

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

**Annual Report  
January 1 - December 31, 2001**



**University of Alberta**

## **Western Centre for Economic Research**

2001 was a pivotal year for the Western Centre for Economic Research (WCER) as it saw the retirement of Dr. Edward J. (Ted) Chambers from the position of Director – an appointment he had held for the past thirteen years. It is to Dr. Chambers' credit that the Centre today is an established, respected, visible, and financially sound research unit of the University of Alberta, and we convey our sincere appreciation to him for his unwavering dedication to the development of the WCER. While Dr. Chambers is now living in Victoria, BC, his ties to the University of Alberta have not been entirely severed and he will remain associated with the Western Centre as Research Professor. Our heartfelt good wishes go to him on his semi-retirement.

Dr. Rolf Mirus, Professor of Business Economics at the University of Alberta School of Business, was named to succeed Dr. Chambers as the new Director. Dr Mirus has long had a close association with the WCER by virtue of his previous positions as Acting Director of the WCER for the winter term of 2000 and as a past Director of the Centre for International Business Studies.

The WCER's first Director was Dr. Brian Scarfe of the Department of Economics, who served until late 1988 when he moved to the University of Regina as Vice-President (Academic).

The year 2001 was again a busy one for the Western Centre. Some large and complex research projects were completed, such as the study on small business in Western Canada; the conference on NAFTA in the New Millennium was held and the proceedings were prepared for publication; a number of Information Bulletins were issued; new and ongoing trade-related projects were undertaken; new Trade Fellows selected and supervised; numerous research grant proposals were assessed; and a variety of other projects were explored and initiated.

## **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 – 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 2001.

No. 62 *Alberta Tariff Reduction and Elimination Priorities – 2000*  
by Xiujuan Hou, Trade Policy Fellow, Western Centre for Economic Research, January 2001.

Part of an annual series of studies funded by Alberta International and Intergovernmental Relations and focusing on trade with those countries with which Canada does *not* have a free trade agreement, this Information Bulletin updates earlier work on Alberta's tariff and elimination priorities and uses export data for 1999. The study's objective is 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.

Selected findings from the study include:

- The economic recovery in Asia-Pacific is reflected in an 11% increase of Alberta agricultural exports to that region in 1999;
- China became Alberta's largest market for sulphur, with a four-fold increase in the value of 1998 exports;
- Bituminous coal remains an important export commodity, where Japan, South Korea, Brazil and the EU dominate the non-FTA market. The Brazilian bound tariff is relatively high, at 15%, and could be targeted for reduction;
- Organic chemicals (mainly styrene and ethylene glycol) have important markets in Asia, where bound tariffs reach 40% (Indonesia) and 18% (China);
- China, the EU, Japan and Australia are large markets for Alberta plastic and plastic products, and emphasis on global tariff reduction would be beneficial;
- Man-made fibres face high tariffs in Asia and tariff reductions would be welcome.

No. 63 *A Portrait of Small Business Growth and Employment in Western Canada* by Edward J. Chambers and Nataliya L. Rylska, August 2001.

This is a shortened version of Information Bulletin No. 60, and was published in conjunction with Western Economic Diversification, the agency sponsoring the study on small business in Western Canada. The complete report is available as Information Bulletin No. 60 and titled *Small Business Growth and Change in Western Canada, 1988-1999*.<sup>1</sup>

This WCER study targets the need to increase understanding of the changing state and role of small business in Western Canada. Data from several databases and available surveys are used, and the data extrapolated to form a single, comprehensive report allowing comparisons across the four western provinces in a methodologically consistent manner. As there is no universally accepted definition of small business, the study conservatively defines a small business as a unit with up to 50 employees. The classes of small businesses considered are the self-employed (those without paid help); those with less than 5 employees (which constitute what is generally referred to as micro-businesses); those with 5 to 19 employees; and those with from 20 to 50 employees. The Information Bulletin includes analyses of growth in the numbers of small business, the jobs they provide, areas of rapid growth both by industry sector and by economic region, and small business presence in the high tech sector.

The research uncovers important new information about the significant role that small business enterprises play in the Western Canadian economy. It finds that small business in the West accounts for a larger share of job opportunities than in the rest of the country. It also finds that, in per capita terms, small business start-ups are substantially higher in the west as a whole and in each of the four Western provinces separately. Further, the study brings to light new knowledge, including the location of "high tech" activities, the gender, age, and educational qualifications of small business owners, and the growth rate of small enterprises in 27 sub-provincial regions of the West.

