

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

**Annual Report**

January 1 – December 31, 2009



University of Alberta



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## **The Western Centre for Economic Research (WCER)**

Since its creation in 1985, the primary objective of the WCER is to disseminate timely and balanced research findings relevant to the Western Canadian economy. The research is intended to inform concerned citizens and to aid policy decisions made within government and industry throughout Western Canada and beyond.

Mr. Helmut Mach remained the Director of the WCER. Mr. Mach has 33 years of experience with the Government of Alberta, most recently with the Alberta Ministry of International and Intergovernmental Relations. Mr. Mach is also the CN Executive Professor of Canada – U.S. Trade Relations.

In 2009, the WCER published 15 Information Bulletins. Support for the academic community was given through one International Trade Fellowship and continued funding of two small research grants. Four CN Trade Forums were held focusing on international trade, Canadian relations with the United States under new Obama administration, and U.S. energy and environmental policy. Research projects included the ATB Financial Business Sentiments Index™, development of an aviation industry cluster map, statistical analysis of productivity and advanced technology, and an analysis of diversification in the Western Canadian economy. The WCER continued as the Secretariat for the Forest Industry Sustainability and Competitiveness Committee. The WCER was cited over 20 times in newspapers including eight opinion editorials written by staff members. 66 media interviews were given including radio, television and newspaper interviews. Sponsorship for one external conference was given. WCER staff provided informed assistance to several government committees.

# Background on the Western Centre for Economic Research

Established in 1985, the WCER is a University of Alberta based research centre sponsored by the School of Business and the Faculties of Arts (Department of Economics) and Agriculture, Life and Environmental Sciences (Rural Economy). The Centre's objective is to undertake research projects that contribute to evidence based government policy development, can be used for practical business planning purposes at the firm or industry level, and are capable of furthering academic research. The WCER also tracks the performance of Western Canada's economy using indicators produced in-house under sponsorship from ATB Financial and indicators obtained from other sources. The WCER is housed within the Alberta School of Business.

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). Frequent interaction with public media and an extensive web site further disseminate research findings.

The Centre's activities are often co-sponsored with other University of Alberta entities as well as with federal and provincial government departments and other research organizations at 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 – U.S. trade research. The revenue stream from these endowments 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 the 15 Bulletins published during 2009.

**No. 120 *ATB Financial Business Sentiments Index™: Where is the Alberta Economy Going? Q2 2009*, by Edward J. Chambers and Williams J. Shaw (March 2009)**

The quarter's Business Sentiments Index™ of 99.5 was scarcely different from last quarter's level and suggested that firms expect no change in the economy over the next quarter. Although the BSI™ pointed to neutrality, it also suggested that the economy would remain anchored at its current low level. The spread between the Sentiment in the North and in the South is small, indicating that expectations were uniform across the province. The Business Activity Index continued its precipitous fall in this quarter, falling to 65.5 from 84.7 last quarter, and 111.0 in Q3 2008. The Business Hiring Index of 100.9 suggested that the labour shortage had eased.

**No. 121 *Breaking the Boom and Bust: Exploring Thirty Years of Diversification in Western Canada*, by Edward J. Chambers and Chris Ryan (April 2009)**

This is the first in a series of studies by the Western Centre for Economic Research (WCER) exploring diversification in the economy of the four provinces in Western Canada during the past 30 years, a period which featured widespread trade liberalization and the introduction of specific free trade agreements in North America beginning in 1989.

The study examines diversification progress and offers policy suggestions on how to increase diversification in the future. Three analytical methods that use labour force data are used to determine whether the four Western provinces have become more diversified: location quotient analysis, shift-share analysis, and portfolio analysis. The study concludes that Alberta has made the most progress, while acknowledging Manitoba's already-diversified economy leaves less potential for further progress in that province.

The evidence suggests minimal levels of diversification in the late 1970s and early 1980s. The time span covers the greatest progress in trade liberalization policy in the nation's history, and the evidence shows that increased trade is an important contributor to economic diversification.

