

**Western Centre for Economic Research  
Faculty of Business**

**Annual Report**

January 1 – December 31, 2007



University of Alberta



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## **Background on the Western Centre for Economic Research**

Since its creation in late 1985, the WCER has had as its primary objective the dissemination of timely and balanced research findings relevant to the Western Canadian economy. The intended audience consists of concerned citizens and, in particular, decision makers within government and industry throughout Western Canada and beyond. Sponsored by the School of Business and the Departments of Economics and Rural Economy, the Western Centre is able to draw on a wide range of expertise and to offer academic research, conferences, workshops and seminars on a diversity of issues pertaining to the performance of Western Canada's economy.

The results of research findings and conference deliberations are distributed through a series of information bulletins and similar monographs, where emphasis is continually placed on ensuring that the information is presented in a non-technical, accessible format. Information Bulletins are available from the WCER office (780 492 2235) or online at [www.business.ualberta.ca/wcer](http://www.business.ualberta.ca/wcer).

The Centre's activities are often co-sponsored with other University of Alberta entities as well as with federal and provincial government departments and research organizations at other universities across the Americas.

Funding for the WCER is derived from three primary sources: fee-for-service contract work, financial support from the George Cormie Foundation and a pledged endowment by Canadian National Railway Company (CN) for transportation and Canada – US trade research. The revenue stream from this endowment permits the WCER to consider some independent initiatives, and to involve academic staff and graduate students in its research activities.

## Information Bulletins

The Information Bulletin series remains the WCER's primary vehicle for the dissemination of its research findings. Following are summaries of Bulletins published during 2007.

### **No. 96 Provincial and National Business Cycles 1976 to 2006: How the Princes Fared by Edward J. Chambers (February)**

This paper updates and extends material found in *New Indexes for the Tracking the Alberta and British Columbia Economies*, Information Bulletin No. 52, Western Centre for Economic Research, University of Alberta, December 1998.

The purpose of this research is to identify provincial cyclical experience over recent decades and to offer the basis for inter-provincial comparisons. This is a limited objective since it is not, for example, designed to either provide an in-depth description or—even more ambitiously—to evaluate the specific provincial circumstances that generated cyclical change. To complete the research, one must consistently apply in each jurisdiction identical measures of economic activity. When combined into an index, they appear to track the performance of the national and the provincial economies quite effectively.

A Coincident Indicator (CI) was constructed using CI, three of many possible series were chosen:

- full time employment for those 15 and over for both sexes;
- total hours worked in the month including both full and part time for both sexes aged 15 and over; and
- the volume of retail sales in all stores (current sales adjusted for inflation).

A diffusion index of provincial CIs was used in summarizing monthly provincial business conditions. Results showed a recession record of the past one-third of a century that reveals considerable heterogeneity in the Canadian cyclical experience. The first half of the period covered reveals two rather severe recessions experienced nationally and across the provinces. In contrast, there has been no national recession since the severe downturn of 1989-1992 but there have been provincial recessions over the past fourteen year period, most strongly

evident in the Atlantic region. These downturns, however, rank as relatively mild in depth and limited in duration.

The results suggest that in establishing policies that are national in scope—such as monetary policy—those responsible require a systematic and timely knowledge base that effectively allows the evaluation of provincial business conditions. Even in the best of circumstances policy decisions will be complex and not always optimal from the perspective of individual provinces.

**No. 97. ATB Financial Business Sentiments Index™: How is the Alberta Economy Doing? Q1 2007 by Edward J. Chambers and Matthew Nichols (January)**

The ATB Financial Business Sentiments Index™ was compiled by the Western Centre for Economic Research (WCER), Alberta School of Business, from a survey of 423 Alberta business firms. The ATB Financial Business Sentiments Index™ finds that the Alberta economy will display strong growth in the first quarter of 2007 but moderated slightly from the levels attained in 2006. That moderation in growth will be evident in both Northern and Southern Alberta.

