits obtained from bilateral trade agreements.

Session 6 - Socio-environmental Issues

In *Social Policy and Canada-U.S. Economic Integration: National and Sub-national Patterns in Social Policy Development*, Keith Banting of Queen's University and Gerard Boychuk of the University of Waterloo examine the evidence on policy convergence in Canada-U.S. income maintenance programs to assess whether increasing economic integration is narrowing the scope for distinct

". . . the overall pattern is one of two societies adjusting to common pressures but in different ways."

- Gerard Boychuk and Keith Banting

social policy. They conclude that economic integration does not necessarily entail social policy convergence. The overall pattern to date is one of two societies adjusting to common pressures but in different ways. However, there are challenges to this conclusion, as well as variations in the patterns of convergence and divergence of social policy at the national and sub-national levels of government. For example, programs such as social assistance and workers' compensation do not exhibit cross-border convergence, while support for low-wage families is converging, primarily through the Child Tax Benefit in Canada and the Earned Income Tax Credit in the United States.

In *North American Integration*

and the Environment, Nancy Olewiler of Simon Fraser University focuses on the impact of economic integration on the natural environment. After examining available indicators for Canada and

". . . there is no evidence that integration within North America has promoted the development of pollution havens or a race to the bottom for environmental regulation."

-Nancy Olewiler

the United States, Olewiler finds that the evidence does not support the view that closer North American economic integration must result in lower levels of environmental quality. While the long-term impact on the environment of increased trade and investment flows and higher rates of economic growth is not clear, there is no evidence that integration has prompted the development of pollution havens or a race to the bottom for environmental regulation. In fact, regulations appear to be converging toward those of countries with the most stringent rules. She concludes that economic growth and cost-effective, socially efficient environmental policies are essential companions to a healthy environment.

Session 7 - Macro-economic Linkages

In *The Pros and Cons of North American Monetary Integration*, Sven Arndt of Claremont College notes that expanding linkages between the three North American economies are complemented by a

new interest towards monetary integration scenarios. He argues that the European experience of monetary union should be closely examined while considering an ever-deepening integration of North America.

In *Mexico's Perspectives on North American Linkages*, Aaron Sydor and Gary Sawchuk of Industry Canada present the results of a study on structural changes in Canada's and Mexico's trade with their American neighbour. Both countries considerably increased their trade with the United States during the 1990s, with a more rapid rise in the case of Mexico. They find that there was a faster adjustment in the makeup of manufacturing exports in Mexico than in Canada. Mexico increasingly tends to concentrate its exports in a number of key industries like automobiles, machinery, and electrical and electronic components. Finally, despite a significant upward trend, the volume of trade between Canada and Mexico remains relatively modest.

Session 8 - Framework Policies

In *A Study of the Implications of Increasing North American Integration for Competition Policy and Intellectual Property Issues*, Roger Ware of Queen's University examines the multi-jurisdictional application of policies with regard to competition and intellectual property protection. In the area of competition policy, his main conclusion is that the extraterritorial application of American antitrust laws would diminish significantly Canada's ability to pursue an inde-

pendent competition policy. On intellectual property protection, he argues that differences in approaches and enforcement between the two countries are far less significant than the similarities. He proposes a policy of positive comity, whereby the enforcement of competition laws would be initiated in one country in response to a request from another country which perceives that its interests are adversely affected by anti-competitive practices in the first country. He also proposes a NAFTA competition agency as a possible last resort mechanism.

In *NAFTA: Forging New Approaches to the Internet and Government*, Catherine Mann of the Institute of International Economics examines the tensions between national jurisdictions and the Internet-based marketplace in NAFTA coun-

tries and beyond. Using case studies of approaches to taxation and the protection of personal information in Canada,

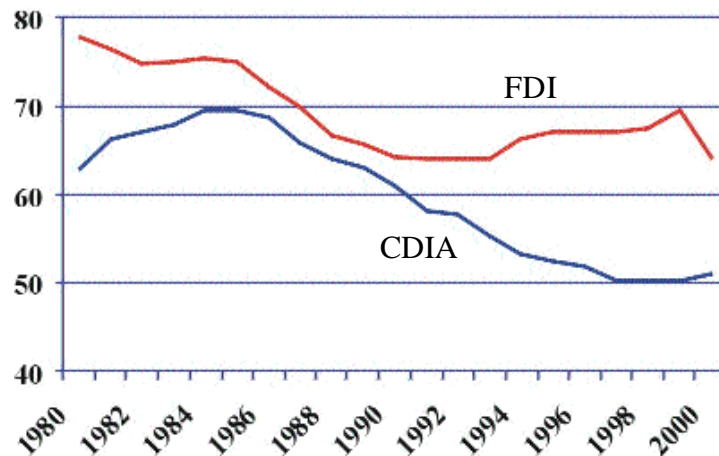
"Tax regimes and personal information are two areas where there are potential conflicts between national jurisdiction on policy and the economics of the Internet marketplace."