From the mid 1980s on, however, there were important shifts in public policy, in the relationships between the Western economy and the national and international economies, and in the region's human resource capabilities. For the West as a region,

there has been a marked decline in employment concentration in agriculture, a rise in employment concentration in mining (including oil and gas), and major gains in employment concentration in several service industries. The evidence suggests that these factors induced a higher order of regional economic diversification. If the evolution of recent decades continues, then the region and its provincial components can no longer be characterized, nationally and world wide, as classic examples of 'boom-bust' economies.

**No. 122 *CN Trade Relations Forums: The New Obama Administration and the Democratic Congress: Implications for Canada-US Trade Relations*, by Gary Hufbauer and Gary Horlick**

This Bulletin is the proceedings of two CN Trade Relations Forums.  
***"What Should Canada Expect from President Obama"* by Gary Hufbauer, December 11, 2008.**

Dr. Hufbauer is the Reginald Jones Senior Fellow at the Peterson Institute for International Economics in Washington, D.C.

Dr. Hufbauer proposed the immediate concern for President Obama would be to shorten the recession, avoid a depression and introduce stimulus packages. He further discussed likely stands on international trade, energy, security climate and health care. While a senator, Mr. Obama tended to vote against trade liberalization but has moved to a more centrist position since his presidential win.

Dr. Hufbauer considered FTAs with Korea and Colombia and the NAFTA and suggested possible negotiation scenarios. First, he suggested benign neglect. Second, he thought the Obama Administration could try to open negotiations on subject that do not threaten established industries and to emphasize environmental and labour standards. A third possibility is to return to a traditional trade package that sees trade as an adjunct to foreign policy.

Issues of immigrations were discussed with the thesis that the U.S. faces a 'skills shortage' but not a worker shortage. Climate and energy will be important issues with regulation of green house gases and alternative energy sources playing central roles. Dr. Hufbauer concluded that President Obama has assembled an outstanding team to face the challenges and expectations facing his administration.



***The Obama Administration's Trade Agenda and Canada* by Gary Horlick, March 10, 2009.**

Mr. Horlick, a partner at WilmerHale in Washington, D.C., is one of the world's leading international trade lawyers.

President Obama, Mr. Horlick suggested, must weave a trade path through issues of protectionism and honouring international trade obligations. The 'Buy-America' provisions and pressure from unions must be balanced with the value of global trade as a motor for economic growth. The Democrats must be seen to be defending U.S. workers but not impede trade measures and foreign policy considerations. The elections which will be held in 2010 and 2012 will focus on the overall economy and its effect on perceptions of improved job and prosperity.

Focusing on trade negotiations, Mr. Horlick speculated that possibilities and intricacies of non WTO trade deals between the world's large economies: U.S., Japan, the EU, China, India and Brazil. He suggested that it would be important to complete the Doha negotiations in the WTO and to improve the NAFTA. Any new trade agreements will be driven by environment and labour issues. In conclusion, Mr Hufbauer was optimistic with the intelligence of the White House staff to work strategically to improve free but fair trade. The reality will be to find solutions that work politically to allow the Democrats to fair well in the 2010 and 2012 elections.

***No. 123 To 'B' or not to 'B': An Analysis of Alberta under the Softwood Lumber Agreement*, by Chris Ryan and Helmut Mach (April 2009)**

This Bulletin looks at the options facing Alberta under the Canada-U.S. Softwood Lumber Agreement (SLA) of 2006. Option A has comparatively high taxes and no volume restraints. Alberta is allocated a share of expected U.S. consumption with punitive additional retroactive taxes should that volume be exceeded. Option B offers volume constraints but low taxes. Alberta has chosen Option A.

The study uses four proxies to evaluate Alberta's performance under the SLA: the prevailing monthly price; pricing reflective of Alberta's basket; Government of Alberta price estimates; and finally, an average price sufficient to change the applicable taxes by changing pricing tiers. The study found that, in all cases, the net export value of lumber shipments has been greater for Alberta under Option A.

