

Trade and Regulatory Cooperation Committee Proceedings
PNWER Annual Summit - Calgary, AB
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Co-chairs:

- Christopher Sands, Ross Distinguished Professor of Canada-U.S. Business and Economic Relations, Western Washington University
- Trevor Tombe, Assistant Professor of Economics, University of Calgary

Speakers:

- Christopher Sands, Ross Distinguished Professor of Canada-U.S. Business and Economic Relations, Western Washington University
- Trevor Tombe, Assistant Professor of Economics, University of Calgary
- Laura Dawson, Director, Canada Institute
- Karil Kochenderfer, Principal, LINKAGES
- Christopher Quinlivan, Minister Counselor for Commercial Affairs, U.S. Dept. of Commerce

*Presentations available at www.pnwer.org/presentations.

Presentations:

Opportunities for Canada-US Trade in the Context of the Trans-Pacific Partnership

Christopher Sands, Ross Distinguished Professor of Canada-U.S. Business and Economic Relations, Western Washington University

Christopher Sands gave a brief overview and outlined the current state of the Trans-Pacific Partnership (TPP), noting in particular the American perspective of the proposed trade deal. TPP is a proposed global trade agreement comprising twelve nations along the Pacific Rim, and including the nations of Canada and the United States. Together, the countries represent roughly 40% of global GDP. The status of TPP is in question, as both current U.S. presidential nominees oppose TPP in its current form. In order for TPP to pass, six of the twelve nations, representing at least 85% of the total GDP, need to ratify it. In essence, this makes the inclusion of the United States necessary to the success of the trade agreement. It was emphasized that many of the countries are waiting on the United States to reach a decision before taking action themselves.

Trevor Tombe, Assistant Professor of Economics, University of Calgary

Trevor Tombe provided a supplementary viewpoint of TPP, focusing on a Canadian perspective and the effects of the agreement on the Canadian economy. Tombe presented the unique trade problems that Canada faces, primarily a lack of diversification. Canada's trade is

currently heavily concentrated in approximately 2.5 markets. In contrast, United States exports are spread across approximately 10 markets. Tombe argued that TPP would be a solution to this lack of diversity, contending that ratification of TPP and opening up multi-national channels would vastly open up trade. While a primary effect of the trade deal would be to lower tariffs, TPP goes beyond tariff reduction and would greatly increase international investment as well. While not all tariffs would be eliminated and it would take time for trade liberalization to occur, the effects of TPP on the Canadian economy would be far-reaching and go beyond just trade in goods. The Canadian auto industry was used as an example as one industry that is poised to make significant gains based off models.

Charting the Benefits of TPP

Karil Kochenderfer, Principal, LINKAGES

Karil Kochenderfer spoke on the issue of the Trans-Pacific Partnership in light of increasing globalization. Prior to the World Trade Organization (WTO), there were only four significant actors driving globalization: United States, Canada, Europe, and Japan. Following the introduction of the WTO, global trade skyrocketed and an interconnected worldwide network of trade formed. Since then, trade barriers and tariffs have continued to decrease, which has revealed non-tariff barriers such as regulation, cumbersome bureaucracies, time-consuming paperwork, etc. As differences with Europe arise, the United States has begun to look to the West and at TPP for trade. The twelve countries of TPP with combined connections and free trade agreements compose a formidable global force. TPP is significant in that it determines who sets the rules of global trade for the immediate future. Projected GDP growth for China and India in the coming years is upwards of 8%, whereas the United States is projected at 2.5%. With over 95% of the world's population lying outside of the United States and increased economic growth in the Pacific Rim countries, it is important to talk with other countries. If the United States does not set the rules, then it allows competing nations to do so instead. TPP contains several benefits, including:

1. Reduces tariffs
2. Includes environmental and labor provisions
3. Increases regulatory transparency and accountability
4. Increases technical transparency and accountability
5. Increases regulatory cooperation within governments

In addition to TPP, the topic of agro-food was brought forward. The Global Food Safety Initiative (GFSI) is an organization that works to provide safe food to consumers by identifying best food safety management practices and certifying food facilities conducting best practices.

Christopher Quinlivan, Minister Counselor for Commercial Affairs, U.S. Department of Commerce

Christopher Quinlivan echoed the statement of the previous presentation that if the United States does not take the opportunity to set the rules of global trade, it will be China who does so. The presentation focused on the benefits of the Trans-Pacific Partnership, with emphasis on benefits at the industry, state, and individual worker level. The Trans-Pacific Partnership region is the fastest growing region in the world and is home to 40% of global GDP and 800 million consumers. TPP will eliminate numerous trade barriers, including 18,000 foreign tariffs. TPP region is of great importance to the U.S. and exports to TPP countries help to support millions of U.S. jobs and provide billions of dollars in foreign investment.