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<sup>1</sup> Information Bulletin No. 60. is only available at [www.bus.ualberta.ca/cibs-wcer](http://www.bus.ualberta.ca/cibs-wcer).

No. 64 *Alberta's Non-NAFTA Hemispheric Tariff Reduction and Elimination Priorities* by Alison Jeffrey, Trade Policy Fellow, Western Centre for Economic Research, March 2001.

This report summarizes Alberta's export relationships with members of the Organization of American States (OAS), excluding the United States and Mexico. While not an OAS member, Cuba is also included as it is a WTO member and a relatively important export market for Alberta.

Funded by Alberta International and Intergovernmental Relations, the report was compiled in preparation for the *Summit of the Americas* held in Quebec City in April 2001. One of the primary items on the agenda for this meeting was the initiation of negotiations for a *Free Trade for the Americas (FTAA)* arrangement. As Alberta seeks to promote trade liberalization within the hemisphere, particularly with its largest trading partners and where tariffs are most restrictive, the objective of the study was to assist in the identification of priorities for tariff reduction and elimination.

The following table is illustrative of major markets in the hemisphere excluding the U.S.:<sup>2</sup>

Country	Rank in Study	Rank Globally	Value of Exports (Jan - Sep 2000)	Number of Significant Export Products
Chile	1	14	\$83.290 million	17
Brazil	2	18	\$77.559 million	14
Venezuela	3	19	\$74.873 million	21
Argentina	4	22	\$51.281 million	12
Cuba	5	24	\$41.745 million	22
Guatemala	6	32	\$32.341 million	7
Colombia	7	34	\$30.308 million	6
Peru	8	36	\$26.383 million	4
Ecuador	9	39	\$21.374 million	4
Costa Rica	10	47	\$ 9.635 million	5
Total			\$448.791 million (94.7% of total trade to region)	112

<sup>2</sup>Alison Jeffrey, *Alberta's Non-NAFTA Hemispheric Tariff Reduction and Elimination Priorities*, Information Bulletin No.64, March 2001, Western Centre for Economic Research, 21.

No. 65 *The Alberta and Western Canada Export Experience Under the Free Trade Agreements: 1988-2000* by Alison Jeffrey, Trade Policy Fellow, Western Centre for Economic Research, June 2001.

This is the most recent of an annual series on Western Canada and the North American free trade agreements funded by Alberta International and Intergovernmental Relations. The report reviews the merchandise export records (i.e. exports of services are not included) of Alberta and the other western provinces since the first of the free trade agreements came into effect in 1989. Thus, the year 1988 is employed as a benchmark against which to assess not only the growth in aggregate exports, but also the changes in export totals and market shares for specific product categories.

The report for 2000 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 is provided, as are separate presentations of Western Canada's export relationship to the United States, Mexico, Chile, Costa Rica and Israel. The last three countries are included in order to reflect recent trade agreements signed by Canada.

The study finds that the year 2000 was another outstanding year for Alberta's merchandise export sector, with exports to all markets increasing in value by 60%. The value of energy exports (natural gas, crude oil and coal), for example, increased by 84.5% over 1999. While much of this increase was due to rising world prices, additional volumes exported were identified as 16% for natural gas and 12% for crude oil. Coal exports decreased, both in volume and in value. Non-energy exports increased by 32.2%, with price rises in these categories contributing less than 4%.

Greater access to the U.S. market has been important for export growth in all western provinces, and the U.S. share of each province's total export values has increased substantially since the signing of the FTA. For Alberta, for example, the U.S. share of 70% in 1988 had reached 81% by 1998, 84% by 1999, and 88% by 2000. For Western Canada as a whole, the U.S. share of 51% in 1988 rose to 71% by 1998, 75% by 1999 and 78% by

2000. Alberta led the western provinces in exports to the U.S., with 56% of the Western Canadian total originating in Alberta. British Columbia contributed 26%, and Manitoba and Saskatchewan each contributed 9%.

Although the value of Western Canada's exports to Mexico has grown significantly since the introduction of the NAFTA in 1994, Mexico still remains a relatively small market for the Western Canadian provinces, with 2000 exports totaling \$792 million, or a 0.7% share of Western Canada's total exports of \$112.4 billion. Exports to Chile totaled \$237 million, to Costa Rica \$48 million, and to Israel \$27 million.

