

ABSTRACT

GLOBALIZATION AND REGIONAL TRADE DYNAMICS: AN EMPIRICAL STUDY OF THE CANADIAN PROVINCES

Clinton Chima Uzobor

This dissertation examines the regional trade dynamics, offering a subnational perspective that addresses a gap in existing trade literature. The literature review reveals a research gap concerning the determinants of regional trade, particularly in the context of globalization. The study provides a theoretical rationale and employs a gravity model to examine the influence of globalization mechanisms on trade performance. The analysis focuses on ten Canadian provinces and their trade with 212 global partners from 1999 to 2022. Estimation is conducted using Poisson Pseudo-Maximum Likelihood (PPML), with alternative estimates from Gamma Pseudo-Maximum Likelihood (GPML) and Hausman-Taylor (HT) models. Several conclusions and policy recommendations can be drawn from this dissertation. The dissertation contributes to the literature by demonstrating that globalization affects provincial trade performance and by further revealing that the effect is highly contingent upon the degree of income disparities between partners. On balance, the findings suggest that globalization promotes trade integration, albeit with asymmetric effects. RTAs, economic freedom, and metropolitan status significantly boost exports and total trade, while tariffs and ERV continue to hinder trade, especially where income and institutional gaps exist between trade partners. The Canada-U.S. border analysis confirms that while border effects have declined, trade frictions persist, with provinces still showing a strong preference for domestic trade. On the domestic front, province-specific factors such as GDP, labor composition, and innovation capacity are shown to influence intra-industry trade (IIT) significantly. However, higher GDP per capita and stronger institutions are associated with increased specialization, reducing reciprocal IIT. MNEs play a critical role by enhancing IIT through capital investment, employment, and value-added production. Furthermore, the findings underscore the importance of developing coordinated trade strategies that integrate external liberalization with internal reforms to boost provincial competitiveness and resilience.

Keywords: *Globalization, Provincial trade performance, Gravity model, IIT, Border Effect*