The International Trade Administration is committed to educating the U.S. public on TPP. More information on the trade agreement is available through www.export.gov and www.trade.gov. State specific impact reports and the FTA Tariff Tool are two specific resources that are available through the websites.

Regulatory Cooperation Council - Expanding the Canada-US RCC to the Next Administration

Laura Dawson, Director, Canada Institute

Laura Dawson presented briefly on TPP. The presentation contained several key points, including the following:

1. TPP is still a very Eastern U.S. and Canada dominated discussion. Western U.S. and Canada need to stake a claim in TPP discussion occurring in the U.S. and Canadian capitals.
2. Trade has changed from the past and is becoming more global.
3. There are hidden barriers to trade.
4. TPP offers the chance for tremendous growth, especially for the Asian middle class.
5. TPP is a chance for developing countries to modernize.
6. There is mutual reinforcement of the agreement from U.S. and Canada.
7. For the U.S., a benefit of TPP is writing global trade rules instead of China.
8. Regulatory alignment between countries can be applied to states and provinces as well.

Dawson also gave a brief overview and spoke on the importance of the Regulatory Cooperation Council (RCC). The RCC is a joint Canada-U.S. council with the purpose of increasing transparency, uniformity, and cooperation between the two countries on the topic of regulations. The RCC is required to meet every year and business stakeholders are highly involved in the process. The council is important in that it helps to align U.S. and Canadian regulatory standards.

There are several challenges to the future of the RCC. The RCC is in jeopardy because it is not well known or recognizable and there will be difficulty in ensuring that it will continue through administrations. Therefore, it is important to advise the next administration on the importance of the RCC. Also, Mexico is currently an observer to the RCC process, but including Mexico in the discussion would be important.

Open Discussion on TPP and RCC

Questions:

Q: Are there actual transparent measurement mechanism in TPP?

A: Karil Kochenderfer: No, but TPP is an ongoing trade agreement and will be continually reviewed down the line.

Laura Dawson: It is very difficult to track effects of TPP as it happens. But we can predict.

Q: How big of an effect will TPP have?

A: Trevor Tombe: It is tough to say. All we can do is analysis.

Karil Kochenderfer: If we are going to have a broad talk on trade, we need to make sure we have social safety nets in place and make sure all boats will rise.

Q: What happens if it doesn't pass?

A: If TPP doesn't pass prior to the election, it will be harder to get TPP to pass after the election because there will be more protectionists. Canada will need to create bilateral agreement with Japan, otherwise China will set the rules.

Christopher Quinlivan: Life will go on, but if TPP is not passed, it will be attempted again. People need to understand the agreement.

Laura Dawson: TPP will never a no, it just might not happen today. We need to present the benefits of trade, but ensure there are social safety nets in place. If it does not pass, we should find what is salvageable and try again. We cannot afford to give up now.

Christopher Sands: There is a generation gap in thoughts on trade. The question is how millennials will view trade differently from baby boomers. Millennials seem more open to globalization from what we have seen of the post-Brexit fallout.

Q: What about the environment?

A: Laura Dawson: There are environmental standards in TPP. TPP takes a step towards more enforceable standards and threatening loss of trade rights. But these steps are still moving slowly.

Trevor Tombe: The question raises a good point. Freer trade means we should be more concerned about leakage of standards.

Q: How is the Softwood Lumber Agreement affected by TPP?

A: Laura Dawson: Lumber trade agreements are not included in U.S./Canada free trade agreements (FTA), which demonstrates why FTAs work and shows how dysfunctional non-FTAs can be.

Discussion:

There was extensive discussion on the issue of investor-state dispute settlements (ISDS) language contained within TPP. It was stated that those opposed to TPP are not opposed to trade, but are opposed to some clauses contained within the agreement. Laura Dawson stated that the ISDS provisions of TPP are based on NAFTA ISDS. Additionally, concern was voiced over the labor standards of TPP. Several in the audience believe labor standards of TPP need to be raised.

Action Items	Status
PNWER should express support for Trade and the RCC, reach out to federal legislators in Washington DC and Ottawa, and present specific ideas from the region for the Trudeau government and the next US president to expand RCC	In progress
Recognizing that the trade debate has become contentious in both countries, PNWER members should promote the wide array of information available from US and Canadian government websites with members, and ask the PNWER delegates to promote economic education to prepare the rising generation for the global economy	In progress