No. 66 *Alberta Tariff Reduction and Elimination Priorities, 2001*  
by Ronald Volpi, Trade Policy Fellow, Western Centre for Economic Research, November 2001.

This report updates earlier work on Alberta's tariff and elimination priorities, specifically Information Bulletin No. 62 referred to above, and focuses on trade with those countries with which Canada does not have a free trade agreement. Thus, exports to Chile, Costa Rica, Israel, Mexico and the United States are not addressed. The study is part of an annual series funded by Alberta International and Intergovernmental Relations. 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>3</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

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<sup>3</sup> By imposing a threshold of \$500,000, the study may not capture all potentially valuable exports facing restrictive barriers.



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,” 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.

As the study contains a wealth of detailed information, an adequate summary is not possible. Instead, following are some summary observations:

- Countries with which Canada does *not* have a free trade agreement imported products from Alberta in 2000 valued at a total of \$5.9 billion, or 10.8% of Alberta’s total exports of over \$55 billion. (The value of exports to the U.S. alone makes up 88.3% of Alberta’s total.)
- Major non-FTA markets for Alberta products are Japan, the European Community, China, South Korea, Taiwan, Iran, Australia, Brazil, Indonesia and Venezuela, with the first four accounting for 62% of total exports to all non-FTA countries.

No. 67 *An Examination of Alberta’s Exports of Manufactured Products, 1995 to 2000*, by Ronald Volpi, Trade Policy Fellow, Western Centre for Economic Research, December 2001.

This study examines exports of manufactured products from Alberta following the signing of the North American Free Trade Agreement. Its purpose is to assist in the identification of products or types of manufacturing industries that show substantial increase in the level of

exports to the United States. For comparison purposes, the sum of export values to all non-FTA countries is also provided.

While the United States received 88% of all Alberta exports in 2000, only 12% of this total constituted manufactured products. However, the United States is, by far, also the major destination for Alberta's manufactured products, taking 85% of all such exports, valuing \$6,057 million, in 2000. In comparison, non-FTA countries imported a total of \$971 million.

The value of manufactured products exported to the United States has grown significantly during the period of study – from \$1,342 million in 1995, to \$2,701 million in 1998, to \$6,057 million in 2000 – but with large variations in the pattern of growth, and with no specific trend evident, as yet. One reason for these fluctuations might be the floating value of the Canadian dollar, another possible cyclical demand from certain industries, but no conclusive explanations can be drawn from the data.

The largest category of manufactured exports to the United States falls under the rubric of "Electrical Machinery, Equipment and Parts." That category has grown by over 510% since 1995, and accounted for more than \$4,277 million in 2000. Much of the increase can be attributed to telecommunications equipment, specifically "Transmission Apparatus Incorporating Reception Apparatus" (valued at \$1,770 million in 2000), and to "Telephonic Switching Apparatus" (valued at \$1,435 million in 2000). The latter also showed the greatest overall annual increase in sales, jumping from a 1999 total of just \$63 million.

Other major categories include "Machinery and Parts," valued at \$874 million in 2000 (an increase of 165% since 1995); "Furniture, Bedding; Prefabricated Buildings," valued at \$426 million in 2000 (an increase of 260% since 1995, with wooden furniture, specifically wooden office furniture, being the most important product); "Vehicles, not Railway," valued at \$289 million in 2000 (primarily specialty heavy equipment such as trailers and recreational vehicles, and exhibiting a 277% increase since 1995); and "Optical, Photo and Precision Instruments," valued at \$137 million in 2000 (an increase of 110% since 1995).

## The Research Grants Program

This program, now in its fourth year, is made possible through the revenues available to the Western Centre from the George Cormie endowment. A joint program with the Centre for International Business Studies, its purpose is to encourage 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 2001:

1. Pushan Dutt, Department of Economics, will study *The Timing of Foreign Direct Investment: The Effect of Policies and Institutions*.