There are several considerations that must be weighed before selecting Option A as opposed to Option B. First, one must consider the impact that the reduced production would have on Alberta industry as a whole under Option B. As shown in this study, there is a significant difference between the Options when comparing the export volume and the net export value. Second, one must consider the impact that the reduced

production would have on forest communities, employment levels, and forest management priorities. Third, the analysis does not consider how the export taxes collected from Alberta's producers may be used or how these funds could be used to benefit the province generally.

**No. 124 *Achieving Export Success for Alberta SMEs*, by Andre Dmitriev (April 2009)**

Interviews with five Alberta small and medium sized enterprises (SMEs) exporters were conducted with the goal to examine how SMEs achieve export success and to identify their most important export challenges and needs in achieving it. SME managers were asked about the government assistance they received, government assistance needed when they first started, and assistance required to ensure export success in the future. In addition, an attempt was made to identify how the current global financial and economic crisis is influencing their exporting plans.

The findings suggest that there is a need for government programs in improving Alberta export performance and in addressing some of the particular challenges and needs identified by respondents. While many good government programs are in place, the biggest problem is that there are insufficient funds to help all companies that apply to receive government assistance. Specific findings included:

- SMEs would like to see more specific industry information and information about challenges and opportunities in foreign markets, including receiving support in finding foreign contacts, agents and business partners.
- Newly emerging and innovative businesses feel ignored and think that the government is focusing excessively on existing and well established industries.
- Companies think that the government should spend more effort and time on researching newly emerging, potential markets for Alberta companies rather than focusing excessively on traditional export markets.
- All interviewed companies would like to see more open dialogue between the government and Alberta SMEs.

This Bulletin was not released.

**No. 125 *ATB Financial Business Sentiments Index™: Where is the Alberta Economy Going? Q3 2009*, by Edward J. Chambers and Williams J. Shaw (June 2009)**

The Business Sentiments Index™ for Q3 2009 was 107.0, a slight improvement over the level of 99.5 in Q2 2009. The spread between the Sentiment in the North (107.5) and in the South (106.9) was small, indicating that expectations were uniform across the province.

The decline in the Business Activity Index slowed over the last quarter, and stood at 72.8. The Business Hiring Index of 103.7 suggested almost no change from the previous quarter, when the index stood at 100.9. The numbers suggested a positive outlook appeared to be returning to the Alberta business world.

**No. 126. *Concluding the Doha Round: An Imperative*, by Joe Rosario (June 2009)**

The urgency of concluding the Doha Round is two-fold: to stem the flow of nationalistic protectionist measures, hence allay political pressures, and to promote the growth of international trade which greatly contributes to economic prosperity. The reasons for this urgency and some of the stumbling blocks to successful negotiations are examined. Finally the importance of the Doha Round is outlined.

**No. 127 *Alberta Agriculture and Food Trade: Recent Trends*, by Joe Rosario (June 2009)**

This paper examines trends in agricultural production and trade, and the various factors that have affected trade of both primary agriculture products and their manufacture in Alberta. The paper also proposes policy and program measures that could foster a more robust performance of this trade. Factors influencing agriculture trade trends are discussed, including domestic and international trade policy, market access, trade agreements, and exchange rates. Destination and type of exports are addressed and structural adjustment and reform of Canada's agriculture sector are discussed.

**No. 128 *ATB Financial Business Sentiments Index™: Where is the Alberta Economy Going? Q4 2009*, by Edward J. Chambers and Williams J. Shaw (September 2009)**

The Q4:2009 Business Sentiments Index™ of 114.9 was a marked improvement over the level of 107.0 in the previous quarter. The spread between the Sentiment in the North (113.2) and in the South (115.8) was small, indicating that expectations are uniform across the province.