The Index for Q1 2007 stands at 140.2 compared with a level of 163.1 in Q4 2006. A majority of Alberta firms, both in the North and the South of the province, will expect increased sales in the coming quarter with expectations of improved business evident across all sectors. Demand for labour will remain strong with slightly lower levels due to seasonality

**No. 98. Canadian Wheat Board Performance Benchmarking by Richard Pedde (February)**

Whether or not the Canadian Wheat Board (CWB) should be retained in its present form as sole buyer of Prairie grains is the subject of current debate and a vote by Western Canadian grain farmers in March 2007. This paper contributes to the discussion by adducing new results on the performance of the CWB. It is hoped that the findings will enable more informed voting and follow-up action.

The paper provides a brief historical overview of events leading up to the Gray Report followed by a more detailed description of the performance measurement

process. The third section describes the experience of US farmers in getting good prices. The fourth section places "outperformance" into an appropriate context by discussing the economic concept of "market efficiency". Benchmarking results, using a process designed by Richard Gray, are presented for the various types of grain.

The debate on whether or not the Canadian producers could earn higher returns with or without the CWB will continue for some time. For example, based on data not much different from that used by the CWB self benchmarking process, this paper comes to quite different conclusions. The one and only CWB performance benchmark done by the CWB indicates that it is performing well; the analysis performed here shows quite the opposite over a wider spectrum of grains and a longer time frame.

**No. 99. ATB Financial Business Sentiments™: Where is the Alberta Economy Going? Q2 2007 by Edward J. Chambers and Matthew Nichols (April)**

The ATB Financial Business Sentiments Index™ was compiled by the Western Centre for Economic Research (WCER), Alberta School of Business, from a survey of 418 Alberta business firms. For Q2 2007 the Index is 140.3, the same level as in Q1 2007. Where in Q1 2007 the ATB Financial Business Sentiments Index™ was approximately the same in the North and the South, the coming quarter conditions, though still strong in the North, will be more expansionary in the South. The job market remains strong but at a slightly lower level than a year ago. There is a leveling off of exploration activity in the oil and gas sector

**No. 100. Managing the Economic Impacts of Mountain Pine Beetle Outbreaks in Alberta by Blake Phillips, James Beck Jr. and Trevor Nickel (March)**

The economic, social and environmental impacts of a MPB infestation within Alberta were used using the Foothills Model Forest as a case study. Based on the predictions of the SELES MPB Model and evidence from British Columbia, three potential scenarios regarding MPB spread rates within the Hinton Forestry Management Area (HFMA) were hypothesized ranging from a mild infestation to severe spread rates. The even flow harvest rates required to utilize



commercially viable stands attacked by MPB were determined. The modeling program Forest Muncher was utilized to estimate the decrease in Allowable Annual Cut (AAC) which could result from succession / salvage harvest. Based on these AAC estimates, the economic impact of MPB attack influenced AAC changes was examined utilizing output from the Computable General Equilibrium Framework (CGE) Model.

Scenario 1 had a nearly inappreciable impact on the economic indicators for the forest industry or the total economy. Within Scenario 2 forest industry revenue, royalties, labour income and employment were estimated to increase by 40 – 50% during the Surge Period and decrease by 4.7 – 6.0% in the Post Surge Period. Within Scenarios 3.1 and 3.2 forestry industry revenue, royalties, labour income and employment increases ranged from 70 – 90% for Scenario 3.1 and ranged from 160 – 210% for Scenario 3.2 during the Surge Period. Decreases in revenue, royalties, labour income and employment in the forest industry were estimated to decrease by 6 – 9% within the Post Surge Periods of Scenarios 3.1 and 3.2.

The viability of large scale salvage of MPB damaged stands to the scale and magnitude modeled by this report is significantly constrained by a number of factors including milling capacity, forestry equipment, and worker availability. The economic viability of damaged MPB stands could also be limited by downward pressure on wood product commodity prices resulting from oversupply in the market. If wood is not utilized quickly after attack, additional losses in wood value may occur as a result of rapid drying, further reducing the economic viability of MPB damaged stands. Social and environmental issues needed when developing MPB management plans were not addressed.

