



GEORGE MORRIS CENTRE

**Canada is in the Trans-Pacific Partnership:
What Now?**

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Introduction

After months of speculation, skepticism, some outright cynicism, doubt and hope, Canada has been formally invited to join the Trans Pacific Partnership trade negotiations now well underway. Although Canada was not as enthusiastic for inclusion in the TPP earlier, the Prime Minister's personal efforts to seek inclusion has spurred considerable interest in the costs, benefits, impacts and longer term trade and economic strategy for Canada. Given Canada's significant trade orientation, and an increasingly stronger Pacific focus for key regions and sectors, the necessity to participate in the TPP has become much clearer to many observers.

Over the past half-decade or so, the Government of Canada has embarked on an even more ambitious market access thrust on numerous fronts, including obtaining Free Trade Agreements (FTAs) with a number of smaller nations or nation groups. Indeed, while maintaining a respectful effort with the ongoing Doha Round of the WTO negotiations, the federal government has launched free trade discussions or negotiations with many other nations –including the European Union(well underway), India, Japan, and China- and is nearing completion(hopefully) of an FTA with South Korea.

Now that Canada has joined TPP, what now? What are the priorities for action across all sectors? What are the priorities for discussion/analysis, outreach and consultation internally within Canada's agri-food sector? The purpose of this paper is to frame the issues relating to Canada's involvement in TPP, and what will lie ahead in reaching a successful agreement for Canada.

Some Context for the TPP

The ongoing TPP negotiations offer a series of subtle opportunities and concerns. The TPP group of 9 countries has a current GDP of over \$17.8 trillion (US), and with Canada, Mexico, Japan and potentially South Korea added, the TPP group GDP rises to over \$26 trillion (US) or about 40% of world GDP in 2011. Canada has agreements with several of the current TPP members; a recent study suggests that overall export gains from a successful TPP for Canada would be \$15.7B over 10 years (Petri and Plummer, 2012).

These estimated benefits argue for Canada's participation, but do not indicate an overwhelming economic return from TPP membership. Part of the rationale for participation in the TPP can be seen as part of a deeper Pacific strategy, or lodged as a defensive measure to protect Canada's past gains in some markets. Canada's participation within the TPP may open new market opportunities in the broader Asia-Pacific region which may not appear through a bilateral discussion. Finally, it could be that the efforts of the TPP nations to match their ambitious agenda would prove sufficiently positive to encourage others to join and serve as a model for other trade negotiations.

While some benefits are more obvious than others, there is a critical need to pursue greater work so as to allow Canada to catch up and negotiate with its new partners. Oddly, even though many questions are outstanding, for a number of commentators in Canada, and among its trading partners, the necessity to dismantle or end the supply management systems in Canada is seen as a first order of business. It is necessary to have transparent discussions on the future directions of the supply management systems as the negotiations proceed. Decisions on the future of supply

managed industries should be made with far deeper understanding of their domestic and international market impacts rather than to just to correct perceived costs to the economy, or negotiating position¹.

Knowledge Gaps and Process

Despite the heightened focus on the TPP in the past months, Canadian awareness and understanding of the potential impacts, changes, net benefits from inclusion in the TPP is not well established. This would be true across sectors, governments, businesses, and with the general public. A deeper appreciation of the costs, benefits and market adjustments from a successful TPP needs to be developed and communicated so as to ensure Canada's participation in TPP is firm and proactive upon implementation.

These efforts will take time. Both levels of government and various sector proponents and opponents need to be engaged more fully to analyze, disseminate and inform individual businesses, farms, and industry groups. The Government of Canada, with its lead role, can be expected to formally initiate trade consultations across a wide range of industry participants adapting for a different style of trade negotiations. In TPP, Canada is starting in mid-stream, with a smaller group with varied interests or capacities. Moreover, with the Canada-EU Trade Agreement (CETA) negotiations well underway, it can be anticipated that the Government of Canada will wish to pursue its discussions with the Provinces in a manner similar to what is now occurring under the CETA.

Canada's negotiating strategies and the development of new partnerships with current TPP members, will determine tactical and strategic outcomes for Canada's economy. It is important to develop and share these insights in close consultation with governments and industry partners as well as with the general public. This last point is increasingly critical with the increased access to information and analysis of any trade negotiation or discussions. Transparency in negotiations is required to reassure the general public of the goals, benefits and trade-offs in the TPP. Such reassurance and sense of fair play will be central to the federal government's success and ability to implement.

