



Trans Pacific Partnership — Where's the beef?

By Darryl Anderson,
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As readers of *BC Shipping News* were enjoying the Canada Day long-weekend, trade officials from nine countries were meeting in San Diego for the 13th Trans-Pacific Partnership (TPP) negotiating round. On June 20, the day immediately after Ottawa had been invited to join these free trade talks, there was a spat of initial media coverage of the demands from the United States, Australia and New Zealand for unfettered access to Canada's highly protected dairy and poultry markets. Surely there was more to this trade file than the prospect of cheap beef, dairy and poultry to grace and festoon our summer barbeques and plates. For this reason this article will seek to shed light on "where's the beef" in terms of both the political agenda and substance behind Canada's entry into the Trans-Pacific Partnership.

Political Context

Ms. Debra Steger, Professor of Law at the University of Ottawa, recently observed that the United States, the European Union and others, including Canada, have, for all intents and purposes, abandoned the World Trade Organization (WTO) as the primary focus of their trade negotiation initiatives. Ms. Steger asserts that "instead, the priority in developed-country capitals is on negotiation of preferential "new generation" economic and trade agreements with other major partners,

as well as plurilateral negotiations, such as the Trans-Pacific Partnership".

The TPP has its origin in the equally slow and laborious dealings of the Asia-Pacific Economic Co-operation Forum (APEC), a 21-member collective that seeks to promote free trade within and beyond the Asia-Pacific region. Canada, seeking to advance a free trade agenda and leverage its geographic location on the Pacific Ocean coastline, joined APEC in 1989. At that time, member countries included Japan, Indonesia, Australia, Brunei, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. Throughout the 1990s, other countries — including Chile and Vietnam — also joined APEC. In 2009, nine of APEC's members hoping to expedite many of their goals created a new TPP forum to advance their trade interests. The geographic location of the countries were as follows: a) The Americas: United States, Peru and Chile; b) Asia: Vietnam, Brunei, Singapore, Malaysia; and c) Australia/New Zealand.

By November 2011 it was becoming clear that there were a number of substantial trade policy topics well beyond simple market access for dairy and poultry that were being negotiated in the TPP even if Asia-Pacific countries such as Canada, China, Indonesia, Japan, South Korea were not participants.

Canada initially opted not to join the TPP forum and it was not until

Prime Minister Stephen Harper's Conservative Party was elected to a majority government in June 2011 that the federal policy approach began to change.

The Trans-Pacific Partnership Defining Features

TPP trade officials have identified five defining features that, in their opinion, will differentiate this free trade agreement from other forums and boost the competitiveness of member countries. The five features are:

- Comprehensive market access — eliminate tariffs and other barriers to goods and service trade and investment.
- Fully regional agreement — to facilitate the development of production and supply chains among TPP members.
- Cross-cutting trade issues — regulatory coherence, competitiveness and business facilitation, small and medium-sized enterprises and redevelopment.
- New trade challenges — promote trade and investment in innovative products and services, including those related to digital and green technologies.
- Living agreement — enable updating of the agreement to address future trade issues.

Mr. Jean-Michel Laurin, Vice-President, Global Business Policy for the Canadian Manufactures and

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Exporters stated that the “TPP is likely to become a blueprint for Asia” and the fact that the United States was a participant was also cited as being vital to Canada’s strategic trade interests.

The Federal Government Perspective

When asked to provide input on the issue, the Honourable Ed Fast, Minister of International Trade and Minister for the Asia-Pacific Gateway and Member of Parliament for Abbotsford, B.C. provided the following perspective for *BC Shipping News* readers:

Over the past several years, our government has been aggressively expanding trade and investment ties throughout the fast-growing Asia-Pacific region to create jobs, growth and long-term prosperity for workers and families here at home.

As a Pacific nation, Canada’s interest in joining the Trans-Pacific Partnership (TPP) is consistent with our active, ongoing and growing presence in the Asia-Pacific region.

Canada welcomes the support of the United States and all TPP member states for our participation in the TPP negotiations. This is an important step in an ongoing process that will provide Canada the opportunity to enter into the negotiations.

Canada looks forward to helping develop a 21st century agreement that benefits all TPP countries, as a full and ambitious partner at the table.

