

# Canadian industries split on new TPP trade deal

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Canada and 10 other countries, including Japan, have reached a deal on a new Pacific Rim trade accord that does not include the United States.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which Trade Minister François-Philippe Champagne announced on Tuesday, will benefit Canada's agricultural sector, chiefly beef and pork producers, which are being granted market access to the once-sheltered Japanese market – access that rivals in Australia already enjoy.

But Canada's dairy farmers, the head of the country's largest private-sector union and a major portion of the Canadian auto industry say the new deal makes major concessions to foreign competitors that will cost jobs in Canada without yielding sufficient reciprocal benefits.

Ontario Premier Kathleen Wynne said she is concerned the deal could hurt Ontario's auto industry. Trade "diversification must not come at the expense of key Ontario sectors, including auto," Ms. Wynne said. "I have heard the concerns from many in our auto industry over the course of TPP negotiations, and I understand and share any concerns that this agreement could in any way affect the competitiveness of Ontario's auto sector."

The accord is a revised version of the Trans-Pacific Partnership (TPP) agreement reached in 2015, before U.S. President Donald Trump pulled the United States out of the negotiations last year. The text has not been made public, but the Canadian government has consulted with industry over the past few months on the contents. Talks to fine-tune it will continue until March.

Even without the United States, the rewritten pact will create a market of 495 million people and a combined annual economic output of \$13.5-trillion (U.S.).

The Canada-European Union trade pact and the new TPP deal will help Canada diversify trade away from the United States, where economic relations under the protectionist Trump administration have made it difficult for businesses to invest in selling to Americans.

Canada, which had been holding out as Japan led an effort to strike a revised TPP deal, agreed at meetings in Tokyo this week after securing changes to the deal.

Prime Minister Justin Trudeau lauded the revised Trans-Pacific Partnership (TPP) as "the right deal" for Canada.

"Our government stood up for Canadian interests and this agreement meets our objectives of creating and sustaining growth and prosperity and well-paying middle-class jobs today and for generations to come," he said at the World Economic Forum in Davos, Switzerland.

Key sectors of the auto industry in Canada oppose the new agreement. Representatives of Detroit-based companies and Canadian parts makers say Canada should not strike deals that will affect vehicle production here while Ottawa is still trying to renegotiate the North American free-trade agreement with the United States and Mexico, which has separate and potentially conflicting rules for foreign content.

Auto-parts makers say the TPP would open them up to more intense competition from low-cost countries such as Vietnam and Malaysia. The Detroit Three auto makers say it will eliminate tariffs on Japan-made vehicles entering the Canadian market while not removing existing non-tariff barriers in Japan.

The Canadian government said it has reached a bilateral deal with Japan to resolve those non-tariff barriers, which include municipal zoning laws that prevent some foreign auto makers from building dealerships.

Flavio Volpe, president of the Automotive Parts Manufacturers' Association, and Mark Nantais, president of the Canadian Vehicle Manufacturers Association, said they were not told negotiations on the TPP were taking place on the weekend.

They and Joseph Galimberti, president of the Canadian Steel Producers Association, sent a letter dated Monday asking Mr. Champagne to suspend further TPP discussions on autos and steel until NAFTA talks have concluded.

"As NAFTA renegotiation continues, we are particularly concerned that moving forward with a [TPP] agreement with different terms from the renegotiated NAFTA will hurt the competitiveness and ongoing success of Canada's auto and steel sectors," they wrote.

A representative of Canadian pig farmers said the new deal improves access to markets.

"The [deal] is of tremendous importance to Canadian pork producers who export over 70 per cent of their products to over 100 countries," said Rick Bergmann, chairman of the Canadian Pork Council.

The Dairy Farmers of Canada decried the agreement, pointing out that it grants the same level of tariff-free access to this country's dairy market that Canada conceded in 2015 when the United States was still part of TPP negotiations.

Jacques Lefebvre, CEO of the Dairy Farmers of Canada, said it makes no sense to give as much tariff-free dairy market access to the other countries in TPP talks without the benefits of U.S. participation.

"The negotiating logic is really hard to understand," Mr. Lefebvre said.

Mr. Volpe's organization has long been concerned that TPP rules could invite a flood of cheaper Asian-made products and jeopardize the future of 81,000 auto-parts jobs in Canada.

He accused Canada of helping beef and pork producers at the expense of auto industry workers.

"We're signing a bad deal because we hope to sell more products that grow on four legs," Mr. Volpe said, "[It's] a progressive trade agreement that sells products we've been mastering since Samuel de Champlain."

The Japan Automobile Makers Association of Canada supports the TPP, which will cut tariffs for Japanese vehicles entering this country.

Also backing TPP is Linda Hasenfratz, CEO of global parts maker Linamar Corp., which is based in Guelph, Ont.

Jerry Dias, president of Unifor, Canada's largest private-sector union, warned that the TPP will start a "race to the bottom" that sends jobs to low-wage TPP countries. "Despite a new name, there is nothing remotely progressive about the TPP, and Unifor remains opposed to this bad trade."

The Canadian government said it has obtained changes to the original deal that also include:

- Exemption for Canada's cultural industries to shelter them from competition;
- Suspension of some changes to intellectual property rules that would have extended copyright protections and hiked the cost of pharmaceutical drugs;
- Suspension of provisions that would have allowed foreign investors to sue the Canadian government when an investment contract was breached or when Ottawa revokes authorization to invest;
- "Fully enforceable" chapters on labour and environment.

John Manley, head of the Business Council of Canada, said the new agreement sends a message that Canada believes in liberalized trade with the fastest-growing region of the world.

"By saying Canada is part of TPP – without saying so – the Prime Minister is saying: 'I am not Donald Trump,' and that is a good thing," Mr. Manley told reporters in Davos.