



Intermodal cargo at a ship to rail siding at the Port of Prince Rupert, B.C. Canadian shippers are among those who would benefit from increased trade under a TPP deal.

TPP: Beyond the Economics

Perrin Beatty

The economic impact of the Trans-Pacific Partnership could be considerable for Canada. But the numbers alone ignore that something much bigger is at play. Is the TPP the first of a new breed of multilateral trade agreements?

Hopes were high when Minister of International Trade Ed Fast and his team of negotiators headed to Maui at the end of July for a high-level effort to reach agreement on the Trans-Pacific Partnership. Deliberations hit severe snags on key issues and the negotiators began planning another meeting—sometime, somewhere.

Certainly, the economic impact of this agreement would be substantial for

Canada. Economic studies put the benefits at somewhere between \$5 billion and \$10 billion per year. But the numbers alone ignore that something much bigger is at play. The TPP is a turning point; an opportunity to put the global trading system on track for the future. In Canada, nearly two out of every three jobs directly or indirectly depend on exports, so our prosperity is intimately tied to this project.

The economic case for TPP is clear. Covering 12 countries, including our NAFTA partners the United States and Mexico, it supports Canada's trade ambitions and its objective to attract more foreign investment. The TPP will also give Canadian businesses improved access to 800 million consumers across eleven countries, representing nearly forty percent of global economic activity.

The advantages are even clearer when you look at specifics. A commanding 65 per cent of Canadian agri-food exports are intended for TPP countries. These same partnership countries also account for half of Canada's inward and outward foreign investment. The measures in the agreement will contribute to job growth, protect innovations and give Canadians a greater choice of consumer goods.

Japan is the biggest prize of all. The Canadian exports of meat, grain, oil seed, seafood and wood will grow once producers no longer face the quotas and import tariffs that shield the world's third-largest economy. Beef exports to Japan are projected to double or even triple. There will be similar relief from trade barriers in Vietnam and Malaysia, fast-growing markets representing nearly 120 million people.

The economic benefits will also be felt within the country. Goods and products will need to move across Canada through essential transport infrastructure such as the CP and CN railroads, to be delivered to our ports and border crossings.

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ment are good, they alone do not capture the full importance of the TPP.

The global trade regime is in trouble. Every year since the 2008 financial crisis, G20 countries have pledged to halt what has become a steady growth of trade barriers. However, countries keep finding new ways to shelter their markets, including local content requirements, state aid and regulatory barriers. This trend may even accelerate.

The institutional architecture and rules that support global trade need a major overhaul. The world no longer seems able to craft multilateral agreements. The World Trade Organization has done a good job of settling disputes since its founding in 1994, but it has failed to bring new liberalization in recent years. The Doha Round once again finds itself in political deadlock.

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So where lies the problem? The global balance of power has shifted dramatically over the past decade. The G7 countries were hit hard by the financial crisis while countries like China, India and Brazil have become trade

powers in their own right. With more people around the table, finding consensus has become much harder.

For a mid-sized trade-dependent economy like Canada's, this shift is concerning on many levels. Going toe-to-toe with giants like China, India and Japan is a terrible alternative to our traditional (and leading) role in multilateral negotiations. We generally fare best when working with others, especially if we can maintain a leadership position in affecting how these new trends play out.

How can we put global trade back on track? The Trans-Pacific Partnership is the first element of the answer.

Countries that have an active trade agenda need to band together and set the rules themselves, instead of pushing for individual and less effective agreements. Canada in particular cannot afford to go it alone. We're much more effective when we collaborate with our G7 counterparts and other countries that share our trade ambitions. These partnerships allow us to create agreements that are adapted to specific situations and objectives where we have a role of influence.

Take the example of CETA, where Canada is putting in place a positive and comprehensive agreement, adapted to its priorities, with all of the European Union in a single, fluid motion. By doing so, Canada is setting itself up as one of the only countries en route to having trade agreements with North America, the East and the West.

