

February 13, 2012

Trade Negotiations Consultations (TPP)
Foreign Affairs and International Trade Canada
Lester B. Pearson Building, 125 Sussex Drive
Ottawa ON K1A0G2

Dawson Strategic¹ is pleased to provide comments for the Department of Foreign Affairs and International Trade Canada on the possibility of Canada joining the negotiations for the Trans-Pacific Partnership Agreement. Dawson Strategic fully supports Canada's participation in these negotiations, and believes that Canada must take the actions necessary for accession to the TPP.

The 21st century will be dominated by growth in Asia Pacific economies

Countries of the Asia-Pacific region have experienced sustained high economic growth rates since the turn of the century. Malaysia, Singapore and Vietnam (all parties to the TPP negotiations) have grown at rates between 4 and 14 percent over the past ten years. A recent Citigroup analysis² forecasts that emerging markets in Asia will overtake Western Europe's share of global trade by 2030. For this same period, growth rates in trade in Asian countries will be greater than 6 percent, while Western Europe and North America will lag behind at rates less than 4 percent. Canada will no longer be able to rely on its traditional trading partners to provide the demand for our exports. In order to prosper, we will have to expand our economic relationships with Asia-Pacific nations.

The Trans-Pacific Partnership is an opportunity for Canada to get a foot in the Asia-Pacific door

Canada does not have a free trade agreement with a single Asian country. The TPP would provide access to markets representing more than twice the export market coverage of Canada's last five FTAs combined (which represent 0.37 percent of Canadian exports). With all nine members included, the TPP would cover 76 percent of Canada's export market, and with Japan and Mexico included, the figure would rise to 80 percent.

Membership in the TPP would provide Canadian businesses with a chance to expand in the developed markets of Australia and New Zealand, lock in market access to economically vigorous emerging markets such as Singapore, Malaysia and

¹ Dawson Strategic solves cross-border business problems related to the movement of goods, services, investment and people and deals with market access, regulatory and policy issues. For more information, please visit <http://www.dawsonstrat.com>.

² Citigroup, Citi GPS: Global Perspectives and Solutions, *Trade Transformed: the Emerging New Corridors of Trade Power*, October 2011

Vietnam, and re-engage with current FTA partners Chile, Peru and the United States in updated trade agreements.³ Most importantly, it would give Canada a presence in a dynamic Asia Pacific trade bloc that is both economically and strategically important.

Canada's alternative is to negotiate separate bilateral agreements with Asian nations. FTAs with middle-income or developing markets may offer attractive growth potential but some of these countries have limited experience with the norms of trade regulation. In such cases, trade negotiations are time-consuming, resource intensive and produce little of value.⁴ In this context, a regional agreement is preferable to bilateral ones because the greater market size of a regional bloc encourages countries to address more trade barriers than they would if negotiating with just one state.

The Trans-Pacific Partnership is setting the new rules of the game

The TPP will determine the new rules that will govern future trade and economic relations between East and West. In the drive to help businesses boost production, competitiveness, and standards of living, the TPP negotiating countries are examining "next generation" issues such as the behaviour of state-owned enterprises, regulatory coherence, the role of the digital economy, and how to facilitate the emergence of green technologies. The negotiations cover every element of a modern economic relationship from competition, to intellectual property, and the movement of temporary workers across borders. With the Doha Round of multilateral trade negotiations in paralysis, the TPP has become the primary forum to foster trade and investment expansion among a large group of economically significant countries.

The TPP agreement is a precursor for APEC's proposed Free Trade Area of the Asia-Pacific. The expansion plan is to include APEC countries in successive clusters that will eventually encompass more than half of global output and over 40 percent of world trade. As a nation whose economy is so heavily dependent on trade, Canada will need to form deeper trade relationships with these high-growth markets in order to ensure future wealth and prosperity for its citizens. If Canada does not achieve access to the negotiations, it will have to accept the terms of a deal negotiated by others.

³ Canada already has trade agreements with TPP members Chile, Peru and the United States. Canada's agreements with Chile and Peru are more than a decade old. They provide little or no coverage of subjects common in newer trade agreements such as services, energy, electronic commerce, environment, and government procurement,

⁴ Canada began negotiations with the El Salvador, Nicaragua, Honduras and Guatemala for the CA4 agreement in 2001. By 2011, the only result is a bilateral agreement with Honduras.

The Trans-Pacific Partnership could offer the opportunity for a comprehensive trade agreement with China

TPP participation is being seriously debated in China and if it did join the TPP talks, the process would give Canadian interests more weight than the current bilateral approach to China. If Canada negotiated with China one on one, the negotiating dynamic would be highly asymmetrical. China, the stronger, larger partner, would set the terms and likely limit coverage to a goods only agreement as it has in past agreements such as those negotiated through the Association of Southeast Asian Nations (ASEAN). By contrast, the TPP agreement aims to cover goods and services, sanitary and phytosanitary measures, intellectual property, government procurement and competition policy – areas of the Chinese economy where Canada could have little influence if negotiating on its own. The TPP would offer Canada the opportunity to be part of a more comprehensive, substantive agreement with China than that which we could achieve on our own.

Canada's exclusion from the TPP could disadvantage Canadian businesses

Many Canadian businesses rely on North American supply chains in order to be competitive globally. If the TPP is concluded without Canada's participation, there is the possibility that these Canadian businesses will be disadvantaged if rules of origin do not recognize Canadian content. US products with higher levels of Canadian content – such as in the auto sector – would not receive preferential treatment in the TPP unless Canada was also a member. This disadvantage will cause US manufacturers to divert trade from Canada and source their inputs from other TPP members.

Dawson Strategic strongly supports Canada's participation in the Trans-Pacific Partnership and appreciates the opportunity to provide DFAIT with these comments. Should you have any questions, please do not hesitate to contact us.

Respectfully submitted,

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