The literature on the timing of investment under uncertainty has been primarily theoretical, with very few empirical studies undertaken. Further, the timing of Foreign Direct Investment (FDI) has been viewed as peripheral to the central issues or the reasons for FDI, which extend to more thorough conceptualizations of the “what-market-to-enter” and the

“how-to-enter” decisions. This research proposes to fill these gaps in the existing literature. It will examine the decisions of multinational corporations (MNCs) postponing investments in China, study the pattern of their entry timing, and analyze the factors that accelerated and/or delayed the entry of these MNCs. It will provide a comprehensive analysis of FDI decisions under uncertainty by addressing the following questions:

- Do MNCs delay investment in a foreign market characterized by uncertainty?
  - Do improvements in institutions help accelerate entry over time? In particular, do improvements in the rule of law and of property rights, a decline in institutional risks, and a mitigation of corruption reduce the value of waiting and encourage entry?
  - Do regulatory policies such as wage and price controls, licensing requirements and weak intellectual property regulations discourage entry by foreign investors?
  - Are low wages, high growth rates and high tariff barriers conducive to accelerating the timing of FDI?
  - Do multinationals base their decisions on the decisions of other similar firms? In other words, do we observe some form of herding in investment decisions under uncertainty?
2. Susan Saunders and Barry Scholnick, both from the School of Business, will examine *International Research and Development Patterns and Alliance Outcomes*.

International research and development alliances are a particular area of focus in knowledge-intensive sectors like biotechnology. Firms often engage in international R&D alliances in order to access the country-specific knowledge embedded in particular partners and locales. It has also been suggested that the capacity to learn through international alliances may vary across firms from different countries. To date, however, little research has attempted to integrate these areas of enquiry and investigate the relationship between the overall structure of a firm's R&D activity, the country of the firm's home base, and the performance outcomes of its R&D alliances. This study aims to address this gap in knowledge through an integrated study of:

- how firms organize their R&D activity across different modes, and the degree of internationalization within each mode;
- the perceived performance outcomes of R&D alliances, both domestic and international, and with different types of partners (e.g. firms and universities); and
- the relationship between structural choices and perceived performance outcomes.

The questions will be investigated in two domains. Phase 1 of the project will utilize original survey data on a large sample of R&D intensive firms in the biotechnology sector from the U.S., the U.K., Germany, and Japan – the nations with the largest biotechnology R&D efforts in the world as measured by patent production. Phase 2 will develop a more comprehensive questionnaire to test the fundamental relationships yielded from the analysis of Phase 1 data. This questionnaire will be administered across a large sample of firms from Canada that are engaged in international R&D alliances in various R&D intensive industries. The aim is to examine more specifically the impact of nationality of partner as well as structure of alliance on perceived alliance outcomes. The aim is also to examine whether differences exist between the sectors examined, or whether the results found in the biotech sector (Phase 1) can be generalized.

3. Yingfeng Xu, Department of Economics, will undertake *An Empirical Study of the Potential for Canadian Exports in China*.

As the second largest economy (based on the 1998 purchasing power parity data), China offers a market with huge potential for Canadian exports. The objective of this study is to “size up” the potential of the Chinese market for Canadian exports in the next five years. Specifically, the study will:

- Review the evolution of the trade regime since 1978 when economic reform began in China, and discuss, in particular, the scope and impact of the pending trade liberalization that China has committed itself to for entering the WTO;
- Analyze the growth and evolving structure of imports by China with a view to identifying the rapidly growing strategic sectors for foreign imports;

- Investigate the determinants of Chinese import demand with a statistical model;
- Project the potential for import penetration over the next five years;
- Assess the competitiveness of Canadian exports in the Chinese markets;
- Explain the relative performance of Canadian exports; and
- Evaluate the potential for expansion of Canadian exports in Chinese markets.

Aside from a review of China's open-door policy and the commitments China has made for entering into the WTO, two major questions will be addressed. How fast will China's demand for imports expand upon China's entry into the WTO? And how much of the projected growth of China's demand for imports will be translated into the demand for Canadian exports? These two questions will be addressed separately and consecutively with two related empirical models.

The first model is designed to describe and project disaggregate import demands. The second model is designed to account for the shares of Canadian exports in Chinese markets. Finally, the methodology of constant market shares analysis will be employed to decompose the growth of Canadian exports in the Chinese market into three separate effects: the standard growth effect, the product market effect, and the competitiveness effect. In its totality, the proposed study will offer a reliable and useful insight to the potential of the Chinese markets for Canadian exports. The data for the proposed study will come from the World Trade Analyzer database compiled by Statistics Canada.

