

**Western Centre for Economic Research  
University of Alberta**

**Annual Report  
January 1 – December 31, 2002**



**University of Alberta**

## **Western Centre for Economic Research**

2002 was a highly successful year for the Western Centre for Economic Research (WCER) as it saw the publication of two books. *Natural Gas Across the Andes: A Case Study of an International Business Venture* is the culmination of a number of years research into the construction, by an Alberta company, of a gas pipeline from Argentina to Chile. *NAFTA in the New Millennium* second is the proceedings of an international conference held at the University of Alberta in 2001.

A number of Information Bulletins were issued; new and ongoing trade related projects were undertaken; research grants were assessed and awarded; new Trade Fellows were selected and supervised; and a variety of projects were undertaken. Continuing from past work, a multi year study of small business in Western Canada was commenced.

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

Since its creation in late 1985, the Western Centre for Economic Research has had as its primary objective the dissemination of timely and balanced research findings relevant to the Western Canadian economy to a wide audience of concerned citizens and, in particular, to decision makers within government and industry throughout Western Canada and beyond. Sponsored by the School of Business and the Departments of Economics and of 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 or online at [www.bus.ualberta.ca/cibs-wcer](http://www.bus.ualberta.ca/cibs-wcer).

The Centre's activities are often co-sponsored with other University of Alberta institutes, such as the Centre for International Business Studies, also housed in the School of Business, as well as with federal and provincial government departments and research organizations at other universities across the Americas.

Funding for the Western Centre is derived from two primary sources: fee-for-service contract work and financial support from the George Cormie Foundation. The revenue

stream from this endowment permits the Western Centre to consider some independent initiatives, and to involve more academic staff and graduate students in its research activities.

## **Publications**

### **Books**

*Natural Gas s Across the Andes: A Case Study of an International Business Venture* by Eugenio Figueroa B. and Birgitta Smith

Originally planned as a shorter case study for classroom use, this project was deemed to sufficient general interest and historic import to warrant comprehensive treatment and publication as a book. The study, financially support by TransCanada PipeLines/NOVA Gas International, analyses the enormous complexities of building the GasAndes pipeline from Argentina into Chile. The pipeline, in operation since 1997, was a path-breaking Canadian investment project in Latin America and a “daring business initiative”, combining the best of western Canadian expertise with two fiercely competitive Chilean companies. This timely narrative provides a dramatic account of the battle to conceive and build the first major gas pipeline across the Andes mountains.

In *Natural Gas Across the Andes*, Birgitta Smith and Eugenio Figueroa lay bare the many challenges facing the alliance of Canada’s NOVA Gas International and its South American partners. Unique events turn a classic case study into a full-blown business adventure. It outlines the objectives that brought the companies together, describes the nature of their partnership, and addresses the many obstacles in their quest to making the GasAndes pipeline a reality. Environmental and community concerns, socio-economic issues, business practices, and the staggering effort needed to construct the pipeline, are all addressed.

This story “of challenge, of courage and of triumph,” captures an important snapshot of contemporary Canadian and Chilean economic history. The increasing internationalization of Canada’s energy industry, and the impending flurry of activity associated with the building of a massive new pipeline stretching from Alaska to Alberta, make this an especially compelling study.

Eugenio Figueroa is a Professor of Economics, School of Economic and Administrative Sciences, and Director, Center of Environmental and Natural Resource Economics

(CENRE), Universidad de Chile, and is also an Adjunct Professor in the Department of Marketing, Business Economics and Law at the University of Alberta's School of Business.

Birgitta Smith is a Senior Research Associate, Western Centre for Economic Research, at the University of Alberta's School of Business.

*NAFTA in the New Millennium* edited by Edited by Edward J. Chambers and Peter H. Smith

The WCER was pleased to announce the release of *NAFTA in the New Millennium* published jointly by the University of Alberta Press and the Centre for U.S.-Mexican Studies, University of California, San Diego and with funding contributions by Alberta International and Intergovernmental Relations.