The decline in the Business Activity Index slowed for the second straight quarter, standing at 84.7. This compares with a level of 72.8 from the previous quarter. The Business Hiring Index of 102.2 suggested almost no change from the previous quarter, when the index stood at 103.7. The numbers suggest a positive outlook appeared to be returning to the Alberta business world.

**No. 129 *A CN Trade Relations Forum Obama Administration and Canada: Year One and Beyond*, by Grant Aldonas (September 2009)**

Mr. Aldonas addressed two questions in light of both the U.S. and Canada having new leadership and a fresh opportunity to focus on what unites the countries interests and how to overcome the issues that divide them. First, has either country taken full advantage of the opportunity and second, how could U.S.-Canadian relations be significantly strengthened? Mr. Aldonas suggested that, despite attempts by Prime Minister Harper, the U.S. was been preoccupied with its own domestic economic and political agenda. President Obama's foreign policy forays had been focused principally on the Middle East. In the trade arena, President Obama spoke of the need to conclude an ambitious WTO round, but the administration had not followed with a concrete proposal. Mr. Aldonas feared that there was a failure of imagination applied to confronting today's challenges.

Globalization has changed the world wide supply chains, the basis of competition and what defines comparative and competitive advantages. To meet the challenges, the U.S. and Canada recognize the dependency on each other and need to search for practical solutions that benefit people on both sides of the border. Efforts involve a broader economic and foreign policy agenda and solutions should suggest alternatives to the rest of the world. Mr. Aldonas concluded in saying that a combined American and Canadian effort which encourages openness and transparency, that ensures producers fully internalize the environmental costs of their production, and vindicates the idea of free markets helping the countries to prosper.

**No. 130 *Western Economic Expectations Survey: October, 2009*, by the Western Centre for Economic Research and the Canada West Foundation (October 2009)**

This Bulletin introduces a new survey soliciting views on the future economic performance of the Western provinces and the country.

In this iteration, 503 out of a total of roughly 2000 potential respondents completed the survey, providing a response rate of approximately 25%. Across all four of the Western Canadian provinces, economic expectations are, on balance, positive. In all provinces, the number of respondents who perceive that their province's economic performance will improve over the next six months is greater than the number whose outlook is less optimistic, expecting no change, or a turn for the worse. This survey addressed U.S. economic expectations, U.S. economic protectionism, the Canadian federal stimulus package, and the importance of the following economic challenges at a provincial level: education, transportation, health care, job creation and provincial government debt.

**No. 131 A CN Trade Relations Forum. New U.S. Energy/Environmental Policy: A Canadian Energy Company View, by Peter Kruselnicki (November 2009)**

Mr. Kruselnicki stated that TransCanada must pay close attention to regulation and legislation in both Canada and the U.S. at all levels—provincial, state and federal. Regulatory uncertainty is a major issue and the regulatory approval process is lengthy, challenging, expensive, and cumbersome in both countries. Clear regulatory policy is needed. Most important for the energy industry is the building of solid, open, trusting relationships with governments.

**No. 132 A CN Trade Relations Forum. Whither Canada and the WTO?, by Pierre Pettigrew (November 2009)**

Mr. Pettigrew described developments that have resulted in today's trade atmosphere. Global recession has occurred. From Reagan/Thatcher politics of minimal government, the pendulum has swung to greater intervention under President Obama. The WTO--the vehicle that has allowed the nations of the South parity equal access to litigation and arbitration--has received little attention from world leaders. The Obama administration has not made the WTO a priority. Although bilateral trade agreements have burgeoned, these require enormous effort and offer few gains for Canada who depends on the U.S. for 85% of its trade. Mr. Pettigrew concluded by saying that the best future of Canadian trade policy remains the multilateral system because it helps us with the remaining 15% of trade and WTO rules apply to the whole world, including the U.S.

