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Canada's "Progressive" Trade Agenda: Let's Be Careful How Far We Push It



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INTERNATIONAL TRADE SERIES PAPER

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Canada's "Progressive" Trade Agenda: Let's Be Careful How Far We Push It

Back in October of 2016 when the Canada-EU Comprehensive Economic and Trade Agreement, (CETA) was on the cusp of closure, the negotiations hit a roadblock when the Belgian region of Wallonia blocked the necessary consensus for the EU to conclude with Canada. Chrystia Freeland, who was then the minister of international trade, walked out of the negotiations in Brussels and packed her bags to return to Canada. She **lamented** that "... it is now evident to me, evident to Canada, that the European Union is incapable of reaching an agreement – even with a country with European values such as Canada, even with a country as nice and as patient as Canada." A core element of her argument was that Canada and Europe shared common values, and therefore the path to an agreement should have been open. As we know, a **compromise** satisfied Wallonia's concerns, mainly regarding the so-called investor-state dispute settlement process which allows foreign invested companies to sue governments for alleged discriminatory practices that negatively impact their investments. Canada and the EU went on to sign the agreement, most of whose provisions **came into effect** on Sept. 21, 2017. The government of Canada has cranked up its communications machine and is **touting CETA** as "a progressive trade agreement for a strong middle class".

So, what is a "progressive trade agreement"? If you read or watch the informational material that Global Affairs provides on CETA, you won't really find a definition but you will learn that the agreement "**puts the interests of our middle class at the centre of the discussions**", and that it will "boost trade with our second largest trading partner while protecting labour rights and the environment". How will it do this? Let me quote from the **agreement overview** provided by Global Affairs:

"Under CETA, Canada and the EU commit to effectively enforce domestic environmental law and not to waive or derogate from those laws in order to encourage trade or investment. EU producers that wish to export and sell their products in Canada must fully respect the relevant Canadian regulations and vice versa. Both Canada and the EU retain the right to regulate in the public interest."

"Canada and the EU have also committed to seeking high levels of labour protection and enforcing labour laws. Specifically, the Agreement includes a commitment to ensure that national laws and policies provide protection for the fundamental principles and rights at work, including the right to freedom of association and collective bargaining, the abolition of child labour, the elimination of forced or compulsory labour, and the elimination of discrimination."

Thus, according to the CETA text, the Europeans (and Canada) will enforce domestic environmental laws and respect labour standards. Since most of the EU is comprised of developed economies with strong concepts of social justice, one can assume that these commitments will ensure a level playing field on environmental and labour issues between the EU and Canada. And just to be sure, if there are disputes over whether environmental laws are being applied appropriately, there is a provision for consultation and even the convening of a bilateral panel of experts to prepare recommendations. These measures are designed to avoid weak environmental and labour practices that might lead to the production of unreasonably low-cost, unethically produced goods that could then be dumped into the Canadian (or European) markets. The interests of the all-important middle class will be protected.

With regard to NAFTA, now under renegotiation, the prime minister has taken the Canadian **message** to New York, proclaiming that progressive trade is not a “frill” but a necessity, although a more pressing concern is simply to prevent Donald Trump from blowing the whole thing up. A **recent study by CIGI**, “Modernizing NAFTA: A New Deal for the North American Economy in the Twenty-first Century”, outlined a number of areas where NAFTA could be updated, such as adding progressive elements like strengthened labour provisions and the inclusion of language on gender

issues.



Figure 1: Prime Minister Justin Trudeau speaks at the Atlantic Council Global Citizen Awards Gala dinner in New York City on September 19, 2017. Trudeau used this opportunity to promote Canada’s ‘progressive’ NAFTA agenda before the U.S. audience. (Adrian Wyld/The Canadian Press)

While having language in a trade agreement to address environmental and labour issues, among others, might satisfy Canadian concerns when it comes to a partner like the EU, or the U.S. and Mexico, the same cannot be said for China or some of the countries (Vietnam, for example, or possibly Malaysia) in what is now known

as the Comprehensive and Progressive Trans-Pacific Partnership (the former TPP minus the United States). Regardless, “progressive trade” has become the new **Canadian mantra**, whether our potential trading partner is an industrial power and advanced democracy like Germany or France or a centrally planned developing economy in Asia. If an agreement is not progressive enough, then Canada may not be able to sign on, or so it seems. When we add other elements of the progressive agenda, such as gender, Indigenous rights and governance to labour and environmental standards, we have a set of aspirations for a trade agreement that not only can be difficult to negotiate with some of our potential partners, but which cut across deep-seated cultural values and traditions as well. As important as these aspirations are, one wonders whether they are achievable through the framework of trade negotiations.

Why is a progressive agenda so important to the Trudeau government? A lot has to do with domestic political considerations. The term “progressive” has a long history in Canada, going back to the **Progressive Party** of the 1920s, one of the prairie populist protest groups, generally seen as left of centre. Ironically, the name became associated with right-of-centre politics when the Conservatives merged with the remnants of the Progressive Party in the 1940s to form the Progressive Conservative Party of Canada. Since the Tories ditched the “Progressive” appellation after the PCs and the Reform Party merged in the early 2000s, the term has been once again used to describe so-called left-of-centre policies usually associated with the NDP. The end run the Liberals performed on Tom Mulcair’s NDP in the 2015 election allowed the Grits to appropriate the progressive label and run with it. Since many so-called progressive voters are assumed to be anti-free trade and anti-globalization, what better way to differentiate Liberal trade policies from those of the Harper government than to declare that the Trudeau trade agenda is progressive? If you are a unionized worker, an environmentalist, a social or human rights activist, a feminist, or even just a self-identified member of the middle class or an aspirant to join it, how could you possibly object to a progressive trade agenda? From a domestic political perspective, it’s brilliant.