The North American Free Trade Agreement binds Canada, Mexico, and the United States together in an ambitious and far-reaching experiment in regional economic integration. As we enter the new millennium, a central concern is whether NAFTA should be amended or reformed and how it might become the foundation for a hemispheric Free Trade Area of the Americas (FTAA). To assess these possibilities, *NAFTA in the New Millennium* raises key questions:

- How has NAFTA performed and how has it affected the member countries?
- Is there popular support for NAFTA in Canada, Mexico, and the United States?
- What are the prospects for change in the foreseeable future and for the longer term?
- How does NAFTA fit into the still-evolving world economy?
- What is its relationship to other regional integration schemes and to multilateral connections on a global scale?

Prominent contributors from Canada, Mexico, and the United States examine broad dimensions of NAFTA's history, politics, economics, and outlooks for future development. They address such topics as:

- The rise of "free trade" as an idea
- Occupational status and perceptions of NAFTA
- Immigration policy and economic integration
- The need for a social development fund
- Prospects for dollarization
- The impact of 9/11/01 on regional and hemispheric trade negotiations.

Dr. Edward Chambers is Professor Emeritus of Marketing and Economic Analysis at the School of Business, University of Alberta and was the Director of the Western Centre for Economic Research.

Dr. Peter Smith is Profess of Political Science, Simon Bolivar Professor of Latin American Studies and past Director of Latin American Studies at the University of California, San Diego.

## **Information Bulletins**

The Information Bulletin series remains the Western Centre's primary vehicle for the dissemination of its research findings. Following are summaries of the Bulletins published in 2002.

### **No.68. Taking Stock After the First Year: Performance Evaluation of the Greater Edmonton Competitiveness Strategy** by Rolf Mirus and Jean Frost

Economic Development Edmonton (EDE) contracted the WCER to evaluate the Greater Edmonton Competitiveness Strategy (GECS) performance to date based on objectives as well as compared with other regions employing similar strategies.

The report proceeds from providing essential contextual information about cluster strategies to identifying issues in the evaluation of cluster strategies, to the experiences and lessons learned elsewhere, and then turns to a survey of GECS participants and the findings from the survey.

The report concludes

- Initiatives should be focused with tangible, realistic and achievable goals with firm time lines to generate a sense of accomplishment. In general, the Cluster Strategies developed and empowered by the GECS have made good progress towards institutionalizing themselves. As the clusters vary in size, stage of maturity and diversity, it is not surprising that some are more organized and developed than others;
- Survey respondents reported a high degree of success with the Flagship initiatives and some are beginning to have visibility and political muscle;
- Networking and communications have increased across many sectors but continued efforts are required to ensure broader industry involvement. More intensive efforts at communicating the goals and sharing information with the business community and between clusters and flagships are required;

- The top factors energizing the process were the commitment of participants; EDE's leadership; government and industry leadership; the focus on common needs, goals and visions; the participants' competitive drive and belief in the process. Edmonton's key industry leaders and community champions need to be more involved;
- The identified obstacles to success were lack of human and financial resources from both the public and private sectors; too many Action Plans formulated; communications from Flagship Initiatives to Clusters were not optimal; and a lack of leadership in some cases;
- The GECS should be monitored and evaluated annually. Further surveys would help build a comprehensive data base and history of achievements.

**No. 69 Alberta Tariff Reduction and Elimination Priorities, 2002** by Jeremy Herbert

This report is part of an annual series funded by Alberta International and Intergovernmental Relations and updates Bulletin No. 66. Based on data of exports from Alberta in 2000, the objective remains to assemble information which will (a) serve as a guide to the tariffs that should be priorities for reduction in new multilateral trade negotiations, and (b) assist in identifying current and potential markets for which tariff reduction is a priority.

The study focuses on Alberta exports valued at a minimum of \$500,000 in total shipments to all non-FTA countries.<sup>1</sup> (In other words, individual countries need not meet that threshold.) Products are classified in accordance with the 6-digit level of the "Harmonized Tariff Coding System" (HS Code), and the study deals primarily with WTO "bound" duty rates. (The "bound rate" represents the maximum tariff that a country can charge following concessions made during the Uruguay Round.) Countries, which are not WTO members, are also included in the study if they received significant levels of imports from Alberta. In these cases, other known maximum tariffs — e.g. Most Favoured Nation (MFN) tariffs — replace the "bound" rate.

