Twitter Thread by Timothy Huyer



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This column by @jackmintz raises some concerns as a potential policy response to the expected cancellation of the KXL permit.

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> "Given the even greater importance of energy exports, Canada should not stand idly by now." - @jackmintz discusses Canada's reaction to Biden's potential decision to cancel Keystone with @financialpost -https://t.co/9Mr68imG3P
>
> — Policy School (@policy_school) January 20, 2021

First, Dr Mintz cites numbers for direct and indirect jobs created by KXL for both Canada and USA. It isn't clear where these numbers came from or if they are permanent jobs. Methods for calculating induced jobs are notorious for their unreliable and non-robust methodology.

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Second, Dr Mintz proposes that Canada retaliate with duties and other trade restrictions, as what happened with aluminum. However, KXL is very different, and this changes the scope of available responses, especially under our trade agreements.

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Canada viewed the US duties on aluminum and steel as violating trade agreements. The retaliatory duties were permitted under those agreements as a response to those violations. They are not permitted in response to cancelling KXL.

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It is also somewhat odd to see an economist arguing for a trade war in any event, especially one tat would be initiated by a small, trade-exposed economy against a much larger economy. No one wins in a trade war.

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Some actions, such as a Netflix tax/royalty (and similar for international online services) aren't offside trade agreements. Dr Mintz notes that Canada is already considering these policies, along with other nations.

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Prior to doing so, it makes sense for Canada to properly understand the effect such a tax regime would have, including whether or not there are benefits to proceeding in tandem with other countries.

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As a retaliatory measure, therefore, it isn't very useful. It would be foolish to promise to rescind the tax in exchange for KXL if it is a good policy and other countries go ahead with it in due course.

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Jumping the gun by implementing the tax now, before the analysis is complete, risks creating a tax measure that is bad for Canada. As a general rule, bad policy decisions should be avoided, even if they are just to spite someone else.

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This DOES NOT MEAN Canada should just accept the cancellation of KXL. There may be many valid reasons for Canada to push the President to reconsider, and there may also be valid options for how Canada can make its case stronger.

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But in defending KXL, Canada should be mindful of its obligations under trade agreements as well as what policy options are in the best interests of Canadians generally. We should never let a wedge issue push us into a policy response that only hurts us.

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