## Publication Resulting from an Earlier Research Grant

*International Price Competition on the Internet: A Clinical Study of the Online Book Industry* by Rajesh Chakrabarti and Barry Scholnick, Joint Series on Competitiveness No. 23, Centre for International Business Studies, March 2001.

This study examines the nature of price competition in books between a world leader in internet retailing, Amazon.com, and the largest online retailer in Canada, Chapters.ca, in order to assess the effects of international borders on internet transactions. The authors note that “Two of the more common impediments to international competition are government imposed protectionist barriers and transaction costs including search costs and shipping costs. Both these factors have been important in the Canadian book retailing industry in the past. With the advent of the internet, however, protectionist barriers as well as search costs are believed to have become almost irrelevant.”<sup>4</sup>

Research for the study included the construction of a large panel dataset on prices, delivery schedules and popularity rankings of more than 5,000 books over 21 weeks, all collected from publicly available data on the web pages of the two retailers. Using the data, the authors demonstrate that – although shipping costs still provide significant protection to Canadian online booksellers – the Canadian company sets prices that are, on average, remarkably close to those of its U.S. competitor, adjusted for the exchange rate.

The study also examines how the price differential varies over time and across different product segments, as well as the dynamics of price setting in the two stores. It finds that, while there is significant variation of the price differential across different segments, this differential is always smaller than the shipping cost advantage. In other words, the authors determine that Chapters is not fully appropriating the rent available to it.

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<sup>4</sup> Rajesh Chakrabarti and Barry Scholnick, *International Price Competition on the Internet: A Clinical Study of the Online Book Industry*, Joint Series on Competitiveness No. 23, March 2001, Centre for International Business Studies, 20.

The authors add: “The reason behind this may lie in the possibility that online consumers may fail to properly account for shipping costs or that aggressive price competition is being used as an entry strategy for Chapters. There may be several other possible explanations for this phenomenon. However, the near price equalization found in this paper strongly implies that protectionist barriers, while preventing the entry of traditional U.S. bookstores, are completely ineffective in the online market.”<sup>5</sup>

The authors also suggest that the innovative approach to data collection used in their paper could easily be applied to other areas of cross-border electronic commerce or even to many other areas of international business currently being transformed by the internet.

### **International Trade Policy Fellowships**

The contract signed with Alberta International and Intergovernmental Relations in 1999 was continued through the year 2001. This contract enabled the Western Centre to award International Trade Policy Fellowships to 3 graduate students who applied to work on various trade policy research projects. The Fellowships have a maximum value of \$12,500, and are open to Ph.D. and Master’s candidates in Business, Economics, Rural Economy and Political Science. In 2001, Fellowships were awarded to the following students:

- Ronald Volpi, who received a full Fellowship (\$12,500) for work during the summer term, May 1, 2001 to August 31, 2001;
- Peimin Ma, who received a half Fellowship (\$6,250) for work during the fall term, September 1 to December 31, 2001; and
- Jeremy Herbert, who received a half Fellowship (\$6,250) for work during the winter term, January 1 to April 31, 2002.

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<sup>5</sup> Ibid., 20-21.



## Other Major 2001 Activities

Conference: "NAFTA IN THE NEW MILLENNIUM"

The Western Centre for Economic Research coordinated arrangements for this cooperative venture between the University of Alberta and the University of California at San Diego. Held at the University of Alberta School of Business on May 24 and 25, 2001, the conference brought together scholars from the two institutions, as well as experts from the Universidad Nacional Autónoma de México, the Instituto Tecnológico Autónomo de México, the University of California at Los Angeles, San Diego State University, the University of Toronto, the University of Manitoba, and other institutions and organizations across North America. The conference was also open to interested members of the public, and admission was free. Topics discussed and papers presented included:

1. The Political Economy of North American Economic Integration
  - *NAFTA and Mexico: A Sectoral Analysis* by José Luis Valdés-Ugalde, Centro de Investigaciones sobre América del Norte, Universidad Nacional Autónoma de México, Ciudad Universitaria, México.
  - *NAFTA in the Next Ten Years: Issues and Challenges for Agricultural Trade and Policy* by Michele Veeman, Terrence Veeman and Ryan Hoskins, all of the Department of Rural Economy, University of Alberta.
2. NAFTA and Sub-regional Economies
  - *An Evaluation of Two Provincial Economies in the Post FTA/NAFTA Period: Restructuring in Alberta and British Columbia* by Edward J. (Ted) Chambers, WCER, University of Alberta.
  - *Jalisco* by Carlos Alba Vega, Centro de Estudios Internacionales, El Colegio de México.
  - *California* by James Gerber, Department of Economics, San Diego State University.
3. Economic Integration and Public Opinion
  - *Tepid Traders: US Public Attitudes and NAFTA and Free Trade Expansion* by Phillip S. Warf and Steven Kull, Center on Policy Attitudes, Washington, D.C.

