



Institute for
Research on
Public Policy
40
YEARS
ANS
Institut de
recherche
en politiques
publiques

For immediate distribution – June 5, 2012

NEWS RELEASE

Canada must rethink its approach to global production and trade

Montreal – Over the past decades, reduced communication and transportation costs have enabled firms to produce consumer goods in different countries across the world, known as global value chains (GVCs). In order for Canada to reap the economic benefits of GVCs, it will need to broaden its trade policy beyond the current focus on import and export balances to encompass the development of high-value-added activities, according to a new study published by the Institute for Research on Public Policy.

In *Global Value Chains and Canada's Trade Policy: Business as Usual or Paradigm Shift?*, author Ari Van Assche describes the structure and extent of GVCs and examines whether they require a fundamental rethinking of our trade policy.

"Countries no longer predominantly trade goods that have been produced entirely in the exporting country," explains Van Assche. "Rather, international trade has become increasingly dominated by trade in tasks instead of trade in goods."

As a consequence, imports within GVCs no longer necessarily reflect foreign competition. Imports into Canada are often complementary to domestic tasks, signalling competitive strength in our domestic economy. By the same token, the rise of China as an exporter of high-tech goods is illusory, because many of these goods' component parts are manufactured in industrialized nations.

Canada can improve its competitiveness in this networked environment by developing high-value industries, while allowing other tasks to be moved to where they can be conducted most efficiently. This would require enhancing our educational system to upgrade the skills base, implementing entrepreneurial policies to foster new areas of economic activity, and improving our transportation infrastructure to reduce average import and export times.

"Refocusing attention from trade in goods to trade in tasks requires a bigger leap than policy-makers might expect and can therefore be considered a paradigm shift," he argues.

In an accompanying commentary, Todd Evans examines how cross-border investment and foreign affiliate sales can support Canada's international trade networks.

Global Value Chains and Canada's Trade Policy: Business as Usual or Paradigm Shift?, by Ari Van Assche, with a commentary by Todd Evans, can be downloaded free of charge from the Institute's Web site (www.irpp.org).

-30-

For more details or to schedule an interview please contact the IRPP.

To receive our monthly bulletin [Thinking Ahead](#) via e-mail, please subscribe to the IRPP e-distribution service by visiting our Web site.

Media Contact: Nicola Johnston

Tel: 514-787-0737

Cell: 514-235-8308