**No. 133. Alberta's Export Experience under Free Trade Agreements 1989-2008: Twenty Years of Free Trade, by Rolf Mirus and Nicholas Emeter**

This report reviews Alberta's merchandise export experience under free trade agreements including the Canada-US Free Trade Agreement (1989), the North American Free Trade Agreement (1994), and free trade agreements with Israel (1997), Chile (1997), and Costa Rica (2002). Consistent data on provincial exports are available for 1988, therefore 1988 serves as a reference year for a 20-year review. More detailed data at the product category and individual product level allow a 15-year perspective at a greater level of disaggregation.

Alberta's exports to NAFTA-partners U.S. and Mexico grew from \$9.3 billion in 1988 to \$97.7 billion (952%) in 2008. Alberta's exports to all other destinations grew from \$4.0 billion to \$12.9 billion (223%) during the same period. Almost all energy exports from Alberta are to NAFTA-partners. Alberta's economy has become more diversified into higher value-added export products with Machinery and Plastics exports becoming the second and third most important contributors, respectively, to Alberta's export success. NAFTA accounted for 88.7% of the value of Alberta's top 20 export categories in 2008,

compared to 82.3% in 1993. Alberta's export success has made it more dependent on NAFTA markets and, therefore, more susceptible to economic downturns originating in the U.S.

**No. 134** ATB Financial Business Sentiments Index™: Where is the Alberta Economy Going? Q1 2010, *by Edward J. Chambers and Nicholas Emter (December 2009)*

The Q1:2010 Business Sentiments Index™ of 128.6 showed continued optimism of Alberta entrepreneurs. The marked increase in the Business Activity Index to 111.4 from 84.7, showed that the Alberta economy was emerging from the economic downturn. The Business Hiring Index of 117.4 was an improvement over the last quarter, when the index stood at 102.2. However, two thirds of the responding companies did not intend to increase hiring. This suggested caution in spite of the entrepreneurial optimism seen in the Business Sentiments Index™.

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

### **The Obama Administration's Trade Agenda and Canada**

March 10, 2009

Gary Horlick, WilmerHale, Washington, D.C.

Mr. Horlick is one of the world's leading international trade lawyers. He has held senior positions in the U.S. Congress (International Trade Counsel, U.S. Senate Finance Committee) and Executive Branch (Head of Import Administration, U.S. Department of Commerce). He was Chairman of WTO and Mercosur Panels. Mr. Horlick teaches international trade law at Yale, Georgetown, and Berne Universities.

For a description of the talk please see Information Bulletin No. 122.

### **Obama Administration and Canada: Year One and Beyond**

September 2009

Grant Aldonas, Senior Advisor, Centre for Strategic & International Studies, Washington D.C.

Mr. Aldonas' practice has focused on international trade, investment, corporate governance, and corporate social responsibility. He has served as chairman of the U.S. arm of Transparency International and served as Under Secretary for International Trade in the Bush administration. He was also chief international trade counsel for the Senate Finance Committee.

For a description of the talk please see Information Bulletin No. 129.

## **New U.S. Energy/Environmental Policy: A Canadian Energy Company View**

November 2009

Peter Kruselnicki, Vice President, Public Sector Relations, TransCanada Corp

Mr. Kruselnicki worked for the Alberta Government for 26 years in a number of senior official capacities including Chief of Staff to the Premier, Deputy Minister of Finance, Secretary to the Treasury Board, and Deputy Minister of Labour.

For a description of the talk please see Information Bulletin No. 131.

## **Whither Canada and the WTO?**

November 2009

Pierre Pettigrew, Executive Advisor International, DeLoitte & Touche

The Honourable Pierre Pettigrew was formerly Minister of International Trade, Minister of Foreign Affairs, Minister of International Co-operation, and Minister of Health under Liberal governments.

For a description of the talk please see Information Bulletin No. 132.

## **Small Grants Programme**

No new research grants were awarded in 2009. However, work on grants awarded in late 2008 continued. The Small Grants Programme was made possible by funding from Imperial Bank and the CN Endowment Fund.