### **No. 101. After the Doha: Evolution or Revolution in the World Trading System by Gary Hufbauer and Constantino Poschedda (April)**

A Canada-US Trade Forum: March 29, 2007 Presented by Gary Hufbauer, Reginald Jones Senior Fellow of the Institute for International Economics

The Doha Development Round (DDR) of multilateral trade negotiations halted in July 2006 and were followed several unsuccessful attempts to agree on modalities for reducing agricultural subsidies and protection. At Davos, Switzerland, in January 2007, world leaders pledged to resurrect the DDR talks and reach a successful agreement. Yet, in February 2007, the outcome remains in

doubt. It seems most unlikely that a robust DDR agreement will be concluded – even though, with much effort, a shallow deal is still in sight.

The paper starts gives a short overview of the world trading system since the Second World War, emphasizing the contribution of trade liberalization to world growth. Next a summary of the causes of the DDR breakdown is given. This is followed by an examination of three different scenarios for the future of the world trading system, highlighting risks and opportunities associated with each.

The authors forecast a six-month extension of the Trade Promotion Authority (TPA), until December 2007, so that the Doha Development Round can be brought to a conclusion. With an extension of TPA, they expect shallow results will be achieved in the DDR during the rest of 2007. To keep the WTO in the game and to keep hope alive, they predict that, at the end of DDR negotiations, WTO ministers will announce a series of plurilateral talks for particular sectors. Exploratory talks on big regional deals may start but the authors do not expect regional talks to lead to concrete results within the next five years. The “real action” will be in bilateral FTAs, with the choice of partner selection determined as much by foreign policy considerations as economic interests. However the United States is likely to sit out the game until late 2009 or 2010, for lack of presidential negotiating authority. Enlightened countries will unilaterally reducing barriers and adopting complementary domestic reforms, without waiting for bilateral or regional negotiations. The authors suggest that global trade and investment will grow rapidly. If a combination of bilateral FTAs and transportation/communications technology serves to keep world trade and investment brisk, ten years from now multilateral negotiations under WTO auspices may seem less urgent than they do in 2007.

### **No. 102. China: Export Market Prospects and Alberta's Agriculture Sector by Cheryl Davie and Michele Veeman (May)**

Reflecting anticipations of China's expected role as the world's future largest market for food, this paper focuses on the identification of opportunities and constraints to Alberta's expansion of agricultural-based exports to China. The analysis is based on: data relating to China's importation of these agri-food products during from 2001 to 2005; analysis based on export values and market shares of Alberta and major competitors; overviews of relevant literature; and interviews with a small number of knowledgeable exporters.

Alberta's total agriculture exports to China reached \$291.71 million in 2005, representing an increase of 198.75% since 2001. Alberta's market share in the aggregate of agricultural and food products it exports to China grew from 3.49% to 6.95%. Market shares for traditional exports are examined and a number of potential 'import gaps' are identified. These are products for which China's imports have grown significantly, but appreciable Alberta exports have not been achieved, although growth appears to be feasible.

The slow pace and discouraging results of WTO trade negotiations for agricultural products has encouraged a number of competing exporting nations (including Australia, Brazil, Argentina and New Zealand) to seek trade alliances with China, raising concern regarding potential trade displacement for others, including Alberta/Canada. Other disadvantages to Alberta exports arise from the ways in which food standards are applied in China and a lack of protection of product. Encouragement of China's effective participation in the Codex Alimentarius system of food standards could assist with some issues of standards anomalies. Exporters' efforts to develop and maintain close associations in supply value chains are also necessary in the China market if quality maintenance and accurate identification of products and their origins are to be achieved and defended. This suggests that export promotion assistance may well be an issue that should be raised in multilateral trade negotiations.

**No. 103. The Canada – U.S. Softwood Lumber Agreement of 2006: The Experience of the Western Canadian Industry under the Softwood Lumber Agreement of 2006, edited by Helmut Mach and Williams J. Shaw (June)**

A Canada – US Trade Forum: April 11, 2007

This Bulletin contains the proceedings of the Forum which brought together former Canadian and U.S. federal government softwood lumber negotiators, softwood lumber industry representatives, provincial government representatives, academics and students to review the experience of the Western Canadian softwood lumber industry after the first six months of operation and implementation of the Canada-U.S. Softwood Lumber Agreement (SLA), which came into force on October 11, 2006. The Forum reviewed the SLA, its background and context, its negotiation, implementation and operation.