4. NAFTA in the Next Ten Years: Issues and Challenges
  - *NAFTA in the New Millennium: Environmental Challenges to International Trade* by Debra J. Davidson and Ross E. Mitchell, both of the Department of Rural Economy and Renewable Resources, University of Alberta.
  - *Issues and Challenges in Transportation* by Dr. Barry E. Prentice, Director, and Mark Ojah, Transport Institute, University of Manitoba.
  
5. NAFTA in the Longer Term: Prospects for Institutional Development
  - *A Regional Development Policy for North America: Lessons from the Old World for the New* by Robert A. Pastor, Department of Political Science, Emory University, Atlanta.
  - *Dispute Settlement and Institutional Evolution in NAFTA* by Antonio Ortiz, División de Estudios Internacionales, Centro de Investigación y Docencias Económicas, A.C., Lomas de Santa Fé, México.
  
6. Beyond NAFTA: North America, FTAA, and the WTO
  - *Pathways to Free Trade? The Political Economy of Hemispheric Bargaining* by Peter H. Smith, Center for Iberian and Latin American Studies, University of California, San Diego.
  - *NAFTA, the WTO and the FTA: From Choice of Forum in Interstate Disputes to Private Actor Access to Dispute Settlement* by Linda C. Reif, Faculty of Law, University of Alberta.

Abstracts of all papers presented, as well as complete versions of most papers, are available through the WCER web site.

A compilation of the papers has been published as *NAFTA in the New Millennium* in 2002 and is available from the University of Alberta Press.

*A Survey of Alberta's Small and Medium-Sized Companies and Their Export Activity (Published 2002)*

This survey was undertaken by the Western Centre at the request of Alberta Economic Development and Alberta International and Intergovernmental Relations. It constitutes an initial effort to gather knowledge about what propels Alberta's smaller firms to become involved internationally. Surveying manufacturers and service-oriented companies through a range of sectors, the report complements the *Alberta Services Export Study (1999)*, the *Alberta Non-Tariff Trade Barriers Study (2000)*, and the *Alberta Service Exports Survey*.

The study is based on a telephone survey of 110 firms conducted in the summer of 2001. Longer personal interviews were subsequently held with 13 of these firms during the fall of 2001. The findings help provide insight to what is currently affecting Alberta's businesses in the international market, and will enhance efforts to help Alberta's smaller firms become more competitive globally. More specifically, it helps us to:

- Understand more about selected Alberta industries and the small and medium sized companies that seek to become more actively involved in global business;
- Analyze the successes as well as the challenges and opportunities facing Alberta firms in the global economy; and
- Identify the mechanisms that can enhance firm involvement in global business.

## **Current and Ongoing Projects**

Several major, comprehensive studies and research projects were in progress during the year 2001, with publication in 2002. Among them may be mentioned:

1. *Taking Stock after the First Year: Performance Evaluation of the Greater Edmonton Competitiveness Strategy*

The Western Centre for Economic Research has been contracted by Economic Development Edmonton (EDE) to take stock of the progress of the Greater Edmonton Competitiveness Strategy (GECS). The GECS is an

economic development initiative focused on the creation of selected industry clusters in order to stimulate cooperation and, often, generate economies external to the individual firm. Examples of clusters created for Edmonton are Advanced Manufacturing; Biomedicine and Biotechnology; Engineering and Technical Services; Oil, Gas and Chemicals; and Tourism and Entertainment. Specifically, the WCER has been asked to:

- evaluate the GECS performance to date based on set-out objectives;
- evaluate the performance based on comparisons with other regions employing similar strategies;
- review the factors that may have influenced the implementation process;
- assess the GECS strategy to complement a recent KPMG study; and
- formulate recommendations for action and follow-up assessments.