Products are divided into agricultural and non-agricultural products and then further sub-divided into HS chapters, each of which represents a group of like products (e.g. "oilseeds and forage products," or "machinery and parts"). Within each "chapter," products are further sub-divided into very specific items (e.g. "soya beans," "linseed," etc., and "temperature treating equipment," "parts of temperature treating equipment,"

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<sup>1</sup> By imposing a threshold of \$500,000, the study may not capture all potentially valuable exports facing restrictive barriers.

etc.) For each chapter, the study provides (a) detailed tables showing the bound tariffs that each of the specific products faces in each country, as well as the 2000 value of Alberta's exports to that country; (b) summary tables showing the total annual value of exports of the specific product for the years 1995 to 2000; and (c) comparisons of total volume of exports between non-FTA and FTA countries for selected products.

**No. 70 Alberta's Small and Medium Sized Enterprises and Their Export Activity** by S. Stephen Janzen, Stuart E. Shaw and R. Jean Frost

At the request of Alberta Economic Development and Alberta International & Intergovernmental Relations, the WCER undertook a telephone survey of 110 small and medium sized enterprises (SMEs) in effort to obtain knowledge about what propels Alberta's smaller firms to become involved internationally. Longer personal interviews were conducted with 13 of the survey firms. The findings will enhance efforts to support Alberta's smaller firms and help them to become more competitive globally.

Selected findings include:

- The United States is an export market for 71% of the firms surveyed. Half of the SMEs surveyed derive more than 50% of their export revenue from shipments to the US.
- Almost 40% of the SMEs surveyed earned more than half of their revenues from exports.
- The success factors deemed most important by Alberta's SMEs when considering their export activities are quality of service and the uniqueness of their products.
- Most surveyed firms do not invest a large amount of their revenues in either research and development or marketing. Respondents often reported a desire to increase the money spent on marketing but were unable due to funding constraints.
- When considering expansion, Alberta's SMEs view low overall business costs as the most significant factor. The availability of skilled labour, and favourable regulatory and tax environments also receive serious consideration.

The report recommended that in order to increase the export activity of SMEs, the Alberta Government should:

- Consider ways in which it can help small business obtain greater access to venture capital;
- Continue to provide comprehensive market intelligence with information that is as firm specific as possible;
- Increase the number of networking functions aimed at SMEs;

- Consider additional strategies that can help SMEs with the cost of marketing and research development;
- Develop a well-defined and articulated SME strategy to help identify and draw attention to the importance of SMEs in the Alberta economy and to the notable success of small and medium sized firms.

**No. 71 The Alberta and Western Canada Export Experience Under the Free Trade Agreements: 1988-2001** by Katrin Hoffmann (August 2002)

This report continues the annual review of the merchandise exports from Western Canada 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. The annual report for 2001 summarizes the merchandise export experience and draws some comparisons to the 1999 export experience. Information on the top 20 exports for each western province and for Western Canada as a whole for 2001 are provided, as well as separate presentation of export relations to the United States, Mexico, Chile, Costa Rica and Israel.

Alberta, with an increased export value of 2.9%, was the only western province to experience a growth in export. Western Canada as a whole experienced a 2% decrease in the dollar value of its merchandise exports over 2000. The energy exports remained the dominant export category for Alberta, Saskatchewan and Manitoba while in British Columbia, forestry products were slightly higher in value than energy exports. Alberta's exports increased, not only due to a rising value in energy exports, but also due to a greater contribution of manufactured products, in particular electrical equipment and machinery. Alberta's total export value was \$57.5 billion.

As in 2000, the United States remained the major destination of exports from Western Canada and all western provinces except Saskatchewan showed an increase in their US market share. The US market share was 89% for Alberta.