Joining the TPP negotiations is a key pillar of Canada’s ambitious pro-trade plan and will strengthen our efforts to broaden and deepen our trading relationships with Asia-Pacific markets.

Strategic Insights

Ms. Laura Dawson PhD, President of Dawson Strategic, a consulting firm specializing in cross-border trade and market access issues provided *BC Shipping News* with some valuable insights on the topic of the TPP. Ms. Dawson is the author of “*Can Canada Join the Trans-Pacific Partnership? Why Just Wanting is Not Enough*,” (CD Howe Institute, 2012).

Q) Why should Canadian exporters and importers care about the Trans-Pacific Partnership when China is not included?

A) Most of Canada’s trade is with slow or no-growth mature economies

— the United States and Western Europe. The remainder is with emerging markets. Yes, China is the largest single emerging market Canada trades with but the TPP represents a promising aggregation of markets characterized by growth rates in the six to 10 per cent range, large populations, and young populations with a median age less than 30.

Furthermore, Free Trade Agreements (FTAs) with China seldom go beyond the basic provisions set out in the WTO. The TPP is dealing with new trade issues that have come to the fore since the North American Free Trade Agreement (NAFTA) including trade in services, labour mobility, government procurement, and trade regulations for state-owned enterprises.

Finally, by establishing a foothold with fast-growing Pacific economies, Canada can develop investment and supply chains, working with other TPP partners to service the Chinese economy, rather than compete against them. Canada currently has no other FTAs in the Asia-Pacific region.

Q) From a Canadian business perspective what trade policy irritants, or market access issues should the federal government be addressing in this trade forum?

A) The Organization for Economic Co-operation and Development (OECD) estimates that between six and 10 per cent of the price of a good is the result of regulatory costs including border delays, paperwork duplication, and complicated rules of origin. With up

to 40 percent of global trade captured within a single TPP agreement, many of these costs can be reduced, providing a direct benefit to Canadian businesses. Secondly, state-owned enterprises (SOEs) play a major role in the economies of new entrants to the trading world such as China and Vietnam. The TPP will contain provisions to ensure that SOEs abide by commercial rules of competition and dispute settlement.

Another market access benefit of the TPP is that Canada already has an established trading regime under the NAFTA with Mexico and the United States. This means that we already have similar rules for things like standards and technical barriers, investment, etc. As the dominant partner in the TPP, it is quite likely that US preferences will shape the final agreement. Canada and Mexico will have a competitive advantage vis-à-vis other TPP partners because we have already done the work required to integrate our trade and commercial policies with those of the United States.

Q) What is a possible timeline for a successful deal, and what impact do you think the US Presidential election this fall will have on the pace of negotiations?

A) Much has been made of the ambitious negotiating schedule of the TPP but it has probably been oversold in order to avoid comparisons to the endless rounds of WTO talks. An agreement by the end of 2012 will not be possible. An agreement by the end of



July, 2012, Minister Fast meets with stakeholder of the Asia-Pacific Gateway and Corridor Initiative. (L to R.) Jon Somers, VP of Marketing, Canpotex; Andy Smith, President & CEO, B.C. Maritime Employers Association; Bob Wilds, Managing Director, Greater Vancouver Gateway Council; Yuen Pau Woo, President & CEO, Asia-Pacific Foundation of Canada; Kim Baird, Tsawwassen First Nations Chief; Minister Fast; Larry Berg, President & CEO, Vancouver International Airport Authority; Jon Garson, VP of Policy Development, B.C. Chamber of Commerce; and Ruth Sol, President, Western Transportation Advisory Council.

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2013 might be possible but the US presidential election will serve to slow the process — at least temporarily — as will the potential admission of Japan. The focus on new issues will slow down the negotiations but the TPP parties seem ambitious and focused on a result, unlike the Doha Round that became paralyzed by deadlock.

Business community priorities

Mr. Laurin emphasizes the fact that a renewed trade agenda presents the government with an opportunity to improve the effectiveness of the business community's input, and better co-ordination by the government will help ensure that government policy outcomes are aligned with the priorities of Canadian firms.

The federal government seems to be heading the advice of the Canadian business community on the need for improved consultation. In July 2012, Mr. Fast conducted a western consultation tour that focused on ways to build on Canada's competitive advantages and further deepen trade and investment ties throughout the Asia-Pacific region. However, it appears that Canada's trade consultation efforts fall short of some other TPP participants.