### **Dr. Joseph Marchand, Department of Economics**

#### **“The Impact of Alberta Oil Boom and Bust on Local Labour Markets”**

The research addresses the cyclical effects of the oil and gas sector on labour and the demand for education. Dr. Marchand is attempting to set up the first in-depth empirical analysis of the local labour market effects in these understudied areas. A booming oil and gas sector has a direct effect on labour within that sector, but it also has a spill-over effect on other sectors, such as services. Once the impact of the boom and bust is estimated for the oil and gas sector itself, then the spill-over effects to labour employed in other sectors can be estimated.

An oil boom can create many lucrative employment opportunities for those with little education or experience. This can turn schooling into a second priority, as the returns to schooling decreases when the opportunity cost of attending school increases. An oil bust

can somewhat reverse this trend, as the opportunity cost of education falls and the returns to schooling rise once again.

Dr. Marchand is comparing Alberta's boom and bust economy with the coal sector in Kentucky, which demonstrated the same cyclical nature in the mid-1970s and the 1980s, following the OPEC oil embargo. The results will be produced in the form of an Information Bulletin for the Western Centre for Economic Research, and were presented at meetings of the Canadian Economic Association in Toronto in May 2009.

### **Dorothee Feils, School of Business**

#### **"The Determinants of U.S. Offshore Outsourcing of Services"**

Dorothee Feils, Runjuan Liu and Barry Scholnick are researching the service offshore outsourcing in the U.S. Since the mid-1990s, American firms have been increasingly outsourcing services to foreign countries, placing skilled American workers in direct competition with skilled but lower-paid foreign workers.

This research project will provide a systematic understanding of four key factors: what types of services are outsourced; from which countries are services outsourced; what country and industry characteristics determine service offshore outsourcing; and how the pattern of service offshore outsourcing has changed over time. The project will examine the role of various country characteristics in attracting outsourcing, such as physical distance, differences in time zones, languages, legal systems, culture, property right protection, wages and technological facilities.

The resulting paper will focus on the new phenomenon of service offshore; exploring the interaction of country and industry characteristics in determinants of U.S. service offshore outsourcing; utilizing long time-series to evaluate changes in the pattern of U.S. service offshore outsourcing; and providing systematic estimates to predict the future pattern of U.S. service off shore outsourcing.

The findings have implications for Canadian Service firms, and the research will stimulate similar work on Canadian firm's offshore service outsourcing.

## **International Trade Policy Fellowship**

### **Andrei Dmitriev**

One trade policy fellowship was funded by Western Economic Diversification to undertake how small and medium enterprises (SMEs) achieve export success and identify their most important export challenges and needs in achieving it. The fellowship was open to Ph.D. and Master's candidates in Business (MBA International), Economics (International), and Rural Economy (International) and to Law students.



From January through April, Andrei Dmitriev interviewed five SMEs, asking managers about the government assistance they received, government assistance needed during start up, and assistance required to ensure export success in the future. In addition, he tried to identify how the current global financial and economic crisis was influencing their exporting plans. The resulting research was presented to Western Economic Diversification and written as the unpublished Information Bulletin No. 124.

## Research Projects

### Aviation Alberta

The WCER and the Centre for Excellence in Operations have produced an interactive, electronic map of Alberta's aviation and Aerospace sector. The map is available on the Alberta Government's website and provides buyers, suppliers, and business developers with an instant picture of Alberta's aviation and aerospace capacity. Information can be sorted according to industry sub-classifications while also providing contact information for individual firms. The map was supported by the report *Alberta Aviation Sector Cluster Analysis*.

### Productivity Alberta – Reviewing 2007 Survey of Advanced Technology

Under an arrangement with Productivity Alberta, the WCER reviewed the results from selected questions from Statistics Canada's 2007 Survey of Advanced Technology to compare Alberta's results to those from Ontario and Canada. The results were delivered to Productivity Alberta in a power point presentation and observations were provided on areas where Alberta differed from the other jurisdictions, and on areas where all jurisdictions demonstrated relevant trends.