Panellists brought their perspectives and views of its advantages and disadvantages.

The WCER prepared the conclusions and recommendations including:

1. The Canada – U. S. Softwood Lumber Agreement of 2006 is not a durable or long-term solution for Canadian and U.S. softwood lumber trade disputes.
2. Failing a major market change it is very likely that the current Softwood Lumber Agreement will be terminated before its anticipated expiry date.
3. Early termination of the Agreement could be avoided if the United States is serious about its commitments to facilitate the orderly operation of the agreement and ensure that it functions in a commercially viable manner. Some of the most troublesome aspects of the agreement include:
  - The retroactive application of the export tax surcharges applied when exports exceed the surge limits.
  - The modification of the base period for calculation of exports from Alberta.
4. Industry requires a greater level of commitment on the part of governments to:
  - work in the interests of the Canadian industry;
  - devote sufficient resources to the operation, administration and implementation of the Agreement;
  - provide all required information on a timely basis; and
  - engage the industry more fully in discussions of management and strategy related to actions associated with the Agreement.
5. In anticipation of possible early termination of the Agreement, industry and governments should be preparing for a potential new trade dispute based upon allegations of subsidization of the industry through provincial forest practices.
6. The SLA provides the first opportunity for termination some 24 months after the entry into force of the agreement. Governments and industry should ensure that there is extensive dialogue and collaboration prior to that date, reviewing what, if any, changes have occurred to ensure the commercial viability of the Canadian industry under the agreement and to consider Canada's options.

**No. 104. ATB Financial *Business Sentiments Index*<sup>TM</sup>: Where is the Alberta Economy Going? Q3 2007 by Edward J. Chambers and Nigel Fish (July)**

The ATB Financial Business Sentiments Index<sup>TM</sup> was compiled by the Western Centre for Economic Research (WCER), Alberta School of Business, from a survey of 407 Alberta business firms. The ATB Financial Business Sentiments Index<sup>TM</sup> (BSI<sup>TM</sup>) at 152.5 predicts a continuing strong Alberta economy in the third quarter of 2007. While strong, this growth is comparable to levels attained in 2006.

The job market remains strong but at a slightly lower level than a year ago. The positive sentiment and increase in job opportunities is most strongly evident in North Alberta, largely due to earlier seasonal change. There is a rebounding of sentiments in the oil and gas sector.

**No. 105. ATB Financial *Business Sentiments Index*<sup>TM</sup>: Where is the Alberta Economy Going? Q4 2007 by Edward J. Chambers and Nigel Fish (October)**

The ATB Financial Business Sentiments Index<sup>TM</sup> Q4:2007 was compiled by the Western Centre for Economic Research (WCER), Alberta School of Business, from a survey of 409 Alberta business firms.

Alberta growth in the fourth quarter will continue its pace led by the northern regions and by a rebound in the oil and gas sector. The ATB Financial Business Sentiments Index<sup>TM</sup> stands at 150.0 for Q4 2007 compared with 152.5 in Q3 2007, and a quarterly average of 154.7 in 2006. The Index of Business Hiring Intentions shows a slight moderation in projected job growth from Q3 2007 with the average of 2007 falling short of the quarterly average of 2006.

**No. 106. Alberta's Export Experience under Free Trade Agreements: 1988-2006 by Meenu Chugh, Michael Padua and Rolf Mirus (November)**

This report offers a review of the merchandise exports from Alberta for the years since 1988. As with previous reports, 1988 has been employed as a benchmark against which to measure growth in aggregate exports and in specific product

categories. This report, unlike past years, focused only on Alberta and did not include analysis of other Western provinces.