It should be noted that for some in the TPP the end of 2012 was the goal for completion of the negotiation process. It is now anticipated that this may move into 2013. The US Presidential election this fall may be one key reason for a longer period-as well as the entry of Canada, Mexico, and potentially Japan and South Korea. This time frame increases the necessity of deepening and broadening the information and analysis of the TPP, potential gains, losses, and impacts for the agri-food sector as a key priority over the next few months.

Negotiating Strategies

A key effort for the Government of Canada is to develop, share and propose an overall economic strategy for the TPP across all sectors which will maximize the net gains facing the economy-

¹ For more discussion of supply management and the TPP, see *Does Canada Need to Dismantle Supply Management In the Trans-Pacific Partnership?* by Al Mussell
<http://www.georgemorris.org/asp/Public/Utils/DbFileViewerPopup.aspx?FileID=440>

sectors, regions, and public. It can be anticipated that the net gains will be significant but as noted earlier, not likely to be overwhelming. There will be a number of sensitive sectors and issues within the broader TPP negotiations, such as agriculture (sugar, rice, dairy, beef), textiles/apparel, intellectual property rights, services, investment, state owned enterprises (including the ongoing US/NZ argument over the treatment of Fonterra), the environment and treatment/access for “green” industries, and labour standards.

For the Canadian agri-food sector, it will be necessary to develop a TPP strategy that meets sectoral and regional needs across the country. This will include opportunities for Canada’s more innovative agri-food firms/farms to gain new market access. Changes to domestic market access, domestic policy/programs such as supply management, and the necessity to make domestic market adjustments will be equally important internal discussions. Clearly this will challenge Canada’s “balanced position” between trade liberalization for some segments of agri-food, and protection for others. Canada’s ability to understand, work with, and negotiate with its trading partners consistent with their strategies will be critical to develop and implement this overall Canadian strategy. Canada’s role with the United States in these discussions will also be unique-given Canada’s far different role as major customer and competitor across almost all sectors, and within the agri-food sector.

These efforts to analyze, educate, inform, consult and develop appropriate strategies at the economy, sector and regional levels indicate the need for all participants to become more involved in understanding what will be gained, lost, and changed for the better of the country, and the agri-food sector over the longer term. It must also be recalled that the TPP is one of many trade initiatives pursued by the Government of Canada. As with the knowledge gaps, there are time constraints on how to move forward internally, and still keep pace with ongoing TPP discussions, updates, rumours and improved analyses.

Conclusion: What Now?

Canada faces a fast learning curve in effectively participating in the TPP discussions. It is clear that there are differences among economic sectors and regions on the value of full participation in the TPP. Although the opposition to the TPP does exist it has not been high profile- this too may change with Canada’s now formal involvement in the TPP.

For Canadians to get better engaged in TPP, far improved and transparent information, analysis, commentary on the real gains, losses, and likely policy and program shifts is critical. Government and industry need to understand what types of business strategies are likely to provide the greatest potential to ensure the beneficiaries gain the most from TPP results, or to reassure those who do not benefit that sufficient efforts and programs to ease adjustments are or will be available. Developing, sharing and explaining-in an open, transparent manner will be a key priority. Speculation on potential winners/losers will be ongoing but must not crowd out the need for quality analysis and effective information as a critical ongoing effort.

The past trade negotiations and completed FTAs provide a model for such efforts; governments and agri-food industries can build upon these and improve them. Greater participation and awareness will improve the desired results from the TPP. Past secrecy and closed consultations serve to limit the public’s and the sector’s capacity to fully understand the end results and

whether these are worth the changes required. These should be the priorities for the next months as Canada becomes a full partner in the TPP and engages the TPP nations to achieve the desired net gains for the country.

Improved public and industry comprehension of the details of any trade negotiation-recognizing the challenges-will lead to a better overall negotiation and more effective implementation of the agreed upon deal to the benefit of Canada's agri-food sector. This is not a simple task or one which can be fully completed within a limited time frame, but such efforts improve the public policy goals and results for the sector and the country.

A more rational public policy for negotiations and effective business strategies will come from finding a better balance between total change and the status quo. Canadian agri-food policy development and implementation must move beyond the views that all individuals and businesses in supply managed industries are seen as malevolent rent-seekers or the existing systems must be maintained as is without any change-despite over four decades of change. For a successful TPP negotiation and approved deal to benefit all industries in the agri-food sector, agri-food policy analysis and implementation must move beyond the current polarizing debates.

References

Petri, Peter A, and Michael G Plummer. *The Trans-Pacific Partnership and Asia-Pacific Integration: Policy Implications* Peterson Institute for International Economics Policy Brief PB-16. June, 2012.