An Australian Department of Foreign Affairs and Trade (DFAT) official responded to a request for information. Sam Kealey, Investment and TPP Section, Office of Trade Negotiations, indicated that the Australian federal government has completed "a number of different activities in 2008 to obtain the perspectives of a wide range of potential stakeholders on a possible Trans-Pacific Partnership Agreement. These activities included raising awareness through information on our website and advertising in national newspapers, consultations in each state and territory, meetings with interested parties and seeking submissions from stakeholders. Many of the submissions on our website are in fact from this period before negotiations started in March 2010. Over the period since 2008, DFAT has continued to interact with a wide range of industries and business, including through the submission process, formal consultations in states and territories as well as less formal discussions. Over 800 different stakeholders were invited to the initial Sydney consultations alone. Representatives from the port and logistics sector have periodically participated in the consultation process".

Conclusion

Canadian trade officials suggest that the current TPP membership represents a market of 510 million people and a GDP of \$17.6 trillion. With the participation of Canada and Mexico, the market will comprise 658 million people and a GDP of \$20.5 trillion. However, *BC Shipping News* readers are perhaps more interested in knowing how much attention should be devoted to the maritime commerce opportunities that may arise because of the TPP given the fact that most of our North American trade is land based and already governed by NAFTA provisions.

To help answer this question, the chart in *Figure 1* was prepared. It compares and contrasts Canada's bilateral merchandise trade with an existing and potential TPP member country (Japan) with TPP members in South America and Non-TPP member countries in Asia using Statistics Canada data for the period 2006 to 2011. Merchandise trade data for

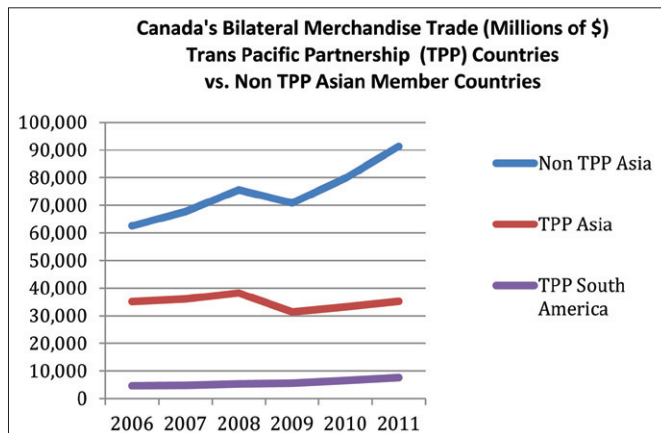


Figure 1. Comparison of Canada's bilateral merchandise trade with TPP and Non-TPP member countries.

the United States and Mexico have been excluded from the analysis since these countries represent limited opportunities for more maritime commerce for B.C. ports.

The chart clearly shows that the bilateral merchandise trade with non-members of the TPP in Asia have had a significantly stronger growth rate than the TPP member countries in Asia, or South America. This is no coincidence since non-TPP member countries include China, Indonesia, South Korea, Philippines, Taiwan and Thailand. The result of the TPP member countries would be even lower if potential member Japan was not included.

The above results strongly suggest that members of the B.C. port and shipping community should no doubt support the TPP initiative and hold federal politicians accountable for delivering results in markets that will yield both intermediate and long-term benefits.

Minister Fast observed that the federal government's efforts "to deepen Canada's trade and investment ties in the fast-growing Asia-Pacific region are being facilitated by our strategic investments and partnerships in building the Asia-Pacific Gateway. Since 2006, our government has invested \$1.4 billion into Asia-Pacific Gateway infrastructure projects, an amount that has been leveraged to almost \$4 billion with the participation of provincial and municipal governments and the private sector".

While it may be comforting for those in the transport and business community to think that the Asia-Pacific Gateway represents a single cohesive Canadian strategy towards Asia, analysis of international trade developments suggest that a more nuanced and multi-track trade policy would be appropriate since a great deal of our existing trade occurs with fast growing countries outside of the TPP process. By coming late to the TPP forum Canada has perhaps missed an opportunity to influence the negotiating process whereby other APEC countries could have been enticed to join.

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