Export values to Mexico increased significantly in 2001 but the percentage share of total exports from Western Canada to Mexico did not exceed 1%. Alberta's exports to Mexico were valued at \$488 million and were dominated by agricultural products, in particular, meat exports.

Exports from the western provinces to other countries with whom Canada has a free trade agreement (Chile, Costa Rica and Israel) have dropped since the establishment of the free trade agreement and during the past year.



**No.72 Natural Resource Trust Funds: A Comparison of Alberta and Alaska Resource Funds** by Allan A. Warrack and Russell R. Keddie (September 2002)

This study considers the similarities and differences of the two funds. Both funds began in mid 1970s and are based on hydrocarbon revenues. However, there is a deep philosophical distinction embedded between the two funds. Alaska with a more privatized fund, pays monies paid directly to eligible persons while in Alberta, with a more nationalized fund, investment choices are guided or even forced by government.

Economic and social development directives were included in the Alberta Heritage Fund (especially the Capital Projects Division), but were not objectives explicit for the Alaska Permanent Fund.

Comparing the current size and pace of growth of the respective funds, the results of the differences are stark. The Alberta Heritage Savings Trust Fund is much smaller; its size has not changed for many years; and it is not now growing. The Alaska Permanent Fund has become much larger, and it continues to grow.

**No. 73 Alberta Tariff Reduction and Elimination Priorities, 1997-2001** by Katrin Anna Hoffmann

Part of an annual series of studies funded by Alberta International and Intergovernmental Relations, this report gives an overview of the developments and trends in Alberta's exports for 1997 to 2001. The review focuses on trade with those countries with whom Canada does *not* have a free trade agreement. The objectives of the five year overview are to a) assist in the identification of export categories which should have priority for tariff reduction or elimination in multilateral trade negotiations at the World Trade Organization (WTO) or in bilateral agreements between Canada and its major trading partners, and b) to help focus on markets where tariff barriers represent significant obstacles for Alberta's major export products.

Selected findings include:

- The top five non-FTA trading partners for Alberta from 1997 to 2001 were Japan, the EU, China, South Korea and Taiwan;
- The total export share to non-FTA countries declined by almost half from 18.7% in 1997 to 10.2% in 2001. This indicates that the significant increase in total exports from Alberta was entirely accounted for by an increasing trade with FTA countries;

- Non-FTA countries are important markets for cereals but tariffs tend to remain very high Reduction of these tariffs should be considered during trade negotiations;
- Exports of Wood Pulp face high tariffs in the significant markets of Indonesia and Brazil;
- Forage products destined for South Korea and canola destined to China face high tariffs;
- Meat exports to Japan, South Korea, Taiwan and South Korea are high, particularly for beef;
- The decline in sales of organic chemicals to non-FTA countries could be related to high tariffs;
- Tariff reductions for polyethylene in Malaysia, Indonesia and Trinidad and Tobago could stimulate export of this product;
- Non-FTA countries are important markets for nickel and nickel products but face significant tariffs in Singapore and South Korea.

## The Research Grants Program

Now in its fifth year, the Research Grants Program is funded by the George Cormie Endowment, Imperial Oil Fund, and the Royal Bank. Operated jointly with the Centre for International Business Studies, the program encourages academic staff and graduate students in the School of Business, and in the Departments of Economics and of Rural Economy, to investigate topics relating to (1) international trade and foreign direct investment — including such aspects as management issues, regulatory and commercial policies, international standard setting, and other like issues presenting a challenge to Western Canadian firms active in international markets — and (2) general international conditions having an impact on Western Canada.

A maximum of four grants are approved each year, and none may exceed \$5,000 in value. The grant applications are assessed by an *ad hoc* committee of peer reviewers and, following approval, the first half of the grant monies are disbursed, with the second half provided following submission of a draft of the study. The work is normally expected to be complete within nine months of accepting the first installment. Grant recipients are required to present their findings in a style that is readily accessible to the public and private sector. Normally, publication will be through the Centre for International Business Studies and/or the Western Centre for Economic Research.

However, it is also anticipated that the papers will be reviewed through standard academic procedures and, whenever possible, lead to publication in refereed journals.

