



International Trade Minister Chrystia Freeland at a World Trade Organization ministerial conference in Nairobi. With little prospect that TPP will pass the US Congress before a new president takes office next year, Freeland and the Liberals have time as an ally in parliamentary ratification of TPP. WTO photo

Canada's TPP'ing Point

Jack Hughes

The last time Canadians engaged in a national debate about free trade, the Soviet Union still existed and mobile phones were the size of mukluks. The Trans-Pacific Partnership has not been as controversial as the Canada-US Free Trade Agreement or NAFTA, in large part because Canada is seen to have benefitted from North American trade liberalization. The Trudeau government has much to consider as it navigates the TPP ratification process.

If the Trans-Pacific Partnership (TPP) trade deal comes into force, I am certain that Canada will be a part of it. The economic and geopolitical forces compelling Prime Minister Justin Trudeau toward ratification are simply too powerful, and no different than those faced by Stephen Harper.

Trudeau—like Harper before him—clearly understands this, and surely recognizes that the TPP can help him achieve his stated goal of enhanced collaboration with the United States in relation to the economy, the environment, and energy.

For these reasons, and contrary to the conventional wisdom, the Liberal

government's approach to the TPP should be properly viewed as the continuation—not the repudiation—of the carefully nuanced position adopted by its Conservative predecessors.

Despite substantial and substantive differences in their respective world-views, the Harper and Trudeau governments have been remarkably consistent in terms of the priority they assign to increased trade and investment with key Asian markets.

With that in common, one might expect that both would be zealously bullish about being part of a 12-nation Pacific trade agreement that includes such significant Asian economies as Japan, Vietnam and Malaysia. And, yet, it has never been that simple.

From the outset, Canada's posture in relation to the TPP has been tactfully taciturn. Harper was always adamant that Canada should be part of the negotiations, but seemed at times ambivalent about whether those negotiations should succeed.

Harper was exceedingly cautious in noting that multilateral negotiations are inherently problematic; that Canada had other bilateral options with Japan and India; and that he would never sign a deal that wasn't squarely in our national interests.

To that end, he consistently reiterated that being part of any trade agreement only made sense for Canada when the benefits were greater than the concessions we were asked to make—something that wasn't initially apparent with the TPP.

When Canada was invited to the TPP negotiations, Japan had temporarily demurred. This meant the two most important markets for Canada among the TPP cohort were the United States and Mexico—both of whom were already our NAFTA partners.

Canada also had existing free trade agreements with two other TPP countries—Chile and Peru—and a third, Singapore, only applied import tariffs on certain specified goods. All of this

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meant the potential upside was, at best, uncertain.

The price of admission, however, had been made abundantly clear. To join the TPP talks, Canada was asked to put “everything on the table” including possible concessions in the area of agricultural supply management—especially for the dairy sector.

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This was a noteworthy precondition insofar as none of Canada's earlier trade agreements had offered significant concessions on supply management. (In a characteristically Canadian compromise, we merely allowed that we had taken nothing “off the table.”)

In short, Canada was being asked to join complex 11-party negotiations—which had begun without us and whose earlier progress we had to accept without reservation—in exchange for the potentially limited possibility of accessing a handful of new markets.

Even when Japan joined the TPP talks, Canada continued to hedge its bets by maintaining separate bilateral negotiations with them toward a proposed Canada-Japan trade deal. This ensured that

even if the TPP failed we would still be well-positioned.

Consequently, the TPP would only really make sense to Canada if it was objectively a good deal and the U.S. and Japan were part of it. This assessment was, and remains, the common foundation for both the Harper and Trudeau government's positions.

When the prospects for such an agreement seemed initially elusive, the Harper government assiduously avoided expending political capital on it—focusing instead on concluding and promoting bilateral deals with the European Union and Korea.

By managing expectations, Harper was able to create a win/win scenario no matter the outcome. If the TPP talks failed, Canadians had been warned that they were a long shot. But, if they succeeded, his government would get the credit.

To be clear, neither the Harper government nor Canada's negotiators—led by the formidable Kirsten Hillman—ever sought to be spoilers in the TPP talks. They negotiated deftly, even masterfully, and at all times in absolute good faith.