As no methodologies exist that would enable researchers to unambiguously separate the effects of the GECS from the effects that would have occurred in its absence, and as no established performance evaluation criteria exist for cluster strategy implementation – especially not for a strategy which has been in existence for less than one year – the WCER utilizes a survey instrument to examine the *perceptions* of the participants regarding the progress of the GECS process.

Thus, the WCER 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, to a survey of GECS participants. Recommendations are offered based on survey findings.

## 2. *Tariff Reduction and Elimination Priorities*

Detailed analysis of tariff barriers affecting Alberta exporters continues as an ongoing project funded by Alberta International and Intergovernmental Relations. In these studies, tariff schedules of trading partners are cross-referenced with Alberta's most valuable export products to determine priorities for future trade negotiations, whether multilateral, regional or bilateral. The information also helps identify current and potential markets for which tariff reduction is a priority.

3. *The Alberta and Western Canada Export Experience Under the Free Trade Agreements: 1998-2001.*

This will be the next issue of the annual review of merchandise exports from Western Canada since the first of the free trade agreements came into effect in 1989. As with previous reports, 1988 is employed as a benchmark against which to measure growth in aggregate exports and in specific product categories. Again, as with previous reports, it will cover only merchandise exports – i.e. exports of services are not included. Information on the top 20 exports for each western province and for Western Canada as a whole will be provided, as well as separate presentations on the export relationship with the United States, Mexico, Chile, Costa Rica and Israel. The study is funded by Alberta International and Intergovernmental Relations.

4. *Natural Gas Across the Andes: A Case Study of an International Business Venture*

This case study records events associated with the origin, commercial development and construction of a natural gas pipeline from Argentina into Chile by a consortium of Canadian, Chilean and Argentinean companies. While initially intended as a traditional, shorter case study for classroom use, the project was deemed of sufficient general interest and historic import to warrant comprehensive treatment and publication as a book. Financial support by TransCanada PipeLines/NOVA Gas International aided in the research for the study, which was conducted in cooperation with the School of Economics and Administrative Sciences of the University of Chile.

The book, which will be published in 2002, offers valuable insight to the challenges and complexities of an international business venture. It describes how NOVA Gas International's domestic and overseas pipeline experience evolved into the decision to compete for the project, how the partnership developed, how significant political and socio-economic issues were approached, how business practices were adapted to local conditions, how construction challenges were met, and how the concerns of communities along the pipeline route were addressed.

## 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. Every effort is made to respond positively to these requests.

Events at which Edward J. (Ted) Chambers made presentations during 2001 included:

- *The Round Table on Western Alienation*, held at the Faculty of Law in Edmonton in April;
- The National Real Estate Board gathering in Edmonton in April;
- The Greater Edmonton Business Outlook Symposium in April;
- The Alberta Agriculture Economic Association meeting in Red Deer in May, with a presentation on "Canada's Place in Light of Changing and Evolving Markets";
- The *NAFTA in the New Millennium* Conference held in Edmonton in May, with the presentation of a paper on "An Evolution of Two Provincial Economies in the Post NAFTA/FTA Period: Restructuring in Alberta and British Columbia";
- The Statistics Canada Economic Conference in Ottawa in June, with a paper entitled "Maybe the West is Different: The Case of Small Business"; and
- The Institute for Public Economics Conference *Government Policies in a Surplus Economy* at the Faculty of Arts, University of Alberta, in October, with a presentation on "Diversification."

Events at which Rolf Mirus made presentations during 2001 included:

- “Globalisation and You,” to the Pan Canadian Employees in October;
- “Anti-Dumping in Canada: harsh Treatment for Developing Countries?: at the EIBA-Paris Conference in December;
- “The Euro and You: What you always wanted to know but were afraid to ask,; to the Edmonton South East Rotary Club and to the Portuguese Business Association in the fall of 2001.

In a similar vein, the Western Centre for Economic Research is frequently asked by the media and by others for assessments of economic conditions in Alberta and other western provinces. Priority is continually placed on prompt and credible response to these inquiries.

## **Internal Management**

Many thanks are due to Ted Chambers for the 10 months spent at the helm of the Western Centre prior to his departure for Victoria, and to Jean Frost, Stephen Janzen and Stuart Shaw for their valued contributions and assistance throughout the year.

Respectfully submitted,

Rolf Mirus  
Director  
Western Centre for Economic Research

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