Following are summaries of the grant applications approved by the review committee in 2002:

**Rasmus Fatum**, School of Business, University of Alberta

**Barry Scholnick**, School of Business, University of Alberta

**International Spillovers of US Monetary Policy and Expectations**

Data from the US Federal Funds Futures (FFF) market will be used to address the issue of spillovers of financial market expectations of future US monetary policy into monetary policy indicators in Japan, Germany/Euro-area, Canada, and Britain. The spillover effects and how they might have changed across different monetary policy (and exchange rate) regimes will be examined. This suggested application of the US FFF data has not been done in previous studies of international monetary policy.

Using FF data, the research will test whether expectations of future US monetary policy changes impact (indicators of) the monetary policy stance in other countries. Should there be evidence of spillovers it will be argued that this could indicate a deviation from the 'textbook' flexible exchange rate model. A proxy measure of expectations of future monetary policy for countries other than the US will be formed by using available time series data from these countries, augmented by indications of unexpected future monetary policy changes reported in local financial news reports.

**Randall Morck**, School of Business, University of Alberta

**Fan Yang**, School of Business, University of Alberta

**Economic Openness and Stock Price Movement**

This project follows on Morck *et. al.* 2000 *Journal of Financial Economics*, which reported that stock prices tend to move more *en masse* in the same direction in emerging stock markets, but not in those of developed economies. According to the Efficient Markets Hypothesis, stock returns reflect new information about the economy and the firm. The extent to which stocks move together depends on the relative amounts of firm-specific and market-wide information capitalized into stock prices. Since greater synchronicity in firm fundamentals in emerging economies does not explain their result, Morck *et. al.* interpret their findings as indicating either that stock prices in less developed economies are relatively less reflective of firm-specific information or that less

developed economies are more prone to market-wide swings, perhaps due to 'hot money' or other related stock market disorders.

The research will investigate the relationship between economic openness and stock price movements. If an economy's stocks become less synchronous when it opens up to the world economy, it will be argued that openness contributes to a better functioning stock market and that this should be good for longer term growth. If it is found that opening up to the world economy is associated with more synchronous stock price movements, the concern about 'hot money' problems must be taken seriously.

A country integrates into the world economy through foreign trade, foreign direct investment and foreign portfolio investment. Each of these three dimensions will be considered. Morck and Yang propose to construct and stress test measures of synchronicity for each country with a functioning stock market each year during the 1990s. A variety of statistical techniques will be used to relate levels of openness and changes in openness to synchronicity levels and changes.

The aim of the study is to shed light on the economic impact of globalization on a key determinant of economic development, the soundness and efficiency of a country's financial markets.

**Randall Morck**, School of Business, University of Alberta

**Kathy He**, School of Business, University of Alberta

### **Corporate Stability and Economic Growth**

There is broad consensus that the greater part of economic growth is due to technological innovation and the conjugate productivity enhancement and wealth creation. The question remains whether innovations primarily originate from young enterprises or from established large firms. Therefore, the following research questions and their institutional implications will be addressed:

Do established, stable firms advance long-term economic growth more effectively than corporate upstarts do? If so, government policies that promote and protect large, established corporations might also promote economic growth.

Or, is corporate instability, new firms rising to displace old ones, the fountainhead of sustained long-term economic growth? If so, state intervention in the economy to support established firms is at best unnecessary.

The researchers will compare the list of the largest corporations in 1975 and 1996 to quantitatively measure the rate of corporate turnovers for each country. A corporate stability index will be used to measure the importance of new large firms, and a corporate disappearance index will be used to measure the disappearance rate of old large firms. A regression analysis will then be employed to relate the stability and disappearance indices to economic growth and determine whether a high rate of corporate turnover, new firms replacing old firms, can predict faster economic advancement, and if so, whether the growth comes through a country's productivity enhancement, which requires innovation, or through capital accumulation growth, which only requires money.

It is hypothesized that the longevity of the dominance of large corporations occurs to the extent that the economy's institutional structure promotes it. Specifically, the relationship between a country's corporate stability and the role of its government, the legal and financial systems, and other government policies will be examined.