The project also included a review of recent literature from Statistics Canada, the Microeconomic Policy Analysis Branch of Industry Canada and other sources to ensure appropriate linkages between technology investment and enhanced productivity are being made. It also included discussions with the Statistics Canada officials who designed the survey and produced the CD to determine whether absolute figures could be obtained in addition to the percentage data presented in the CD, and to clarify future intentions with respect to the survey.

## **Western Canada Economic Expectations**

Partnering with the Canada West Foundation, the WCER has designed a new survey soliciting views on the future economic performance of the Western provinces and the country. The survey covers economists, and people who use economics in their work, in universities and colleges, industry associations, economic development agencies, the private sector and the public service across Western Canada. It is the only survey that solicits economic views from people in all four Western provinces. It will be conducted electronically three times a year with the results released in October, February and June.

In addition to economic expectations, each survey will explore a timely economic issue. The results will be publicized through a series of news releases following each survey and will provide public policy practitioners with useful information about how Western Canadians view their economic prospects and current economic policy issues.

The first survey was administered in October and results were published as Information Bulletin No. 130 *Western Economic Expectations Survey: October, 2009*.

## **Economic Profiles of the Western Provinces**

The WCER continued to provide basic overviews of the economic circumstances in the four Western provinces. The Centre has assembled a wide variety of economic indicators as well as information regarding the expectations of governments and banks. The indicators are posted on the Centre's web page and updated as information becomes available.

Some of the indicators provided include GDP and employment by sector, data on imports and exports by product, employment statistics, retail trade, and manufacturing sales. They have been conveniently organized by province to provide a one-stop picture of each of the four Western provinces, as well as to facilitate comparison between provinces.

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

The Business Sentiments Index is a quarterly report on Alberta's economic activity sponsored by ATB Financial. The report is regularly referred to in Alberta newspapers and radio commentaries, and is used by ATB Financial for business planning.

The Business Sentiments Index is based on a telephone survey of 400 firms, equally distributed between North and South Alberta, in key sectors of the economy. To a

considerable degree, the survey follows the EU format, an established and successful model. Three indexes are produced: a Business Sentiments Index, a Business Activity Index, and a Business Hiring Index, each of which is designed to measure confidence in the Alberta economy. The Business Sentiments Index measures confidence in business performance for the coming quarter; the Business Activity Index is based on performance in the quarter just ending; and the Business Hiring Index measures intentions to hire in the coming quarter. The respondents are equally distributed across six sectors: construction; professional and technical services; transportation and warehousing; manufacturing; wholesale; and oil and gas. The respondents are also geographically divided into four regions: Alberta North (excluding Edmonton/Red Deer); Edmonton/Red Deer; South Alberta (excluding Calgary); and Calgary.

Each of the three indexes is constructed by taking the difference between the percentage of positive and negative responses to questions, converting the results to an index by adding the percentage difference to 100, then combining the weighted index of each sector to make a composite index. If the result exceeds 100, confidence is increasing and if the result is below 100, confidence is declining.

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. Sufficient data has been collected to allow seasonal adjustment of results. The index is presented on the WCER web page and in Information Bulletins.

### **Forestry Industry Sustainability and Competitiveness Committee Secretariat**

Supported by Alberta Sustainable Resource Development, the WCER continued in its role as Secretariat for Alberta's Forest Industry Sustainability Committee (FISC) during 2009. In this role, the WCER over saw the budget and arranged for various research projects for FISC to be undertaken including Information Bulletin No. 123 *To 'B' or not to 'B': An Analysis of Alberta under the Softwood Lumber Agreement*, by Chris Ryan and Helmut Mach, was released in April 2009. In part, the work over 2009 was in response to the recommendations made by the FISC and contained in its final report made public in the Fall of 2008. The latter part of 2009 saw the WCER and Alberta Sustainable Resource Development planning a workshop for invited industry leaders in the Spring of 2010 to review policy issues and options. The Secretariat was extended for another fiscal year, until March 31, 2011.

