



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

# **Canada's State of Trade: At Home and Beyond**

**Conference Report**  
February 13, 2018

# CONFERENCE REPORT

---

## **CANADA'S STATE OF TRADE: AT HOME AND BEYOND**

February 13, 2018



CANADIAN GLOBAL AFFAIRS INSTITUTE  
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Prepared for the Canadian Global Affairs Institute  
1800, 421 – 7th Avenue S.W., Calgary, AB T2P 4K9  
[www.cgai.ca](http://www.cgai.ca)

©2018 Canadian Global Affairs Institute



On Tuesday, February 13 the Canadian Global Affairs Institute hosted The State of Canadian Trade at the Rideau Club to a sold-out audience that included MPs and Hill staffers, civil servants, diplomats, industry, civil society and students. As promised, a summary, prepared by a team from the University of Ottawa is appended below.

The event will be broadcast on CPAC and the dates and times will be posted when available on the [CGAI website](#). The panels will also be broadcast as podcasts in the coming weeks on [The Global Exchange](#) (available through [iTunes](#), [Soundcloud](#) et al).

In the coming months CGAI will be hosting other public conferences:

- May 8, 2018: Positioning Canada in a Shifting Global Order
- June 7, 2018: A Status Report on 'Strong, Secure, Engaged'
- October 3, 2018: Fifth Annual Defence Procurement Conference

Participants in the State of Trade conference will be automatically added to the CGAI e-mail of updates and podcasts (you can remove yourself at any time).

We look forward to seeing you at future CGAI events and, in the meantime, we hope that you enjoy listening to our podcasts and reading the papers and updates prepared by our fellows and other contributors. CGAI welcomes submissions 650-2000 words for publication on timely global affairs topics.

Yours,

Colin Robertson

Vice President and Fellow

Canadian Global Affairs Institute



## Trade Overview by Tim Sargent

Deputy Minister for International Trade

- The reality for the WTO is it is facing huge challenges from developing countries that do not share the same vision as some developed nations. As well, the rise of populism particularly in some Western nations has shown an increase in protectionist rhetoric and actions that inherently threatens the world trade system.
- For Canada, there is a lot of good news. For instances, the ratification of CETA and the signing of the CPTPP has expanded Canada's global market access. However, there is still a lot of bad news in terms of Brexit, the UK leaving the EU and consequently, leaving CETA, posing challenges to have a seamless transition to a free trade deal with the UK because of the uncertainties surrounding the UK's exit from the EU.
- NAFTA is a challenge for Canada – the US has made it clear that they want a rebalance of the deal and there is genuine belief that the loss of manufacturing jobs in the US heartland is a result of trade deficits and imbalances.
- Th biggest challenge for Canada is not only maintaining and increasing market access but also ensuring companies take advantage of the market access; trade promotion is critical.
- The government views trade through a progressive trade agenda because it is important that people feel included in trade, and it is important people feel the government is not sacrificing social standards, labour standards and environmental standards when making trade deals.

### Panel I: Positioning Canada Against Protectionist Forces At Home And Abroad

**Hon. John Manley**, President & CEO of the Business Council of Canada (Chair, Advisory Council); **Hon. Ed Fast**, Member of Parliament & former Minister of International Trade; **Hon. Bob Rae**, Partner at Olthuis Kleeer Townshend LLP (Advisory Council); **Jeff Schott**, Senior Fellow at the Peterson Institute, moderated by **Colin Robertson** (VP and Fellow)

- The politics of free trade have considerably been altered by Donald Trump's protectionist approach to trade. His belief of trade as a zero-sum game will result in strenuous NAFTA negotiations. Meanwhile, the withdrawal of United States from leadership of the international order has created a vacuum that is now being filled by China.
- United States current approach is worrisome as collateral actions against China (steel and aluminum) could affect exports of other trading partners like Canada. USA's attack on the dispute settlement arm of World Trade Organization is of equal concern.
- While Canada is facing many challenges, it is critical for the country to take advantage of opportunities created by the CPTPP, especially since the US pulled out of the agreement. Dismantling barriers to trade in China and Asia, more generally, will enable Canada to increase trade and diversify its trade away from the US which will decrease its dependence on the US, create wealth and reduce poverty. Ensuring that domestic businesses have access to the Trade Commissioner Services is essential to increase Canadian presence in the other markets.



- American firms are less dependent on trade, under NAFTA, than Canadian businesses. However, sectors like agriculture have interests in supporting NAFTA and are concerned by the US's departure from the TPP. In fact, the TPP was a geo-political agreement first, and a commercial agreement in second. Thus, engaging with sectors that support NAFTA is another crucial avenue to undertake.
- In negotiating with the US, Canada should not display too much flexibility because Trump will take everything that we put on the table. Moreover, Canada should engage with governors, state legislators and mayors because they are the ones who send people to Washington.