As a result, when the TPP negotiations were successfully concluded, they were able to achieve an agreement that offered significant benefits to Canadians while, in the eyes of many, requiring little in the way of costly concessions.

Remarkably, given the importance that had been assigned to it, Canada's supply management regime for dairy remained virtually intact. (Even the Dairy Farmers of Canada issued a ‘cautiously supportive’ note on the day the agreement was announced.)

Of course, the TPP is not without its passionate and prominent critics—including BlackBerry co-founder Jim Balsillie and Ford Canada CEO Dianne Craig—who insist the deal, if implemented, could hurt Canada's tech and auto sectors.

Moreover, the political calculus is complicated by the fact that according to a series of recent polls a majority of Canadians are either opposed to the TPP deal or do not have a sufficient understanding of it to hold an informed opinion.

For these reasons, the TPP may be the most unwieldy inheritance bequeathed to Justin Trudeau by Stephen Harper: An historic and comprehensive Pacific trade deal with the potential to transform our economy, but which lacks a critical mass of support.

To cut this Gordian knot, Prime Minister Trudeau has wisely borrowed a page from Harper's playbook. He is approaching the TPP with astute neutrality, mindful that time is on his side and that the entire debate could ultimately be moot.

The provisions of the final TPP text give each member country up to two years to undertake their own domestic ratification processes. While some countries may do so immediately, Canada would not be alone in using more of the allotted time.

Although U.S. President Barack Obama supports the deal, and has secured "fast track" trade promotion authority from Congress, few now expect the United States to ratify the agreement before the next president takes office.

In fact, the question of whether the U.S. will ratify the deal has become more pressing than when it will do so, since the leading candidates for both the Republican and Democratic presidential nominations are currently opposed to it.

If that were not sufficient cause for concern, some of the most influential Congressional leaders—from both

parties—have expressed strong reservations about supporting the deal, citing a number of the specific terms the U.S. was forced to accept.

Canadian proponents, including Canadian Chamber of Commerce President Perrin Beatty, have argued that it is inconceivable that Canada would not ratify the deal if the U.S. did so. This is entirely true, but it may not be inconceivable that the U.S. could refuse to do so—and that would be fatal.

The TPP final text further provides that the deal will not come into force unless it is ratified by at least six member countries representing 85 per cent of the total combined GDP of all 12 countries—something which is impossible without both the U.S. and Japan.

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Put another way, if the U.S. doesn't ratify the TPP, it doesn't matter whether Canada does. Without the United States, there is no TPP. Once we accept this, the question for Canada becomes whether to be active or passive in the U.S. debate.

This, then, is the actual strategic dilemma facing the Trudeau government: Should it make a decision on ratification quickly and encourage the U.S. to do the same, or should it prolong its consultations until the fate of ratification in the U.S. becomes clearer?

Canadians are fortunate that the Prime Minister has delegated this

challenging question to two of the shrewdest minds in the Liberal caucus—International Trade Minister Chrystia Freeland and her parliamentary secretary, David Lametti.

Freeland, an internationally respected financial journalist and author before she ran for Parliament, and Lametti, co-founder of the McGill Centre for Intellectual Property, are globally recognized experts in their respective fields, who have in the past expressed their own personal qualms about the TPP. As such, they are perfectly cast to play honest brokers.

To them falls the delicate task of assuaging the concerns of both domestic stakeholders and foreign governments. They must manage the TPP consultations in Canada, while carefully monitoring the contentious debate in the United States.

Of course, the ongoing consultations can neither be nor be seen as a sham, sideshow or stall tactic. They must rigorously evaluate the outcomes, both positive and negative, that could potentially result if Canada and the U.S. implement the deal.

Yet, these findings must be balanced against the negative ramifications that would necessarily and inevitably result if Canada failed to implement an agreement ratified by the United States—including how such a decision would jeopardize NAFTA.

In the end, Trudeau knows, as Harper did, that he must contend with an irrefutable reality: While Canada may have the luxury of being ambivalent about whether TPP is implemented, it simply cannot afford to be excluded if it is. **P**

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