Policy Proposal: Strengthening Alberta's Global Trade and Investment Presence

Issue Statement

Alberta’s economy is heavily reliant on international trade, yet global economic shifts, emerging markets, and increasing competition have underscored the need to strengthen the province’s trade presence and investment attraction strategies. Without enhanced support for exporters and targeted international missions, Alberta risks losing its competitive edge in global markets, leading to missed opportunities for economic growth, diversification, and job creation.

Background

Alberta’s economic prosperity is deeply intertwined with its ability to compete effectively in the global market. In 2022[1], the province’s international exports totaled approximately $130 billion, with critical sectors such as energy, agriculture, and technology driving this growth. These industries not only bolster Alberta’s economy but also position it as a vital player in Canada’s overall trade portfolio. Alberta’s international exports are measured in terms of their value in Canadian dollars. As a result, changes in the price of commodities like crude oil and wheat can cause large swings in the data, and last year’s results are no exception. At $175 billion, total merchandise exports in 2023 were the second highest on record and 27% higher than two years earlier in 2021. However, due to softer prices, the annual tally was 15% lower than in 2022, when it hit a record high of $205 billion.[2]

The threat of U.S. tariffs on Canadian imports has highlighted Alberta’s strong dependence on trade with the United States and the potential vulnerabilities it faces. One of the most pressing issues is Alberta’s heavy reliance on the U.S., which accounts for over 80% of its exports. This overdependence leaves the province vulnerable to economic shifts and political uncertainties south of the border. Disruptions or restrictions to the flow of goods and services across the U.S. border could significantly harm Alberta’s economy, given the province’s reliance on energy exports and key manufacturing sectors. Alberta’s oil and gas producers are among the industries most exposed to potential U.S. tariffs. Energy products, including oil, natural gas, and refined petroleum, dominate the province’s exports, accounting for 75% of Alberta’s total exports in 2023. A 19% drop in the value of energy exports last year, stemming from lower prices, underscores the province’s vulnerability. However, non-energy exports increased by 15% last year, driven by higher sales of food products, machinery, electronics, transportation products, and consumer goods. Diversifying trade relationships is essential to mitigating these risks and ensuring stable growth.

In 2023, Alberta’s merchandise exports to the U.S. formed a significant share of Canada’s total exports to its southern neighbor. With $166 billion in energy exports alone, Alberta’s contribution to the national trade portfolio is substantial. While the newly expanded Trans Mountain pipeline has opened access to offshore markets, 88% of Alberta’s energy exports still flow to the U.S., leaving the province highly dependent on this single market. Increased tariffs on these goods would likely raise costs for U.S. consumers and producers but would also create significant economic disruptions for Alberta. Small and medium enterprises (SMEs), which contribute substantially to Alberta’s economic fabric, face additional

[1] https://open.alberta.ca/dataset/188558e3-185c-4145-a617-bbe3730223b9/resource/7cc808e5-41fb-4aeb-8dd8-e68b2de770ff/download/tbf-economic-trends-2022-02.pdf
[2] https://www.atb.com/company/insights/the-twenty-four/international-exports-december-2023/

hurdles in accessing international markets. Limited resources, insufficient market intelligence, and challenges in securing export financing hinder their ability to compete globally. Other trade-sensitive industries, such as metals and plastics manufacturing, would face compounded challenges due to deeply integrated supply chains between Alberta and U.S. industries. These disruptions could lead to job losses and economic instability in Alberta, where trade-sensitive industries support a significant portion of the workforce. With trade to the U.S. accounting for over 70% of Alberta's total exports, the province remains particularly sensitive to economic shocks arising from tariffs.[3]

Looking ahead, Alberta has opportunities to enhance its trade and investment framework to better position itself in the global economy. Competing jurisdictions like Ontario and British Columbia have implemented advanced trade strategies, including targeted missions and comprehensive export programs, which have proven effective in providing businesses with a competitive edge. Alberta can draw inspiration from these examples to develop its own initiatives that support local firms in accessing international markets. Additionally, attracting foreign direct investment (FDI) remains a crucial avenue for fostering innovation, creating high-quality jobs, and enhancing Alberta's global reputation. By implementing coordinated efforts and offering compelling incentives, Alberta can improve its ability to secure high-value investments. While sectors such as metals, minerals, chemicals, plastics, and forestry experienced lower export numbers in 2023, Alberta's exports still comprised a quarter of Canada's total merchandise exports, highlighting its resilience and importance in the national economy. With strategic planning and targeted actions, Alberta can strengthen its trade position and ensure sustainable growth in a competitive global market.

To maintain its position as a key player in the global economy, Alberta must prioritize strengthening its trade and investment framework. This includes diversifying export markets, enhancing support for SMEs, and implementing competitive trade and investment strategies. By addressing these challenges, Alberta can drive economic diversification, create sustainable growth, and secure its future in an increasingly interconnected world.

Recommendations

The Lethbridge Chamber of Commerce recommends the following:

1. Expand export support programs by increasing funding for market intelligence, export training, and financial assistance for small and medium-sized enterprises (SMEs). Modernize a centralized online portal to provide new exporters with guidance and resources.
2. Enhance international trade missions by targeting emerging markets in Asia, South America, and Africa, focusing on clean energy, agri-tech, and digital innovation.
3. Attract more foreign investment by offering incentives in renewable energy and advanced manufacturing.

[3] https://thoughtleadership.rbc.com/canadian-industries-and-provinces-most-exposed-to-u-s-tariff-threat/