



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

# **2021 State of Canadian Trade – Canada and the U.S.: Looking to the Biden Administration**

by Amily Li and Emily Walter  
March 2021

# CONFERENCE REPORT

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## **2021 STATE OF TRADE – CANADA AND THE U.S.: LOOKING TO THE BIDEN ADMINISTRATION**

by Amily Li and Emily Walter  
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## **Living in Economic Extremes: A Terrible Year, But Much Better Than Expected**

Stephen Tapp – Deputy Chief Economist, Export Development Canada

The COVID-19 shock to economic and social life has been felt in great scope and scale. Seventy-eight per cent of Canadian exporters have experienced a drop in sales, businesses saw revenue declines of over 50 per cent early in the pandemic and seven million Americans have since filed for unemployment claims. COVID-19's impact has also been highly unequal. The high-contact services sector and smaller firms are the most vulnerable, struggling to recover, while the rest of the economy is slowly getting back to pre-COVID levels of revenue and operations.

Despite these staggering disruptions, Stephen Tapp offers an optimistic account of recovery efforts globally and in Canada. First, the policy response has been effective in both size and speed. Financial markets have stabilized through quantitative easing and fiscal support programs. When employment and wages fell in April 2020, government transfers eased the financial burden on households, causing personal income and savings to go up. These measures have led to a V-shaped recovery, with consumer spending and retail sales returning to pre-pandemic levels.

On the trade front, international supply chains have been resilient despite early predictions of a collapse to global trade. Though travel and tourism have taken a hard hit, trade in goods has increased largely due to a fast revival of production in China and other Asian markets. Thanks to effective policy support and a resilient domestic and international supply chain, Canada's nominal GDP dropped by only five per cent, similar to that of 2009.

Taking into account COVID-19 and the state of the U.S. economy, statistics show that Canadian businesses have not been deterred from cross-border trade. The new Biden administration offers a welcome change that presents opportunities to reset the Canada-U.S. trade relationship. Tapp concludes by speculating that the post-pandemic economy will be more digital, unequal, indebted and possibly more local. However, the state of post-pandemic global trade remains uncertain. Tapp predicts that trade may become less globalized, as COVID-19 has remade supply chains, causing countries to seek domestic sourcing while also diversifying to ensure built-in resilience.

## **The Canadian Government's Trade Priorities and the State of Trade**

John Hannaford – Deputy Minister of International Trade

COVID-19 has reinforced the importance of international co-operation and the Canada-U.S. relationship, both of which have mitigated some of the pandemic's negative repercussions on the Canadian economy. Deputy Minister John Hannaford emphasizes that recovery depends on international trade and investment, since 3.3 million Canadian jobs and 2/3 of the economy rely on trade. Thus, keeping supply chains open and strengthening the international rules-based system are the Canadian government's top priorities. Mary Ng, minister of Small Business,



Export Promotion and International Trade, is working with like-minded nations of the Ottawa Group on trade modernization. Working with the Trade Commissioner Service and Export Development Canada, the government seeks to induce Canadian firms to take advantage of our privileged access to 2/3 of the global economy acquired through free trade agreements. As digital platforms redefine and make international trade more accessible, AI, fin-tech and clean-tech will play a significant role in economic recovery. These opportunities will allow trade to be more inclusive, empowering marginalized groups and small businesses to develop their export capacity. Engagement with the U.S. is another key priority. The government is maintaining its “Team Canada” approach by working with businesses, investors and workers to ensure both sides benefit from resilient supply chains.

### **Panel I - The Trade Guys on the Biden Administration and What it Means for Canada**

Bill Reinsch – Senior Advisor, Scholl Chair in International Business, Center for Strategic & International Studies

Scott Miller – Senior Advisor, Abshire-Inamori Leadership Academy, Center for Strategic & International Studies

In discussing trade policies under the Biden administration and what this means for Canada, Bill Reinsch and Scott Miller emphasize the importance of a strong partnership between the Canadian and American governments in addressing the most pressing trade issues in 2021. Although it is unlikely that we will see sudden, drastic changes in American trade policies under President Joe Biden, and despite how some of his policies may pose challenges for Canada, Biden’s holistic view of international relationships and policy goals is beneficial for Canada.

For example, a stronger Canada-U.S. partnership may prove useful in rebuilding the North America-China relationship regarding trade and digital governance. While Biden is seen as being too soft on China, the U.S.-China relationship is too important not to rebuild, and China is unlikely to change its firm political approach. Under Biden, it is likely that American security policies regarding Huawei will remain, but we are likely to see tariffs on Chinese goods removed in attempts to build better relations. If Prime Minister Justin Trudeau works with Biden in approaching China, this may aid the Canada-China relationship as well. Despite this, the Trade Guys debate how Canada should address the first major stumbling block in the bilateral relationship: Biden’s executive order to halt the Keystone XL pipeline. While Reinsch thinks Canada should accept the outcome and work with the U.S. on green initiatives such as carbon pricing and border tax adjustments, Miller suggests Canada fight the outcome, citing a recent U.S. Supreme Court ruling.

When asked about the next big ideas in trade, the panellists highlight the need to ensure equitable distribution of trade benefits, and to address issues such as climate policy reform in trade and the fragmentation of internet governance. Although it may seem that Biden’s Buy



America policies are detrimental to Canada, Reinsch and Miller emphasize that Canada-U.S. collaboration in reshoring can benefit both countries. Moving forward, Canada should advocate for a further integrated North American market to ensure investments, and renewed trade policies help both countries rebuild from COVID-19.