**Kevin Z. Chen**, Rural Economy, University of Alberta

**Trade Liberalization, Changing Structure, and Competitiveness of Japan's Oilseed Crushing Industry: Implication for Western Canada**

The purpose of this research will be to assess the evolution of competitiveness of the Japanese oilseed crushing industry under the trade liberalization. The specific objectives are:

- To identify the structural changes that have occurred in Japan's oilseed crushing industry since the 1960's;
- To examine competitive advantages or disadvantages of Japan's oilseed crushing industry;
- To develop marketing and economic implications for Western Canadian oilseed and oil industries.
- Two significant changes that have shaped the Japanese oilseed crushing industry--the changing structure of Japan's crushing industry and changing consumer preference towards oil products--will be closely examined. The research will
- Gather secondary information available on the Japanese oilseed and oil markets;
- Document the evolution of trade liberalization measures in Japan's oilseeds and oil market; and
- Identify the major structural changes that have occurred in Japan's oilseed crushing industry.

**Ellen Goddard**, Rural Economy, University of Alberta

**Jorge Mendez-Manzanilla**, Rural Economy, University of Alberta

## **The Implications of Foreign Direct Investment on the Canadian Food and Beverage Industry**

Considering the economic importance of the Canadian agri-food industry and the high level of foreign ownership in it, the contribution of this research is to evaluate the effects of FDI on productivity growth and trade in the food and beverage sector. All previous empirical analysis of the impact of FDI on Canada has been conducted at the manufacturing level of aggregation. The objective of the research is to specifically evaluate the effects of FDI on both productivity growth through technology spillovers and trade, first, in the Canadian food and beverage industry, and further, for the dairy processing and grain handling industries.

Methods used will be econometric, following the procedures of Hanel and others for productivity analysis and Leichenko and Erikson for trade.

The two major subcomponents of the food and beverage industry, dairy and grain handling are both interesting. In each case the domestic regulatory environment affects the domestic industry structure and performance (Canadian Wheat Board, supply management). An increased understanding of the role of FDI in productivity and trade in these regulated industries would enhance understanding of industry growth in the future, given the next round of WTO negotiations.

## **International Trade Policy Fellowships**

Since 1999, Alberta International and Intergovernmental Relations has funded International Trade Policy Fellowships for 3 graduate students to work on various trade policy research projects. The Fellowships have a maximum value of \$9,000, and are open to Ph.D. and Master's candidates in Business, Economics, Rural Economy and Political Science. In 2002, Fellowships were awarded to the following students:

- Katrin Hoffmann, who received a full Fellowship (\$9,000) for work during the summer term, May 1, 2001 to August 31, 2002;
- Christine Balash, who received a half Fellowship (\$5,000) for work during the fall term, September 1 to December 31, 2002; and

- Xiauzhan Liu, who received a half Fellowship (\$5,000) for work during the winter term, January 1 to April 31, 2003.

## **Current and Ongoing Projects**

### **1. The Edmonton Downtown Office Real Estate Market: The Role of the Provincial Government**

This study was an objective evaluation of the downtown Edmonton office market and the role of the provincial government within this market. The sponsors, members of the Edmonton real estate industry, hypothesized that the provincial government has taken advantage of its market share in the downtown office market and aggressively negotiated below market rents and other lease amenities that are unavailable to private lessees. This has been one factor in precipitating an unhealthy downtown market.

The report analysed the Edmonton market in an historical context and in comparison to a number of other Canadian cities. The report concluded

- Downtown Edmonton office market has been stagnant over much of the past decade and has lagged behind many Canadian cities, including those with significant provincial and/or federal government presence;
- The provincial government holds a large share of the market
- The city has an oversupply of downtown office space
- Due to FOIP, information regarding government lease information was unavailable hence it was not possible to prove or disprove the hypothesis that the government has obtained below market rental rates;
- Further research is required;
- The government has a responsibility to ensure that it is not harming the real estate market.