### **Western Canada's Economic Diversification**

The WCER has continued research on measuring economic diversification in Western Canada. The project is structured to answer the following questions:

- What is the most appropriate methodology for measuring diversification?
- Does trade liberalization contribute to diversification?
- Has diversification actually occurred over the past twenty years? Are there any trends in diversification? What degree of volatility was demonstrated?
- 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 continues to search for project funding.

The first in the series of diversification studies explored diversification in the economy of the four provinces in Western Canada during the past 30 years, a period which featured widespread trade liberalization and the introduction of specific free trade agreements in North America, beginning in 1989. This research was published as Information Bulletin No. 121, *Breaking the Boom and Bust: Exploring Thirty Years of Diversification in Western Canada*, by Edward J. Chambers and Chris Ryan ( April 2009).

Dr. Chambers, aided by Nicholas Emter, began writing an economic evaluation of Western Canada with special attention paid to the intersection of political culture, resource-heavy development strategies, and how the broader business cycles have shaped the character of the provinces in the region. Diversification, Dutch disease, settlement, employment and migration, the trade record, and exports are all given attention. The object of the research project is to provide a sound basis for informed debate about the West's future.

# Outreach

## Expert Consultation

Staff provided expert consultation for various government councils and agencies including the Alberta Premier's Economic Strategy Council, the Alberta Finance and Enterprise Productivity Alberta Initiative, Federal Government stakeholder consultations sessions in both Edmonton and Calgary, and the British Columbia Department of Higher Education Degree Quality Assessment Board for Bachelor of Commerce and MBA Programme. The WCER continued as a participant in the World Economic Survey from the Institute for Economic Research at the University of Munich.

## Conferences

The WCER provided economic support for the Economic Society of Northern Alberta conference "2010 Road to Recovery."

Presentations were made to the Building Trades of Alberta Annual Conference; Economics Society of Northern Alberta Annual Conference and a visiting delegation of scholars from Chongqing, China

## Media

The WCER 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 inquires. The WCER provided economic comments in 67 interviews for television, radio and to news newspaper reporters throughout the year. The following 8 opinion editorials were published in the *Edmonton Journal*:

- *A Bill of Goods on Buy America* by Helmut Mach
- *Diversification: No Magic Solution for Combating our Boom-Bust Pattern* by Jason Brisbois
- *Alberta Faces Renewable-Energy Future* by Ted Chambers
- *Early Retirement and the Financial Crisis* by Rolf Mirus and Richard Pedde (also published in *Grain News*)
- *A Dozen Modest Proposals to Forge a Successful Budget* by Helmut Mach, Rolf Mirus and Roger Smith
- *Country of Origin Rules Designed to Inhibit Food Exports* by Joe Rosario and Helmut Mach
- *Hypocritical Policies Limit Market Access* by Helmut Mach

- *The Sky is the Limit for Alberta Aviation Firms* by Jason Brisbois

## **Internet**

The WCER maintains a web site where publications, events, research projects and information about the Centre can be obtained:

[www.business.ualberta.ca/wcer](http://www.business.ualberta.ca/wcer)

Information Bulletins can also be downloaded from the Canadian Electronic Library and Research Papers in Economics:

<http://site.ebrary.com/lib/celpublicpolicy/home.action>

<http://repec.org/>

## **Internal Management**

Many thanks are extended to Dr. E.J. (Ted) Chambers, Dr. Rolf Mirus, Mr. Jason Brisbois, Dr. Joe Rosario, Mrs. Jean Frost, Mr. Stephen Janzen, Mr. Chris Ryan, Mr. Williams Shaw and Mr. Nicholas Emter for their assistance and valued contributions throughout the year.

Respectfully submitted

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

**Helmut Mach, Director and CN Executive Professor of Canada-US Trade Relations**