## **Panel II - What Does Canada Need to Do?**

Moderator: Sarah Goldfeder – Principal, Earncliffe Strategy Group and Fellow, Canadian Global Affairs Institute

Ambassador John Weekes – Senior Business Advisor, Bennett Jones and Fellow, Canadian Global Affairs Institute

Eric Miller – President, Rideau Potomac Strategy Group and Fellow, Canadian Global Affairs Institute

Meredith Lilly – Associate Professor & Simon Reisman Chair in International Affairs, Carleton University and Advisory Council Member, Canadian Global Affairs Institute

In this conversation moderated by Sarah Goldfeder, panellists offer their perspectives on what Canada should do to strengthen its bilateral relationship with the U.S., boost cross-border trade and solve global issues with a collective front. Meredith Lilly starts the discussion by emphasizing that America First is not a new concept and does not mean Canada last. Biden's Buy America executive order should not be viewed as the demise of Canada-U.S. trade. Instead, U.S. trade policy will undoubtedly focus on serving the middle class, and that which benefits the American middle class will also be good for Canadians.

Ambassador John Weekes highlights the importance of developing a positive agenda with the U.S. to set the tone for productive conversation. Instead of fixating on areas where both countries disagree, Canada must bring forward constructive ideas for bilateral and international trade to get Americans excited about solving issues together. Moreover, Canada must make itself relevant to American COVID-19 recovery efforts by linking trade policy with domestic policy, which will be the Biden administration's immediate focus. To do so, panellists identify various trade issues impacting the middle class that Canada should bring to the agenda. This includes digital trade, competition policy and working together more strongly on enforcement and remedies for labour and environment issues. On the global stage, Canada and the U.S. should focus on WTO reform, eliminating subsidies in trade and bringing China into the rules-based system as a long-term project.

On market diversification, Eric Miller identifies two simultaneous strategies that Canada should pursue: a U.S. strategy and an international strategy. With the U.S., Canada should interweave itself more into the American supply chain, create the infrastructure for an e-health passport to foster cross-border travel during the pandemic and encourage the U.S.'s return to the CPTPP. In its global focus, Canada should learn from similarly sized middle powers, such as South Korea



and the Netherlands, which have punched above their weight in export and trade success. Trade diversification is not only about accessing new markets, but integrating new players. The government must ensure small and medium-sized enterprises (SMEs) are also benefiting from free trade agreements and prioritized in trade policy.

### **Panel III - Dealing with Uncle Sam: Advice from Those Who Have Been There**

Moderator: Maureen Boyd – Founding Director, Initiative for Parliamentary and Diplomatic Engagement, Carleton University and Chair, Parliamentary Centre

The Honourable John Manley, P.C., O.C. – Chair of Advisory Council, Canadian Global Affairs Institute

Ambassador Gordon Giffin – Partner, Dentons

Ambassador David MacNaughton – President, Palantir Technologies Canada

In this panel, John Manley, Gordon Giffin and David MacNaughton focus on the idea of reimagining and restoring the Canada-U.S. relationship in a post-pandemic, post-Trump world. In discussing the issue of border regulations in COVID-19, the panellists compare the pandemic border closure to the situation following 9/11, when security concerns created delays at the border but could be more easily addressed than the invisible enemy of COVID-19. While it is unlikely that the Canada-U.S. border will open until the vaccine is widely distributed, the pandemic presents an opportunity to reimagine how we manage the border in a safer, more efficient manner, just as enhanced security screening was implemented after 9/11. On the topic of restoring the Canada-U.S. relationship, the panellists agree that Canada and the U.S. will have to quit being counter-parties if they wish to act as partners on the global stage. In this regard, Canada has a critical role to play in building a strong relationship, by focusing on supporting its closest neighbour and ally instead of dwelling on bilateral irritants in the relationship.

If successful, Canada and the U.S. can collaborate in addressing larger issues such as a Canada-U.S. approach to China. On this note, the panellists agree that the U.S. should work to extricate Canada from the Huawei dispute with China, and work for the freedom of Michael Kovrig and Michael Spavor. The U.S. placed Canada in a very difficult position by requesting the arrest of Meng Wanzhou. When asked about the future of the North American idea, the speakers once again highlight the importance of collaboration in driving Canada-U.S. shared interests. For example, Canada and the U.S. have had issues enforcing labour and environmental standards with Mexico, and working together in this regard could help enforce these trade priorities regionally and globally. Additionally, the future North American idea could include unified Canada-U.S. policies on climate change, defence and increased protections for safeguarding intellectual property. In collaborating on these priorities, Canada and the U.S. can reshape North American influence in meeting the challenges of the post-pandemic world.

## About the authors

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**Amily Li** is a M.A. student at the Norman Paterson School of International Affairs specializing in International Organizations and Global Public Policy. She has worked in the non-profit and international development sectors on issues of environment and climate change, youth employment, rural economic development, and migration. Her current academic interests center around trade, specifically on non-tariff measures and their impact on Canadian agricultural exports, and environmental provisions in international trade agreements.

**Emily Walter** is a M.A student at Carleton University's Norman Paterson School of International Affairs (NPSIA), specializing in Diplomacy and Foreign Policy. Her current research interests focus on trade, specifically how trade negotiations are conducted and how trade agreements and relations create differentiated impacts for various groups. For her Master's research project, she is currently analyzing how environmental provisions in trade agreements might position countries to achieve broader climate goals.

## **Canadian Global Affairs Institute**

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