### **2. MONITORING THE GRAIN HANDLING AND TRANSPORTATION SYSTEM:** *Determine the correct number and location of grain delivery points to achieve a representative sample for the purposes of monitoring rail and elevator charges.*

Subcontracted by Quorum Corporation, Dr. Edy Wong, director of the Centre for International Business Studies, with aid from Steve Janzen, devised a procedure for evaluating the economic viability and sustainability of grain elevators. Three potential factors were identified:

- **Producer Demand:** Standardized output unit (1,000 tonnes) per station in district. (This will give the same value for all stations in the district but will also reflect station or elevator distribution across districts).
- **Regional Importance:** Ratio of total delivery at station to total production in district; ratio of total annual delivery at station to total delivery in district or ratio of total delivery at station to average station delivery in district.
- **Capacity Utilization (i.e. Turnover)** Score for capacity utilization: Ratio of delivery at station to capacity.

A weighted score model would be used to rank the grain stations.

Weighted score Model: Total Weighted Score =  $\sum W_i S_i$  where  $i$  is the index for factors;  $W_i$  is the weight for factor  $i$ ; and  $S_i$  is the score of the location being evaluated for factor  $i$ .

This work was included in a report for Transport Canada.

### 3. China WTO Accession and Opportunities for Alberta

With the acceptance of China as a member of the World Trade Organization (WTO) in December 2001, it is important to examine the effect this might have on Alberta exports to that country. Thus, this study examines China's new tariff and non-tariff commitments in an effort to identify those that are likely to have the most immediate impact on existing and potential Alberta exports to China.

### 4. Precautionary Principle

This study examines the history of the Precautionary Principle, what the Precautionary Principle is, and the context within which it is used. Definitions and highlights of the policy and practical implications of the use of the Precautionary Principle are explored. The Precautionary Principle is analysed in relation to international trade discussions and negotiations. The primary objective of this research is to provide an increased awareness of the Precautionary Principle.

### 5. An Examination of Small Business in Western Canada

The WCER has begun a multi year project with Western Diversification to research a number of aspects of small business. In *A Portrait of Small Business Growth and Employment in Western Canada* (Information Bulletin 60, 2001), emphasized the importance of small business in Western Canada. This current research will delve



deeper into issues of small business markets and marketing channels, entrepreneurship, small business growth and evolution, and aspects of self-employment.

Phase I, Small Business Markets and Marketing Channels, has begun. A survey of 700 businesses in the four western provinces was designed. Questions were framed that related to firm size; growth experience; type of product; ownership and degree of family involvement; spatial product markets including local, provincial, national and international; channels of product distribution; use of training programs a; use of advisory services; and research culture. The survey will be implemented and analysed in 2003.

## **Conference Presentations and Public Relations**

The Director of the Western Centre is regularly asked to participate in conferences and seminars focusing on Western Canada's economy, and to make presentations on the impact of local, national and/or international policies and programs on the region's economic performance.

Presentations made by Rolf Mirus during 2001 included:

- "China and The GATT/WTO" to Canada-China Management Education Workshop at Xi'an Jiaotong University, Opening Session, Monday, May 16, 2002, and to graduate students and staff of the Management School of Northwest Polytechnical University Xi'an, China;
- "Introduction to the Euro: Causes and Consequences," to the Portuguese Canadian Chamber of Commerce;
- "Is Dollarization for Us?" to the Treasury Management Association of Canada
- Perspectives on Canada-US relations at the DMT's Academic Advisory Council on Canadian Trade Policy;
- Participation as a panel member for a meeting of the World Economic Survey;

The Western Centre for Economic Research is frequently approached by the media and by others for assessments of economic conditions in Alberta and other western provinces and to comment on the impact of local, national and international events on the western economy. Prompt and informed responses are a priority.

## **Internal Management**

Many thanks are extended to Jean Frost and Stephen Janzen for their valued contributions and assistance throughout the year. Congratulations and thanks are also extended to Birgitta Smith for her meticulous work in completing the study of the natural gas pipeline from Argentina to Chile.

Respectfully submitted,

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