In 2006, Alberta exported goods worth \$83.3 billion worldwide. Of this \$74.5 billion, or 80.4% was destined for FTA partners. Exports to the US accounted for \$73.8 billion or 88.6% of Alberta's total exports, up from \$9.2 billion or 700% since 1988. Exports to Mexico, since the inception of NAFTA in 1993, grew from \$85.4 million to \$628.6 million or 635%. Exports to non-FTA countries grew only 133.2%. Annual compound growth rates over the period of the FTAs, were as follows: US 11.6%; Mexico 15.3%; Israel 8.0%; Chile -1.0%; and Costa Rica 32.8%

In 2006, 70.0% of Alberta's exports consisted of energy products and 99.5% of these were destined for the US. Excluding energy, exports to FTA partners from 1988 to 2006 grew in value by over 3½ times the exports to non-FTA countries, 492.0% versus 138.1%. Value-added manufactured exports have generally increased in value by more than unprocessed exports.

The report tracks the share of US global imports originating in Alberta since the inception of the NAFTA. From 1993 to 2006, Alberta's overall share of US imports has grown from 2.2% to 3.5%; the share of non-energy imports grew from 0.6% to 0.9%; and the share of US total energy imports declined from 17.0% to 15.3% although the value of energy exports rose from \$12.2 billion to \$58.0 billion. For the Western Canadian provinces, between 1993 and 2006, BC's share of US total imports declined from 1.4% to 1.0%, Saskatchewan's share increased from 0.45% to 0.50% and Manitoba's share increased from 0.36% to 0.41%. Canadian exports to the US grew from \$141 billion to \$344.1 billion this was a decline in share of total US imports from 19.1% to 16.4%.

**No. 108. ATB Financial *Business Sentiments Index*<sup>TM</sup>: Where is the Alberta Economy Going? Q1 2008 by Edward J. Chambers and Nigel Fish (December)**

The ATB Financial Business Sentiments Index<sup>TM</sup> Q1:2008 was compiled by the Western Centre for Economic Research (WCER), Alberta School of Business, from a survey of 409 Alberta business firms.

The Alberta economy is growing at a more moderate and sustainable pace. The moderation was evident in all sectors of the economy. The ATB Financial

Business Sentiments Index™ stood at 124.7 for Q1 2008. This compares with a level of 150.0 in Q4 2007, 149.7 in Q1 2006 and 140.2 in Q1 2005. For Q1 2008 the spread between the BSI of 120 for North Alberta compared with 119 for South Alberta compares with a pattern that first became evident in Q3 2007. Moderation in hiring intentions was mainly attributable to South Alberta. Two-thirds of respondents expected that their business will record increased sales over the years.

## **CN Canada-US Trade Relations Forums**

### **After the Doha Round: Scenarios for the World Trading System and the Implications for Canada**

Gary Hufbauer, Reginald Jones Senior Fellow of the Institute for International Economics

March 27, 2007, Stollery Centre

Dr. Gary Hufbauer visited the School of Business, March 28 and 29th. His public lecture, "After the Doha Round: Scenarios for the World Trading System and the Implications for Canada," discussed the evolution of world trade over the past half century explaining the failure of Doha, its overemphasis on agricultural liberalization and the insufficient emphasis on issues of manufacturing and services. An overview of the levels of ambition of various nations led into an examination of the US trade policy scene. Dr. Hufbauer proposed possible scenarios of world trade development before making a bold forecast as to the future of international free trade agreements.

### **Canada-US Softwood Lumber Agreement of 2006**

April 11, 2007, Stollery Centre, University of Alberta

The forum focused on the impact of the Agreement on the lumber industry. By April, the Softwood Lumber Agreement, signed September 12th, 2006, had been in force for six months. The lumber industry had already dealt with its impact, adapting their business practices under the Agreement, and preparing for the future. The CN Canada-US Trade Relations Forum on the Canada-US Softwood Lumber Agreement 2006 stimulated discussion of the impact of the Agreement on the industry. Private sector leaders offered insight into their experiences over the past six months, as well as their views on what changes

may be necessary to ensure the long term commercial viability of the Western Canadian lumber industry.

The forum featured Mr. Grant Aldonas, William M. Scholl Chair in International Business at the Centre for Strategic and International Studies, Washington, D.C. and Mr. Doug Waddell. Mr. Aldonas is a former U.S. negotiator for the Softwood Lumber dispute, while Mr. Waddell is a former Canadian negotiator. Both speakers gave their perspectives on why the deal had to be done, what it means for the industry and their views on the future of the Agreement.