-Catherine Mann

the United States and Mexico, she shows how these tensions are playing out. She concludes that the scope of the governance regime does not coincide with the activity it is intended to regulate, and she proposes a NAFTA tax agreement and a NAFTA framework for data protection.

Canada-US investment linkages have not increased

US Shares of Stocks of Global Foreign Direct Investment and Canadian Direct Investment Abroad, 1980-2000 (percent)



Source: Statistics Canada
 Compilation: Industry Canada

The Best of Calgary Ottawa Roundtable on North American Linkages: Policy Discussion and Knowledge Gaps

On October 18, 2001, Industry Canada held a follow-up roundtable in Ottawa, entitled *The Best of Calgary: Policy Discussion and Knowledge Gaps*, in order to:

- discuss the key research findings of the papers presented at the Calgary Conference;
- explore their policy implications; and
- identify the important knowledge gaps.

Address by V. Peter Harder

In an address to participants at the Roundtable, V. Peter Harder, Deputy Minister of Industry Canada, stressed the importance to

"I want to stress that the issue of growing North American linkages is one of Canada's more important research and policy challenges today."

-V. Peter Harder

Canada of research and policy work on North American linkages, stating that ". . . for Canada, North American linkages remain the key to our current and future economic prosperity." The events of September 11, 2001 have added urgency to the need for Canada to

come to policy terms with the rapidly changing focus on national security and its implications for Canada's economic prosperity, which depends directly on continued and reasonably unfettered access to the rich U.S. marketplace.

Mr. Harder reminded participants that Canada continues to lag behind the United States in productivity and income levels. If we do not want to fall further behind the benchmark U.S. economy, we must focus more on innovation and productivity. Although the United States will remain our main competitor, we must also be concerned about rapidly emerging rivals, such as Mexico. Promoting productivity and income growth are key to maintaining our social programs and our distinctive way of life within North America.

This is why Industry Canada, in partnership with other government departments, has embarked on an ambitious research program to look at North American linkage issues, so that Canada can chart an informed and "Canadian way" forward. He challenged the participants to help undertake this important policy research work to ensure that Canadians are informed of the consequences, the possibilities and the realities of deeper integration within the North American context.

Overview of the Calgary Conference

Professor Harris set the scene for the Roundtable by reminding those present of the main question which the work on North American linkages had to address: *Where is North America's integration headed?* In particular, researchers have to consider what institutions to adopt, and whether an EU model is appropriate or not.

Roundtable Discussions

An opening panel examined the impact of the September 11, 2001 terrorist attacks on North American linkages. The panel noted that before September 11, rapid growth in cross-border trade had resulted in border congestion and pressures on existing infrastructures and practices. The Canadian and U.S. governments had responded with a joint effort to bring together agencies in both countries to find new ways to deal with this congestion. The terrorist attacks raised concerns about border security that threaten to undo some of the progress made toward opening the border.

Session 1 – North American Linkages: Empirical Evidence

In terms of research gaps, this session identified the lack of work on trade in services, foreign affiliates, the movement of individuals,

human capital and the interplay of urban centres and foreign direct investment.

Session 2 – Role of Trade and Labour Mobility for Canada's Economic Performance

In terms of further work, participants in this session argued that we need a better understanding of how trade impacts economic performance, and in particular: why Canada's productivity performance has not matched that of the US; do foreign ownership and innovation result in spillovers; how to get a better understanding of services trade; how to include Mexico in our thinking; and what the impact of the events of September 11 will be on border issues. As well, the debate on the brain drain could be broadened, and additional research work on human capital issues should address questions such as labour mobility, human capital and the accumulation of knowledge.

Session 3 – Human Capital Mobility

This session concluded that further integration would be useful if it would lead to more capital accumulation in Canada. There was no evidence, however, that this would happen. It also highlighted additional research to be undertaken by Human Resources Development Canada on understanding labour mobility, both within Canada and in a North American context.

Session 4 – Foreign Direct Investment and Corporate Taxation

In terms of further work, this session suggested consideration of two questions: what are the implications of increased North American linkages for Canada's tax mix; and, assuming greatly reduced frontier barriers between Canada and the US, how would we apply the GST?