## Making Sales for Canada Overview by Annie Dube

Director, Trade Commissioner Service

- The Trade Commissioner Service (TCS) provides on the ground intelligence and practical advice on foreign markets to help companies make better, more timely and cost-effective decisions related to business expansion in new markets.
- TCS has helped businesses export on average 20% more in value than non-TCS clients, 10% more in product varieties and to 20% more markets.
- The Canadian Technology Accelerator program is an intensive program for high potential technology companies that are looking at accessing funds, scaling up and partnering. The TCS provides dedicated trade commissioners, mentors and coaches and working space in the market.
- The TCS understands that the world economy, along with Canada's is changing at an increasing pace, which is why they are doing an extensive exercise to review and refresh their service offerings. For example: differentiating service and better segmenting clients, and rethinking TCS digital presence

## Panel II: Making Trade Deals Work for Canada

**Claire Citeau**, Executive Director, CAFTA; **Brian Kingston**, Vice President, Business Council of Canada (Fellow); **Jason Langrish**, Executive Director, Canada-Europe Roundtable for Business; **John Weekes**, Business Advisor, Bennett Jones LLP (Fellow) moderated by **Sarah Goldfeder**, Principal, Earncliffe Strategy Group (Fellow)

- Canada has brought its national agenda for inclusive growth internationally, through the progressive trade agenda. Most, if not all of the G7 and G20 have opted for a progressive trade agenda while prioritizing workers.
- Canada's focus on its progressive trade agenda is right, given the increasing skepticism of globalization and free trade. However, it is more challenging to do so with countries that have different levels of development, such as China (e.g., indigenous chapter with the Chinese, who are concerned with the Uyghur). Sometimes, other avenues could achieve better results such as ILO. Hence, strategies need to be adapted to the country in question.



- Broad support for trade continues in Canada and has even increased recently, possibly because of the trade rhetoric coming from the US. Canada has to keep doing the things that it has been doing in terms of trade as well as social policy.
- It is easier to demote protectionist rhetoric over NAFTA than over TPP because what NAFTA has brought can be shown. Alternatively, it would be a challenge with TPP given that it does not exist.

## **Progressive Trade Overview by Jonathan Fried**

G20 Sherpa; Coordinator, International Economic Relations, Global Affairs Canada

- The outset of the Asian Financial Crisis, in 1998, exposed the detrimental effects of poor regulatory frameworks and demonstrated the need for a collective agreement on macroeconomics standards which led to the creation of the G7.
- Looking at trade as the sole vehicle for growth and wealth creation ignores the importance of surrounding frameworks necessary for inclusive growth.
- A progressive trade agenda takes a comprehensive approach that looks at trade as more than just the flow of goods and services across borders. It takes a holistic view of monetary and fiscal policies, framework economics, and social policies like education and skills adjustments. The worker is at the core of the progressive trade agenda and it seeks to design trade policies in a way that they work in tandem with the people and the environment.
- Argentina, which will hold the next G20 summit, from November to December 2018, is focused on strengthening its domestic economic environment to align it with the core G20 objective of good economic governance. As a response to growing populism worldwide, Argentina is taking an inclusive approach to economic growth at home and focusing on the interests of the middle class; an approach that is similar to the inclusive growth agenda of Canada.

## **Luncheon Keynote by Hon. Lawrence MacAulay**

Minister of Agriculture & Agri-Food

- Canada's dynamic Agriculture and Agri-Food sector has tremendous growth potential. Canada will rely on innovation and trade to achieve the \$75 billion export target, by 2025. The increasing global demand for high quality Canadian products, in international market, can be serviced in an eco-friendly manner by leveraging the sector's existing strengths. These include firm land, skilled agricultural workforce, strong capital and infrastructures. Climate change is a key challenge though.
- Trade agreements like CETA and CPTPP offer to Canadian farmers new and broader markets. NAFTA, on the other hand, could hurt farmers by disrupting their supply chain. There is however recognition that NAFTA needs to be modernized.



### Panel III- Progressive Trade: How do we make it work?

**Angelo DiCaro**, National Research Representative, UNIFOR; **Angella MacEwan**, Senior Economist, Canadian Labour Congress; **Chris Smillie**, Principal, Tactix; **Eugene Beaulieu**, University of Calgary moderated by **Jeffrey Simpson**, Senior Fellow, University of Ottawa (Advisory Council)

- The definition of progressive trade is evolving and there is no firm consensus on what a 'progressive' agreement is. One proposed definition is that progressive trade is about people; it focuses on human rights. Another important aspect of progressive agenda is environmental conservation.
- Having a consultative approach to the progressive trade agenda is more desirable than having enforceable measures in FTAs. Canadian economic interests and citizens' interests cannot be put at risk to pursue "progressive" aspirations. Thus, an alternative is trade sanctions.
- An advantage of having a consultative approach is that reports generated by governments will be more honest. However, if there are no sanctions the significance of the report diminishes as there are no changes in behavior (for instance Canadian mining companies in Columbia).
- Trade agreements in the last few years have been used as mechanisms to enable countries that are lagging behind in terms of labor standards to increase them. In contrast, during TPP negotiations, one of the best-kept secrets is that US prompted Mexico to have labor reforms.