The private sector panellists giving an industry perspective included: Mr. Hank Ketcham, President and CEO, West Fraser Timber; Mr. Trevor Wakelin, Millar Western; Mr. Ken Higginbotham, Vice President Forestry and Environment, Canfor Corporation; and Mr. Paul Perkins, Vice President Policy and Planning, Weyerhaeuser Company.

The forum offered an opportunity for an exchange of views and laid the foundation for a report on the impact of the Agreement, including recommendations to governments for the ongoing management of the Agreement. The Western Centre for Economic Research provided Conclusions and Recommendations which can be found in the Information Bulletin 103.

### **A Briefing on the Status and Prospects of WTO Negotiations: The Implications for Alberta and Canada**

John Weekes

September 28, School of Business

Mr. John Weekes currently a Senior Policy Adviser, Sidley Austin LLP (Geneva), was the former Canadian Ambassador to the WTO, Chair of the WTO General Council, and Chief Negotiator for the North American Free Trade Agreement.

John Weekes provided a snapshot of the ongoing World Trade Organization (WTO) Doha Development Agenda trade negotiations at the WCER's most recent CN Trade Relations Forum. Although recent press reports have portrayed the Doha talks as 'staggering along', he feels optimistic. The slow progress by Doha participants should really be viewed in the context of past negotiations that were also painfully slow and complex. Weekes then presented his rationale for his view that the latest round of multilateral trade talks would most likely reach



a successful conclusion. One reason for optimism is that there now appears to be a political push by many world leaders to see the negotiations concluded. Negotiations in Geneva have been very intensive, with senior officials genuinely trying to work towards a mutually acceptable outcome. Mr. Weekes explored the complexity of the Doha round negotiations, reflecting on the change in global trading patterns. Mr. Weekes noted that the failure of WTO talks in Cancun in 2003 demonstrated a shift in power at the WTO which has led to a much more ambitious agenda in agriculture trade liberalization.

Mr. Weekes made concluding remarks about Canada's "schizophrenic" policy in agricultural trade liberalization, where Canada has been the only country among the 151 members of the WTO to call for no drop in tariffs and no increase in quotas for sensitive agricultural products, while simultaneously calling for an ambitious outcome in all other aspects of the agriculture agreement. He expected that Canada would simply be "rolled over" in negotiations and wind up accepting whatever other countries agreed, which "might not be such a bad thing for the country's economy." Weekes concluded that it was perhaps the perfect time to be working on such a huge piece of public policy. People watching the instability of the current international monetary system might be buoyed by an international agreement that actually works at helping create global stability. Mr. Weekes presentation can be found on the WCER website.

## **International Trade Policy Fellowships**

The purpose of the fellowships is to undertake trade policy research covering the WTO, NAFTA and other regional arrangements. The work will include developing reports on Alberta's experience under free trade agreements, the effect of bilateral trade agreements on Alberta's export competitiveness and research into the export potential of Alberta industries. Preference is given to applicants whose programs reflect some of these interests.

The fellowships are open to Ph.D. and Master's candidates in Business (MBA International), Economics (International), and Rural Economy (International) and to Law students. The fellowships are sponsored by Alberta Agriculture.

In 2006, three International Trade Policy Fellowships were awarded, two for the period from May through September and one for the period August through December.

In 2006, three International Trade Policy Fellowships were awarded:

- Meenu Chugh (Business)
- Nigel Fish (Business)
- Pearce Shewchuk (Economics)

## **ATB Financial Student Award**

One student award per term is given to an undergraduate student. The student will help develop the quarterly ATB Financial Business Sentiments Index™. The current award holder is **Nigel Fish** (Business).

