



POLICY *Brief*



**JOHNSON
SHOYAMA**

**THE GLOBAL RESURGENCE OF ECONOMIC NATIONALISM:
A LOOMING THREAT FOR CANADA**

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Context

- Important to recognize context shaping today's geopolitical environment
- New strain of economic nationalism is reshaping policies in the world's two largest economies – the U.S. and China
- This 'neonationalism' brings global risks that cannot be ignored
- Coincides with profound structural changes in the global economy:
 - a looming energy transition;
 - intense strategic competition between America and China; and,
 - shocks from transformative technologies, shifts in globalization and wars
- Sense of inequity, loss of status by groups within a country or by a nation relative to peers
- Neonationalist rhetoric is a narrative of failure by political leadership, elites and institutions
- Economic nationalism policy relies on protectionism and industrial policy

Considerations

- US Biden administration has kept many of Trump protectionist measures
- Implementing a “modern industrial and innovation strategy”
- Reflected in more government intervention:
 - Expanded America First policies;
 - Broader use of tariffs and sanctions;
 - The mis-named Inflation Reduction Act’s enormous industrial subsidies;
 - Chips for Science Act’s massive support for advanced technology
- Deglobalization now a reality as geo-economic blocs form and harden
- Rise of populism seen in many nations across the globe:
 - 2008 financial crisis created a burst of public concern;
 - Bankers bailed out while lower middle-income Americans lost their homes;
 - Jobs disappeared and new jobs required different skills
- Result: alienation, despair, loss of confidence in government and elites

Questions

- How should Canada defend its economic interests against the rise of economic neo-nationalism?
- What are the policy options that need to be considered?
- Does Canada have to respond to national industrial policies in the US and elsewhere and, if so, what principles should guide our policy responses?
- Should market diversification through trade agreements be a priority?
- US is Canada's largest trading partner. How do we protect the relationship?
- What multilateral role can Canada play to reduce economic nationalism?