



Prime Minister Harper speaks on his visit to China in 2012. China is Canada's second largest customer, while Canada is not in their top 10. A Canada-China free trade agreement would be an historic achievement and a major legacy piece for Harper. PMO photo, Jason Ransom.

Economic Diplomacy Demands Free Trade with China

Jack Hughes

The recently unveiled Global Markets Action plan put economic diplomacy at the forefront of Canada's foreign policy. While Canada has myriad interests in a multitude of markets, the onus is on the prime minister and his cabinet to narrow our national focus on a primary priority market—China—just as they did this past year with regards to the European Union.

Every prime minister since Sir John A. Macdonald has sought to leave their personal imprint on Canada's foreign policy, yet only a handful can credibly claim to have changed our country's role in the world. Prime Minister Stephen Harper has an opportunity to be among them—but it is an opportunity he must still seize.

Harper's decision to embrace, endorse and espouse the doctrine of economic diplomacy, to marshal all of the nation's diplomatic assets to open new markets for Canadian companies, may represent a seismic shift in how we conduct our international affairs—but it risks being dismissed as empty rhetoric unless or until it is matched by equally bold action.

To that end, if the prime minister is truly committed to leveraging our foreign policy for domestic prosper-

ity and to transforming Canada from a trading nation into a global trading power, he should devote the balance of his time in office to a single goal: Free trade with China.

The negotiation of a comprehensive economic trade agreement with China is the logical and natural extension of the particular type of economic diplomacy advocated by the Harper government. If successful, it would secure preferential access for Canadian goods, services and investment to the greatest potential market in the world.

While the recently announced Global Markets Action Plan does identify China as a priority market, it is only as one of 80 countries so recognized—a fact which invariably brings to mind Harper's stinging indictment of his predecessor, Paul Martin: "If you have hundreds of priorities, you have no priorities."

It is true that Canada has myriad interests in a multitude of markets, but the onus is nevertheless on the prime minister and his cabinet to narrow our national focus on a primary priority market—just as they did this past year with regards to the European Union.

There will undoubtedly be some who will argue that the government has already pivoted to the Pacific. To them, the ongoing free trade talks with Korea, India and Japan—supplemented by the Trans Pacific Partnership—are sufficiently ambitious to ensure that we maintain our competitive advantage.

While those opportunities are unquestionably important to Canada, both collectively and on their individual merits, they are not without limitations. Nor are they substitutes for securing greater access to the world's second largest economy.

Canada experienced a major setback when the United States concluded its trade agreement with Korea before we were able to do so. By getting a deal after the Americans, we will have already lost out on some of the most lucrative opportunities for our agricultural exports. Korea remains the cautionary tale about the need to seize and secure "first mover" advantage.

The situation with regards to Japan is somewhat similar, at least insofar as our bilateral hopes have to some ex-

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tent been diluted by the TPP. When Canada launched its negotiations with Japan, it had yet to be persuaded to join the TPP. The full value of what we hoped to gain was based, at least in part, on a far greater degree of exclusivity than is likely now.

Last, but certainly not least, is India. There is little doubt that a comprehensive trade agreement with India would be a coup for Canada. The size, scope and scale of the Indian market are massive, and governed by political, legal and financial models not dissimilar from our own.

While some have expressed hope that a deal can be signed by the end of 2014, that deadline could be impacted by India's national elections this coming spring. It is not clear what the outcome of those elections could be, though most predict another coalition government. If the talks drift into 2015, they could be further delayed by the federal election in Canada.

Finally, all three of those negotiations were launched before the Harper government committed itself to what International Trade Minister Ed Fast described as a "sea change in the way Canada's diplomatic assets are deployed around the world." If the shift to economic diplomacy does not engender new priorities, it is simply a shift in tactics, not strategy.

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There are already those who contend that the fanfare surrounding the unveiling of the Global Markets Action Plan was much ado about nothing. They claim that the changes

announced were not changes at all, but, rather, the re-packaging of policies which have largely been adhered to in practice since the early 1980s.

If the prime minister wants to prove those critics wrong, he will need to do more than promote the great work being done by the Canadian Trade Commissioner Service. He needs to commit both his government and the country as a whole to a foreign policy initiative that is as bold and provocative as his proposed change in strategic direction.

Without question, Stephen Harper deserves more credit than he has been given for the successful negotiation of the Canada-EU trade agreement—a singular achievement which promises to benefit every region of the country. Part of the problem may have been that the merits of the deal were so clear and indisputable that they didn't inspire much in the way of energetic debate.

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Free trade negotiations with China, however, would require as much deft diplomacy on the domestic front as they would at the bargaining table. There are a number of stakeholder groups and constituencies within Canada who would vigorously oppose closer economic collaboration between Ottawa and Beijing—but it is a discussion deserving of debate.

For their part, the Chinese have made repeated overtures signaling an interest and desire to

enter into some form of comprehensive trade negotiations. To date, Canada has demurred. We cannot assume that China's interest in us will remain constant. While they are our second-largest trading partner after the United States—we are not even in their top ten.

Harper should echo Foreign Affairs Minister John Baird's observation that any free trade agreement with China would be fundamentally different than either NAFTA or the Canada-EU CETA. Indeed, no two agreements are created equal.

None of this is to suggest that any such negotiations would be short or easy. It took New Zealand four years to successfully conclude its free trade agreement with China, and, at the time of writing, Australia has expressed confidence that it will finally do so after almost nine years of talks.

Yet, the potential difficulty and duration of any negotiations should not be considered deterrents. The economic benefits that Canada would stand to gain by being the only G8 country with preferential access to the United States, European Union and China demand that we at least try.

To those with concerns, whether about the nature of the Chinese economy, Canadian sovereignty or national security, Harper should echo Foreign Affairs Minister John Baird's observation that any free trade agreement with China would be fundamentally different than either NAFTA or the Canada-EU CETA. Indeed, no two agreements are created equal.

It is not known whether the prime minister had free trade with China in mind when he directed Fast to pursue a strategy of economic diplomacy following the 2011 election, but there are clear signs that it has been seriously considered since.

When Fast released the Global Markets Action Plan this past November, he asserted that the government

would henceforth "concentrate its efforts on markets that hold the greatest promise for Canadian business." It is difficult to fathom a market which holds greater promise than China.

The Canada-China Economic Complementarities Study, which was prepared jointly by both governments and released in August 2012, identified a number of areas where our two economies complement each other. The study noted that China is expected to become the world's largest economy in the coming decades, and that there was untapped potential for further growth in the bilateral relationship.

If Prime Minister Harper is able to successfully negotiate free trade with China, he will have delivered on the full promise of economic diplomacy. Moreover, and more importantly, he will have ensured that Canada's foreign policy will forever bear his personal imprimatur. **P**

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