#### NAFTA Overview: Keynote by Steve Verheul

Chief NAFTA Negotiator

- Six rounds of negotiations on NAFTA have been achieved thus far. The intent is to modernize existing chapters and add new chapters on indigenous people, good regulatory practices, environment, gender, and labor laws.
- There are concerns that the American proposal to reshore jobs to the US and the implementation of the sunset clause will discourage investment. The US has also proposed that dispute settlement panels should be advisory rather than being an enforceable mechanism. From a Canadian stance, if the dispute settlement arm of the agreement is not enforceable then there is no point in negotiating these chapters.
- US proposals have not been reviewed by experts. In our view, a number of these proposals would not be beneficial to the US if implemented. Canada has started to put forward ideas that would be more realistic. Canadian proposals target rules of origin, dispute settlement mechanism, and the sunset clause which have been done in consultation with the industry. The purpose of these proposals was to set in motion a dialogue with the US and see some convergence on these issues.
- The main problem with negotiations is the lack of US flexibility even for straightforward issues, which is being driven from the top of the administration. If US negotiators had more room we could have achieved more.



- There has been challenging discussions on extreme proposals, which the US refers to as rebalancing proposals.
- The Americans have prioritized the US economy rather than the North American one when negotiating. The approach to negotiation by the US has not been to liberalize trade. Hence, Canada is ready for the possibility that the US might start the process of withdrawing from NAFTA.

## Panel IV: America First: How do we manage?

**Andrea Durkin**, Adjunct Fellow, Centre for Strategic & International Studies; **Patrick Leblond**, Paul M. Tellier Chair on Business and Public Policy, University of Ottawa; **Meredith Lilly**, Simon Reisman Chair in International Affairs, Carleton University moderated by **Sarah Goldfeder**, Principal, Earncliffe Strategy Group (Fellow)

- Trump has enormous amounts of policy space to make decisions about trade given that the US domestic context has improved considerably since NAFTA negotiations began. Jobs are better, stocks are rising, small business confidence is at the highest it's been for a long time, and regulatory frameworks are improving. The US is the largest destination for foreign direct investment and Trump's constituents are realizing the benefits of increased FDI.
- The "America first" ideology is not of concern because it is also "Canada first" and "Mexico first". Negotiation with a head of state that put their countries first is feasible. The problem is the "America alone" rhetoric supported by Trump. Some demands, like the sunset clause, should not be accepted by Canada or Mexico. However, some other demands are genuine. To navigate these negotiations effectively, Canada needs to keep cooperating with Mexico, stay on the negotiating table until there is someone to negotiate with, and bring new ideas to the table instead of only refuting demands from the US.
- It is important to start determining how Canada, Mexico and the US can create wealth together. There is a disconnect between public rhetoric on how to create wealth. While Canada focuses on innovation, the US is relying on manufacturing jobs. In reality, both countries just want to increase employment and create wealth. It is essential to know what a "win" looks for Trump and its constituencies to harmonize our interests and negotiate deals that will be beneficial for the future.
- Trump sees multilateral agreements unfavorably. However, we need to start talking about NAFTA in terms of neighborhood. If the value of your neighbor's house goes up, the value of your house goes up as well.

## Panel V- Getting goods to market: what we need to do

**Bruce Burrows**, President, Chamber of Marine Commerce; **Jennifer Fox**, VP, NASCO; **David Miller**, Assistant VP, CN Rail, moderated by **Laura Dawson**, Director, Canada Institute at the Wilson Center (Advisory Council)



- Effective movement from a willing seller to a willing buyer is the central aspect of an efficient trade regime. A few key aspects in this process are: resources, staffing of booths at border points, and payment mechanism.
- Canadian border still functions on a paper basis. There is also a lack of harmonized weights and dimensions in Canada and Mexico, domestically and with the US, which affects flow of goods across border points. In the US, RFID equipped trucks are the norm whereas in Canada not even a single commercial lane is equipped with RFID. There is also a shortage of truck drivers in Canada.
- Railways have made a significant comeback. Canada has built its railway system to serve the NAFTA market. There is a real concern that if NAFTA were to be terminated it would result in different attitude at the border. The movement of goods between Canada and the US would also face more time lags reducing productivity and increasing costs.
- If NAFTA were to be terminated, the main concern for railways in Canada would be a border tax. Another potential issue is the increase in regulation. Thus, Canada needs to address the border during NAFTA negotiations.