Session 5 – Deepening the linkages

In terms of possible gaps for further work, this session identified the question of disputes, such as softwood lumber, which seem to be settled then crop up again. It also urged that some attention be devoted to measuring the costs of administering the system, such as enforcing the rules of origin, and the benefits from these rules.

Session 6 – Socio-Environmental Issues

This session concluded that the papers presented argued that economic integration does not necessitate social policy harmonization. Rather, Canadian and American society are adjusting to common pressures in different ways.

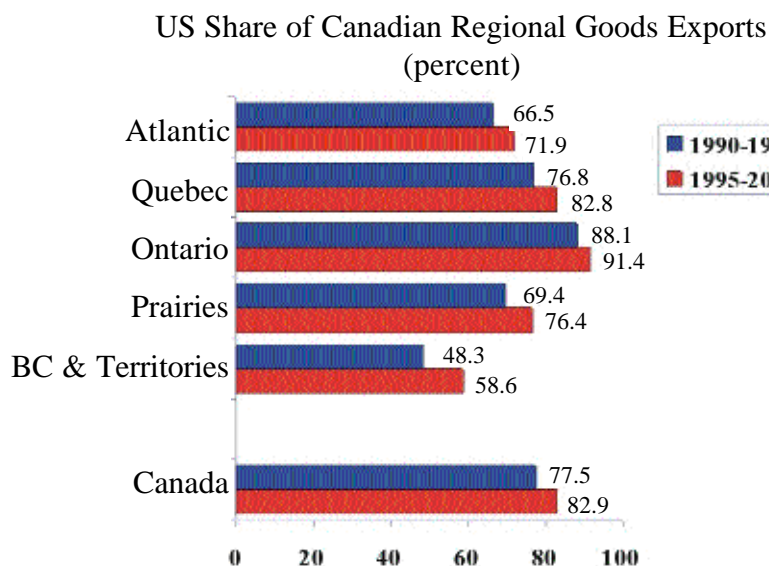
Session 7 – Macro-Economic Linkages

Participants in this session suggested that it would be useful to examine what happened in terms of the integration of financial markets.

Session 8 – Framework Policies

This session concluded that, with respect to competition policy, Canada and the US have divergent national interests, which might pose problems for a common framework. In the area of taxation, it argued that there had been no dis-

Trade linkages between the US and all Canadian regions deepened in the 1990s



Source: Statistics Canada
Compilation: Industry Canada

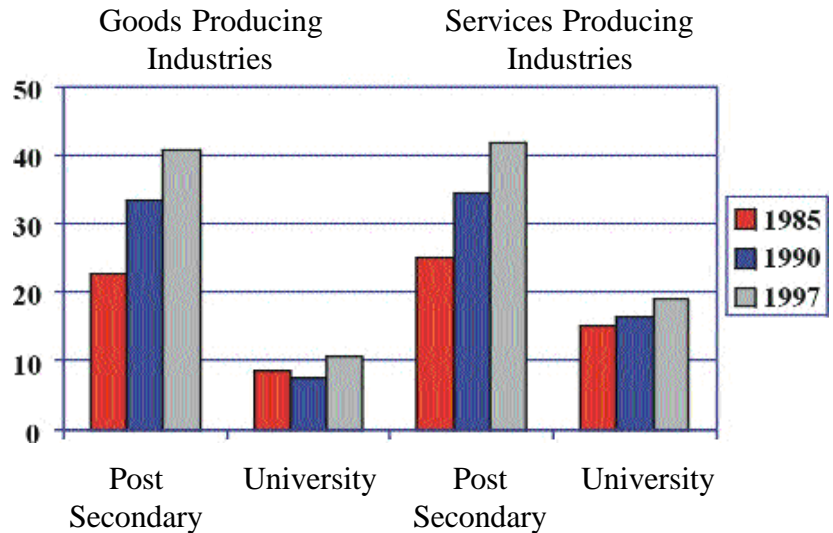
cussion of substantive problems such as different information sharing policies.

Conclusion

Professor Harris concluded the Roundtable by briefly summing up the areas identified for additional research in the discussions reported above. He also mentioned gaps in cross-disciplinary studies, as researchers tend to examine highly specialized topics or focus on national rather than international paradigms. He stressed a key empirical issue: research is largely shaped by the data available and is hindered by such problems as divergences between Canadian and U.S. statistics. Finally, he suggested that Canada's performance on the economic and social fronts be compared to that of the United States and of small open economies such as Finland, Australia and Sweden.

The skill content of Canadian exports has increased steadily

Share of Labour-skill Embodied in Canadian Exports
(percent)



Source: Statistics Canada
Compilation: Industry Canada