## **Projects**

### **Export Challenges and Barriers Facing Small and Medium Sized Businesses (SMEs) in Western Canada**

The WCER began a study of Western Canadian small businesses who export to US and other international markets. In late spring, a telephone survey of 387 firms with less than 100 employees was undertaken. Most firms were in the manufacturing sector, supplemented by a few firms in professional and technical services. All participants were existing or past exporters and apart from a sprinkling of start-ups, most firms in the survey were well established. The research was organized around four themes: the role of exports in growth strategies; the marketing chain and how firms find export markets; perceived barriers to exporting (including the thickening Canada-US border since 9/11); and indirect exporting and the role of foreign suppliers. Results will be published early in 2008.

This project is funded by Western Economic Development, Canada.

### **ATB Financial Business Sentiments Index™**

The WCER continues to construct an Alberta based, forward looking quarterly survey of business confidence. Over 400 businesses across Alberta and across industry sectors are surveyed quarterly to determine their outlook for future demand, employment needs, pricing and inventory levels. An index of business

sentiments is developed based on survey results. To a considerable degree, the survey follows the EU format, an established and successful model.

Not only does the index provide a business barometer but it also serve as a reference point for appraisal of the business experience in the past quarter. Now in the second year of the project, results can be analyzed for any evidence of seasonal patterns. The index is presented on the WCER web page and published in the Alberta Venture.

### **China: Export Market Prospects and Alberta's Agriculture Sector**

Dr. Michele Veeman, Professor Emerita Rural Economy, and Cheryl Davie, MBA/MSc. Rural Economy candidate investigated agricultural exports to China during the five year period 2001 to 2005. An overview and analysis of China's importation of identified agricultural products from Alberta and major competitors was based on the U.N. Comtrade and Trademap databases, together with other selected information sources. While highly variable, Alberta's agricultural export performance was broadly assessed to have improved. The study indicated that several semi-processed products from Alberta have achieved a foothold in the China market. The authors identified a number of potential 'import gaps', products for which China's imports have grown significantly but appreciable Alberta exports have not been achieved, although growth appears feasible. In some cases Alberta's exports of agricultural products to China are hampered by the slow pace and discouraging results of WTO trade negotiations for agricultural products. As the study indicated, this has encouraged a number of competing exporting nations to seek trade alliances with China, raising concern regarding potential trade displacement for others, including Alberta and Canada.

The study's summary findings suggested that "trends in consumption and the westernization of Chinese diets suggest a potential in the China import market... [that] can be achieved by Alberta producers and exporters." The results of the study reinforce Alberta's longstanding emphasis on, the importance of, agricultural trade liberalization and the elimination of market access barriers through the WTO negotiations.

The research was funded by Alberta Agriculture and Food.

## **A Cost-Benefit Analysis of Alberta's Proposed Bio-Refining Complex**

The WCER undertook an economic cost benefit analysis of a proposal to develop an integrated bio-refining or industrial biotechnology centre based on wood chips, energy crops, agricultural fibre, and various waste materials. The WCER looked at the economic and social usefulness of such a project. The cost-benefit analysis endeavoured to place values on the projected capital, operating and maintenance costs, as well as anticipate other costs, and outline risks of any escalation of these costs. Included in the assessment was an analysis of the economic development potential that the networking investment would generate, such as the possible formation of a bio-refining cluster in Alberta; an estimate of the economic value of the small scale output produced by the project; the value of the project in terms of sustainable environmental practices and 'green' outputs; and projections of the income that could be realistically expected from renting experimental space to private sector clients.

This project was sponsored by Alberta Life Sciences Institute.

### **Western Canada Economic Diversification**

The importance of diversification in an economy is well understood. The WCER has begun formulating a project to measure the economic diversification that has taken place at the provincial level in Western Canada over the twenty year period of trade liberalization from 1988 to 2008. The project is structured to answer the following questions:

1. What is the most appropriate methodology for measuring diversification?
2. Does trade liberalization contribute to diversification?
3. Using the methodology defined above (1.), has diversification actually occurred over the past twenty years? Are there any trends in diversification? What degree of volatility was demonstrated?
4. Is it possible to develop a single diversification indicator?

The answers to these questions will help policy makers evaluate whether economic diversification is still an appropriate public policy objective for Western Canada. Further, the findings can be drawn upon by policy makers at all levels to develop alternatives to current diversification policies and programs. Dissemination of the research will contribute to the broader public debate about relevant economic policies for Western Canada.