Achieving something together is a way to blaze the path for other coun-

tries in the future. Already, the Philippines, Indonesia, Taiwan and South

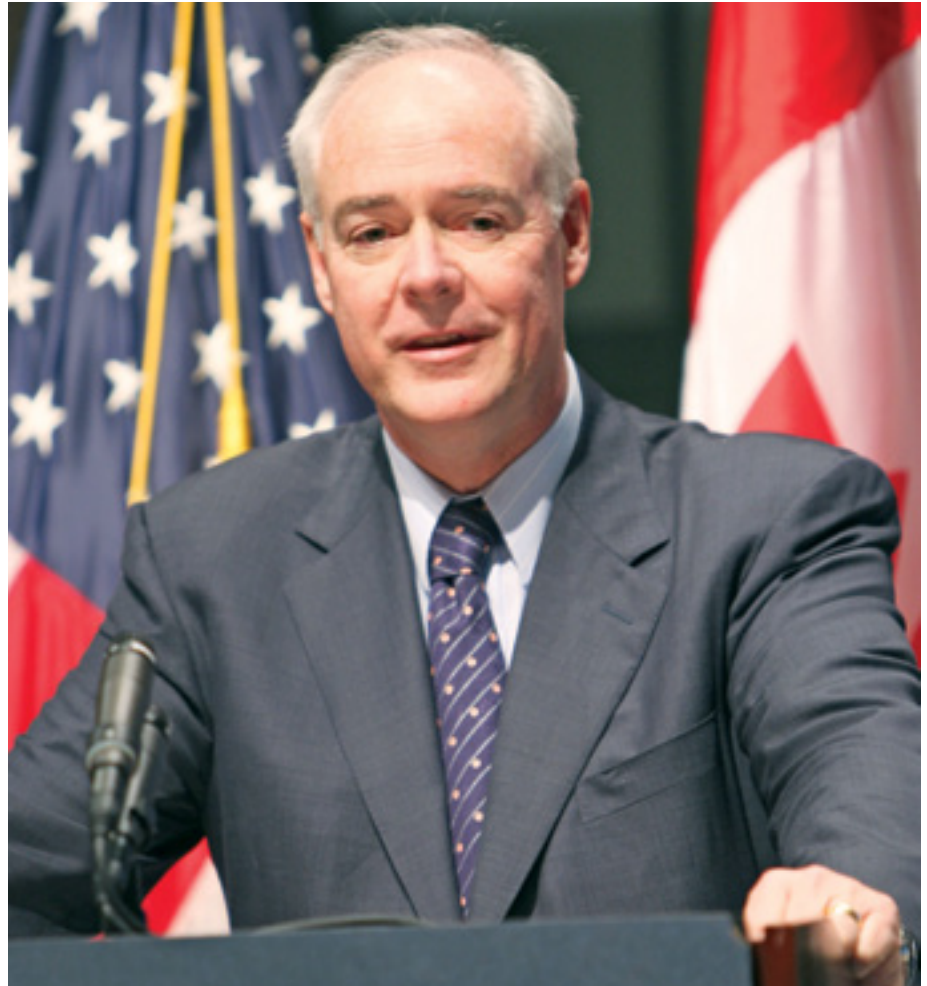
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Korea have been attracted by the benefits of joining the TPP. Even China is considering ways to formalize relations with the new trade bloc.

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The real promise of TPP is in the rules. There's a real opportunity to update the trade agreement template to make it more relevant to the businesses using them. TPP will strengthen and extend standard rules around things like non-tariff barriers, investment and intellectual property. But there are several key innovations to watch for.

Technology has dramatically changed the nature of international trade. The spread of global supply chains has sliced up activities into 'bite-sized' portions. Digital goods and services need to be taken into account. Small businesses are getting involved like never before, but have a hard time dealing with the red tape and understanding local regulatory requirements. TPP is the first major trade agreement to have a chapter focused on their needs.



Canadian Chamber of Commerce President Perrin Beatty writes that a TPP deal would open the door for future agreements. Photo courtesy of Ian Wagreich, U.S. Chamber of Commerce.

Trade in services is increasingly important for Canada. Our exports of banking and insurance, for instance, have tripled over the past decade. TPP will progressively open up service industries to foreign investment and provide a more predictable policy framework to help them compete.

Finally, TPP will make sure everybody is competing on a level playing field. New rules on state-owned enterprises and better enforcement of labour and environmental regulations will deter countries from undercutting each other in a detrimental race to the bottom.

The Trans-Pacific Partnership is the first true modern trade agreement. It is the basis for new global trade architecture that provides universal, yet flexible rules, to foster the growth of trade and investment.

TPP will deliver at face value and give Canada access to new and emerging markets. More importantly, though, it will position us as a key trade stakeholder, one of the few countries actively establishing the rules, not merely playing by them. And therein lies the real strength of this agreement.

There are no free passes to access this table. If we want to play a hand and influence the outcome of the round, we have to put our chips down. Canada cannot win by letting its competitors decide our future without us. **P**

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