## **Panel VI: Reconciling Differences between International Ambition with Domestic Interests**

**Kim Furlong**, Director, AMGEN; **Larry Herman**, Senior Fellow, C.D. Howe Institute; **Corinne Pohlmann**, Senior VP, Canadian Federation of Independent Business moderated by **Sarah Goldfeder**, Principal, Earncliffe Strategy Group (Fellow)

- A trade agreement is about having predictability and protecting interests. Protecting Canadian interests is crucial, whether in NAFTA or other agreements. Its aim is to ensure that Canadian goods, people, and capital have access to markets. It is also about jobs.
- Foreign policy is a mix of interest and values. Trade policy is about advancing Canadian interests. Advancing values in the context of a trade agreement should be done with care. There are sometimes other more appropriate foreign policy areas that can mitigate issues that relate to values. There are some concerns from parting of the focus on trade to a broader trade agenda.
- Thinking about intellectual property (IP) in strategic terms now is crucial so as to not be penalized by the lack-off in the future. The government invests a substantial amount of money in research, and science is a key area which can be exported. Thus, IP rights in trade agreements are necessary to safeguard predictability.
- Automotive industry is a good example of how our trade policy should be managed. Our automotive production increased three times in the six years following the 1998 FTA with the US. It is now a part of NAFTA. This is a marvelous conjecture of domestic and regional interests. The automotive file is therefore so crucial to NAFTA.
- On the other hand, protectionism in our dairy sector today is an inappropriate way of developing trade policy. The consumption of milk has declined along with dairy farmers. The result of protectionism is that we cannot export any dairy products. Canada's industry could rival with New Zealand in world markets. In fact demand for milk consumption is



increasing in markets like China. This is a classic example of a mistake Canada made in aligning our domestic interests and trade.

- The argument that free trade lifts all boats is valid when you have a FTA with a reasonable partner. If, for instance, you have an FTA with the US then ultimately all industries will see growth. But if you are doing it with a country like China then there are differences in rules and in labor laws, which can disrupt industries in Canada.

## Wrap Up Discussion

**Hon. Andrew Leslie**, Parliamentary Secretary to the Minister of Foreign Affairs; **Pam Goldsmith-Jones**, Parliamentary Secretary to the Minister of International Trade moderated by **Colin Robertson** (VP and Fellow)

- Our relationship with the US is very good. What Canada is up against is a very protectionist president and administration. Lighthizer, the current US Trade representative is also protectionist by nature.
- Canada exports 70 percent of its goods to the US, whereas the biggest trade partners of Americans are China, Japan and UK. This asymmetry appears wider than it is because American numbers are used and NAFTA is talked in terms of goods only.
- NAFTA renegotiations are fueling our drive for diversification. There is demand for our products and however Canada has not been good at promoting itself.
- Softwood lumber price went up by 2 percent in the US because 30 percent of their demand was not being met. The US industry has to source lumber to meet its demand from somewhere, so they might as well source it from their neighbor. The fifth dispute on softwood lumber is in progress at the WTO. Canada will win as it has the last 4 times.
- Chapter 11 in NAFTA is in Canada's interest. The punitive total of claims against Canada by the US, for 40 cases, is in millions as opposed to trillions in the absence of chapter 11. Moreover, Americans are much more litigious by nature than Canada. Hence, chapter 11 enables Canada to have predictability and a fixed regulatory mechanism. The need for an impartial mechanism is critic

## ► **Canadian Global Affairs Institute**

---

The Canadian Global Affairs Institute focuses on the entire range of Canada's international relations in all its forms including (in partnership with the University of Calgary's School of Public Policy), trade investment and international capacity building. Successor to the Canadian Defence and Foreign Affairs Institute (CDFAI, which was established in 2001), the Institute works to inform Canadians about the importance of having a respected and influential voice in those parts of the globe where Canada has significant interests due to trade and investment, origins of Canada's population, geographic security (and especially security of North America in conjunction with the United States), social development, or the peace and freedom of allied nations. The Institute aims to demonstrate to Canadians the importance of comprehensive foreign, defence and trade policies which both express our values and represent our interests.

The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

In all its activities the Institute is a charitable, non-partisan, non-advocacy organization that provides a platform for a variety of viewpoints. It is supported financially by the contributions of individuals, foundations, and corporations. Conclusions or opinions expressed in Institute publications and programs are those of the author(s) and do not necessarily reflect the views of Institute staff, fellows, directors, advisors or any individuals or organizations that provide financial support to, or collaborate with, the Institute.