The WCER has begun the search for project funding.

## **Web Access of Information Bulletins**

The WCER has begun to make Information Bulletins available on the Internet through RePEc (Research Papers in Economics), a decentralized database of working papers, journal articles and software components. All RePEc material is freely available. RePEc now collaborates with the American Economic Association's EconLit database to provide content from leading universities' working paper series to EconLit.

The first set of Information Bulletins was made available on RePEc in December and there were 38 page views made in the month. It is expected the page views will increase in the coming year.

## **Activities**

### **Director, Mr. Helmut Mach**

Mr. Mach has participated in a number of forums and conferences including the Agricultural Forum in Washington, D.C. (June); the WTO Public Forum in Geneva (October); and the Association for Canadian Studies in the United States (November). He is a fellow of the Institute for United Policy Studies (IUSPS), University of Alberta.

### **Research Professor, Dr. Edward Chambers**

Dr. Chambers continues to lead the ATB Financial Business Sentiments™ project, working with some of the WCER's fellowship students. He was the lead researcher for the project looking at the export barriers and challenges faced by small and medium sized enterprises.

Dr. Chambers is an Assessor with the British Columbia Department of Higher Education Degree Quality Assessment Board for B. Com and MBA Programme applications. He is a member of the Advisory Council of the North American Economic and Finance Association and he is President of the Oak Bay Probus Club.

### **Research Professor, Dr. Rolf Mirus**

Dr. Mirus, a Professor Emeritus of the School of Business, has provided ongoing supervision of the Trade Fellows and academic support for various WCER projects. Dr. Mirus worked with three sets of Chinese executives who were hosted by the Centre for International Business Studies. He gave lectures on Chinese international and capital markets, monetary and fiscal policy and floating exchange to these groups. He accompanied students from the EMBA programme to Helsinki, Stockholm and St. Petersburg in 2007. Dr. Mirus also serves as a trustee on the Board of the Hans and Eugenia Juetting Foundation which invests US\$10 million for scholarships for business and music students.

### **Chief Economist, Mr. Jason Brisbois**

In July, Mr. Jason Brisbois joined the WCER team as Chief Economist. Jason's career in public finance and economics spanned twenty-six years, with positions in several provinces. Jason left the Federal Public Service in 2007 after spending seventeen years as Chief Economist of Western Economic Diversification, Canada. During that period, Jason helped the Department build an economic and policy research agenda that drew on the expertise of a variety of research organizations in the West and other parts of Canada. The results of the research influenced how the Department delivered its mandate to develop and diversify the western Canadian economy.

Prior to working with Western Diversification, Jason spent: three years at the Federal Department of Finance working on federal-provincial fiscal arrangements and budget preparation, four years at the Alberta Treasury Department working on federal-provincial fiscal arrangements, two years with the Saskatchewan Department of Finance as a budget analyst, and a brief period with the Newfoundland Department of Development. Jason received a Masters Degree in Business Administration from Memorial University of Newfoundland in 1982.

### **S. Stephen Janzen**

In May, Steve Janzen presented the findings of the Mountain Pine Beetle study to Rural Team Alberta, a group that includes officials from federal and provincial departments and representatives from rural organizations.

## **Jean Frost**

Jean Frost improved her editing skills through a course offered by the University of Alberta, Department of Extension.

## **Public Relations**

The WCER is frequently asked by the media and by others for assessments of the economic conditions in Alberta and other western provinces. The Centre responds quickly to these requests. The WCER is attempting to increase its exposure in the media and to various levels of government. To this end, press releases of Information Bulletins are disseminated; editorial pieces are constructed; and letters of policy recommendations are sent appropriate government officials. The WCER is also making available informed comments on provincial and federal budgets.

## **Internal Management**

Many thanks are extended to Ted Chambers, Rolf Mirus, Jason Brisbois, Jean Frost and Stephen Janzen for their assistance and valued contributions throughout the year, to our ATB Award Student Nigel Fish, and to Williams Shaw, our summer student.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'Helmut Mach', written in a cursive style.

Helmut Mach  
Director

