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Liberals 'doing themselves real damage' out west by delaying CPTPP, says analyst

By EMILY HAWS MAY. 23, [ EDIT STORY ([HTTPS://WWW.HILLTIMES.COM/WP-ADMIN/POST.PHP?POST=144712&ACTION=EDIT](https://www.hilltimes.com/wp-admin/post.php?post=144712&action=edit))] 2018

Farm groups are pushing the Liberals to ratify the 11-member deal, but automakers want to pump the brakes until NAFTA is a done deal.



International Trade Minister François-Philippe Champagne's office says the implementation process for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership is underway. *The Hill Times* photograph by Andrew Meade

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With many countries on the road to ratifying and implementing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the Liberal government is facing increasing pressure from the agriculture industry to get a move on tabling legislation that would bring the 11-country trade deal into effect.

The Canadian Agri-Food Trade Alliance (CAFTA), which represents 13 industry associations, has repeatedly met with government officials to discuss it, said executive director Claire Citeau. However, while some industry associations want the government to wait on the CPTPP until they get a tentative deal on NAFTA, delaying could be a political fumble says one trade expert.

The CPTPP comes into effect 60 days after 50 per cent of signatories, or six countries, ratify and implement the deal. Canadian agriculture exporters need the “first mover” advantage, said Ms. Citeau, allowing exporters to have full access to preferential tariffs as soon as possible.

With less competition for market share, they can deepen trade relationships before others get a chance. If Canada isn’t one of the first six, it will still have access, but more competition.

And, after the Trans Mountain pipeline expansion debacle, further delaying CPTPP implementation could further alienate Western Canada, said Carlo Dade, director of the Canada West Foundation’s trade and investment centre, as many communities are agriculture-dependent.

“[CPTPP] is not a minor thing in the West,” Mr. Dade said. The Liberals, he said, are “doing themselves real damage out here.”

Agri-food exporters particularly want access to the Japanese market, the world’s third-largest economy, as well as Vietnam and Malaysia. Adam Taylor, who used to be a policy adviser to former Conservative trade minister Ed Fast (Abbotsford, B.C.), said the CPTPP without the U.S. is “an opportunity not to be wasted” for Canada because of the lack of competition.

The CPTPP has 11 partners: Canada, Japan, Vietnam, Malaysia, Mexico, Chile, Australia, New Zealand, Brunei, Peru, and Singapore. Canada has the second largest economy in it, after Japan.

South Korea is the only Asian country with which Canada has a free-trade deal, ratified in 2015. According to CAFTA, exports to Korea—which imports more than 70 per cent of its food—fell from \$1-billion to \$530-million in the few years before the deal was signed, following Korea making deals with the European Union in 2011 and the United States in 2012. squeezing out Canadian exporters.

“The government still has not made it clear what the plan is to ensure that Canada is one of the first six countries to ratify the [CPTPP],” Ms. Citeau said.

The government could be delaying implementation in order to appease would-be NDP voters, who are generally against trade, Mr. Dade suggested, as their votes would be easier for the Liberals to scoop up in 2019 than would-be Conservatives.

NDP MP Tracey Ramsey (Essex, Ont.), her party’s trade critic, said she’s not in a hurry to ratify the deal because CPTPP pits sectors against each other, for example, agri-food and domestic vehicle manufacturing. She’s also wary of some side agreements the government signed, as there’s no way to enforce them, she said.

Conservative MP Dean Allison (Niagara West-Glanbrook, Ont.), his party’s trade critic, said he’ll be concerned if implementing legislation is not tabled by the fall, and wants Canada to be one of the first six ratifiers.

“We understand that if they get the legislation in before the summer they’re probably not going to be able to move it forward, but it would be nice to look at what it looks like,” he said. The House is expected to rise on June 22.

Pierre-Olivier Herbert, spokesperson for International Trade Minister François-Philippe Champagne (Saint-Maurice-Champlain, Que.) said in an email that “details on the ratification process will follow in due time,” but didn’t give any timelines.

“The minister has said multiple times that we are fully committed to swift and prompt ratification in the context of an already packed parliamentary agenda,” he said, adding the ratification work started when the deal was signed March 8.

The original Trans-Pacific Partnership was composed of 12 partners. However, U.S. President Donald Trump pulled out of the deal shortly after he was elected, in January 2017.



Trade expert Carlo Dade said if government drag it's feet on CPTPP implementation, it could spell further trouble for its diplomatic relations with Japan and Australia. *Photograph courtesy of the Canada West Foundation*

The remaining 11 countries agreed to work on a revamped deal in May 2017, but when the agreement-in-principle signing was supposed to happen in November in Vietnam, Prime Minister Justin Trudeau (Papineau, Que.) refused to sign the deal due to reservations on the cultural and automotive provisions, and didn't show up for a planned meeting.

International media strongly criticized Mr. Trudeau for his actions, but a revamped deal was signed in January.

Mexico has already ratified the CPTPP, and the process is underway in Australia and Japan.

The rest of the partners are also moving quickly, Mr. Dade said the processes in many member states to put the agreement in motion are quick.

"Six countries by the end of the year is almost a certainty," he said.

Domestic vehicle manufacturers against CPTPP, want NAFTA figured out

The Canadian Vehicle Manufacturers Association (CVMA), which represents domestic car manufacturers such as Ford and GM, is opposed overall to the CPTPP and doesn't think Canada should implement the deal until there's at least an agreement-in-principle from the ongoing NAFTA modernization negotiations.

Although agri-food exporters are excited about Japan, the CVMA is not, saying the country uses non-tariff barriers to protect its own domestic car manufacturing industry. Japanese car makers get open access to Canada's market, CMVA suggests, but the association won't see much benefit for its members in Japan.

"Nobody's really been able to crack that market as long as it's existed. There's been some recent improvements by premium brands and Europeans, but even then it's really small, relatively speaking," said CVMA president Mark Nantais.

Canadian Manufacturers and Exporters president and CEO Dennis Darby said he supports the CPTPP, but said it comes behind both NAFTA and the Canada-EU trade agreement.

CME members are more competitive in terms of doing business through those deals, he said, and it'll take awhile to have integrated supply chains in CPTPP countries.

A May 17 deadline set by House Speaker Paul Ryan to reach a deal on NAFTA to send to the U.S. Congress was not met, and has since been extended as trilateral discussions continue, according to Bloomberg (<http://nationalpost.com/news/world/flexibility-needed-on-all-sides-to-complete-last-negotiations-on-nafta-if-trump-wants-a-deal>).

Mr. Taylor said the government is probably waiting on the CPTPP implementation until it gets its NAFTA priorities in order, as aspects such as intellectual property affect both deals, but Mr. Dade said this doesn't make sense because Canada and Mexico already got their NAFTA interests protected during the updated CPTPP talks.

Canada should follow Mexico's lead of strengthening trade relationships outside of the United States, Mr. Dade said.

"Mexico has gone from going along with the TPP and seeing benefits, to [understanding the] urgency in getting the TPP done in light of the NAFTA negotiations," he said, adding they've also upgraded their agreement with the European Union to "give themselves some options should NAFTA fall apart. So we need to follow that strategy."

He added after upsetting Japan and Australia, Canada shouldn't look like it's dragging its feet on implementation because it could cause further strain between the countries.

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