

The real reason Canada is lagging on free trade

Embassy

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Yuen Pau Woo, president of the Asia-Pacific Foundation, recently told Embassy that the main reason Canada has not already joined the negotiations of the Trans-Pacific Partnership is the government's support for the supply management systems governing production of eggs, poultry and dairy. Is this assertion fact or merely an opinion?

There is a conventional ignorance and reflexive readiness of the uninformed to make Canada's dairy and poultry sectors whipping posts for trade woes, real and imagined.

But then-trade Minister Stockwell Day's spokesperson Méliisa Leclerc claims that the TPP negotiations promise a "platform for regional integration." Her explanations ooze enthusiasm, not caution. And more than enthusiasm is warranted.

In February 2007, I told the Commons' Standing Committee on International Trade that Canada should be paying more attention to free trade agreements with Asia. Mr Woo, at the same session, identified some potential perception problems for Canada in ASEAN—in part because Canada couldn't negotiate a free trade agreement with Singapore. The Singapore FTA has been hung up because Singapore would not agree to treat Canada as favourably as it did the US on some services and investment issues. Canada should not accept second-best deals and has not. And from the Canadian side there were concerns about the potential impact on shipbuilding.

Clearly the TPP is very important for Canada because of the potential economic expansion of its Asian participants, and because it will eventually add larger players like Thailand and Indonesia.

Reports out of Washington indicate that the US would like to do the deal with current TPP participants and add others later.

Washington does not need Canada in the TPP—they have NAFTA. While the possibility of a NAFTA-TPP deal down the road should neither be ignored nor discouraged, Canada must not allow Washington to make regional trade liberalization a hub and spoke exercise, forcing Canada to play catch up.

Canada already has free trade agreements with some TPP participants. NAFTA, of course, and a deal with Chile—which contains a unique approach to anti-dumping that has not been repeated in subsequent agreements because of opposition from the steel industry, among others. Canada also negotiated an agreement with Peru that has been ratified by Parliament. A deal with Singapore could be done if Singapore removes the roadblocks.

What was/is holding up Canada's other free trade agreement negotiations?

Approval of the Canada-Colombia free trade agreement was scuttled by Parliament being prorogued and will have to wait until after the March 3 Throne Speech. The Colombia deal has been held up by non-trade concerns. This is an important delayed opportunity for Canada's pork producers.

The Canada-Korea agreement is being held up by the concerns of Canadian auto parts producers. This too is delaying considerable benefits to Canadian pork producers, while their Mexican and Chilean competitors take advantage of significant cuts in Korean tariffs. The Canada-EFTA negotiations were in limbo for a long time because of Canadian concerns over shipbuilding.

Trade negotiations are complex and the complexity increases exponentially the more countries that are involved. Don Stephenson, senior assistant deputy minister at DFAIT, refers to them as a multi-dimensional chess game. Trade negotiations are about many details and accommodating the particular problems of each participant. And all countries, even the largest, have sensitive issues and concerns.

The United States is the largest economy now engaged in the TPP negotiations. It is not clear how existing free trade agreements among the potential partners will be addressed. Will these be replaced or renegotiated? This is likely to bog down the process. US demands on Vietnam will be onerous—and liberalization of textiles, apparel and footwear will be difficult. Canada, on the other hand, is unilaterally eliminating tariffs on a wide range of industrial inputs, including textiles. Washington is not shy about looking after its problems.

What does this mean for New Zealand's objectives in dairy products? On Dec. 17, the US National Milk Producers Federation petitioned the Obama administration to keep dairy imports from New Zealand out of the TPP talks. This should remind Australian High Commissioner to Canada Justin Brown of the extensive debates in Congress on the US-Australia free trade agreement, which resulted in a special safeguard on Australian beef.

The milk producers told United States Trade Representative Ron Kirk that "the heightened prospect of greater exploitation by New Zealand of not only global markets, but also our domestic industry and policy, would make an already uneven playing field in the global markets worse," and "will drive down dairy farmer income in America, force farms out of business, and create a ripple effect on dairy plants and other rural businesses." This comes from a very heavily-subsidized US dairy industry.

Canada has excellent, experienced negotiators supported by energetic, enthusiastic and bright officials who are highly respected around the world. While over 100 federal and provincial delegates will descend on Brussels this week for the next session on the Canada-EU Comprehensive Economic and Trade Agreement (CETA), I expect too many of these officials will be second-guessing and trying to safeguard their turf. The real negotiators deserve better and they need to have access to the resources necessary to do their job.

The government appears to understand how important the TPP is, but how many major negotiations can Canada handle at the same time? There was a well-staffed, multi-departmental

Trade Negotiations Office (TNO) to handle the Canada-US free trade negotiations. The office has long since been disbanded and is unlikely to be resurrected.

The inability to properly staff several complex, multi-country negotiations simultaneously is more likely the reason Canada has not yet formally joined in the TPP negotiations. Another important reason would be that much stronger business support for the Canada-EU economic agreement has resulted in those negotiations having first call on available resources.

Each party in the TPP will have thousands of their own tariff lines to address. Discussions about harmonization of innumerable regulations and ensuring all participants can in fact meet their new obligations are time consuming and require total attention to detail. The nine years of serial frustration and failure in the Doha Round have demonstrated that one size does not fit all. The devil will be in the details. Simplistic, almost ritual, scapegoating does not help.

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