What is less brilliant is insisting on pursuing progressive trade objectives in trade negotiations with economies that may have quite different cultural values, political traditions and economic levels of development from Canada. That is what apparently happened during Prime Minister Justin Trudeau’s recent visit to Beijing, where many assumed the capstone of the trip would be an announcement that Canada and China would be launching bilateral trade negotiations. It didn’t happen that way, as we all know, due at least in part to Chinese discomfort with elements of Canada’s progressive trade agenda.

China's environmental and labour practices have undergone significant improvement in recent years, driven in part by the growing Chinese middle class's expectations of higher standards. China no longer competes solely on the basis of cheap labour; in fact, Chinese labour costs are rising fast, with the result that many labour-intensive industries have shifted to other jurisdictions such as South and Southeast Asia. Chinese environmental standards are also changing rapidly and, among other things, China is establishing a role as a leader in the area of electric-powered vehicles. But while China's record is improving, it is still spotty given the country's size, and China is apparently not (yet?) willing to sign on to commitments in a trade agreement that would subject these standards to external review and discipline. Other elements of the progressive agenda, such as gender, Indigenous rights and governance (a code word for human rights), are even more problematic for a country like China.

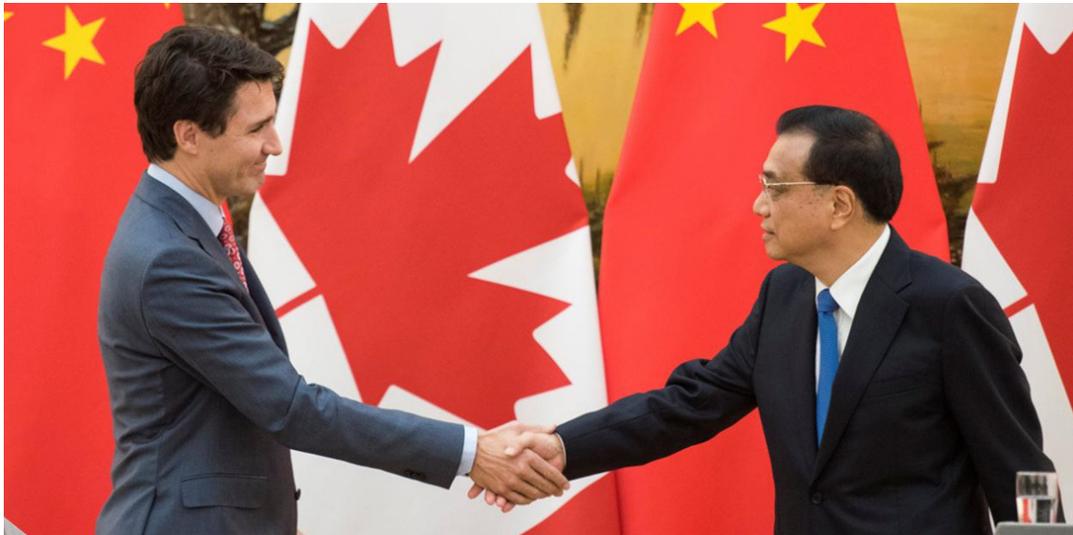


Figure 2: Prime Minister Justin Trudeau and Chinese Premier Li Keqiang shake hands during a news conference at the Great Hall of the People in Beijing, China, December 4, 2017. Canada and China delayed opening free trade negotiations during Trudeau's December State visit. (Fred Dufour/Reuters)

There is nothing intrinsically wrong with any of these progressive objectives, but loading them into a trade agreement may not be the best way to achieve them, especially where there is a wide cultural and economic gap. If Canada is not able to start negotiations with China because of these progressive stumbling blocks, will Canada – and China – be better off? It is hard to argue that this will be the case. Would it not be better to set aside some of the lofty objectives in order to make progress on opening markets and increasing trade, investment and interchange? More open markets, greater trade interdependence, two-way investment flows and expanded movement of people do not necessarily guarantee that values will be transmitted or that economic growth will lead to political evolution. However, not to promote such exchanges will surely not lead to better

outcomes. In promoting its values agenda, Canada needs to be realistic. We need to protect our values and stand by them, but also realize that our view of the world is not unique. And while we are a G7 country – a status we like to remind others of – we are a market of only 36 million people. To natter on about our progressive trade agenda when dealing with countries like China, Vietnam, Malaysia or even Japan, may not be the best way to advance our interests.

There is also the matter of tone and messaging. Even a country like Australia, with whom we share a common heritage and who is one of our TPP negotiating partners, seems to have been put off by our self-proclaimed progressiveness. Our last-minute unexpected case of cold feet about whether to commit to an agreement-in-principle for the TPP did not win us any goodwill. Are not the Aussies as progressive (and virtuous) as we are? Canadian exceptionalism is not selling particularly well these days.

A progressive trade agenda is a useful tool to counter populist anti-globalization sentiments in Canada and abroad, and if it enables the Trudeau government to do what is needed for the Canadian economy in terms of trade diversification, its role will have been positive. However, we should be careful not to oversell it, especially if it costs us market opportunities overseas. As Voltaire is reported to have advised, “Don’t let the perfect become the enemy of the good.” That is the risk we run if we push our version of progressive trade too far too quickly.

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About the Author

Hugh Stephens is a Fellow of the Canadian Global Affairs Institute and concurrently Distinguished Fellow at the Asia Pacific Foundation of Canada and Executive Fellow at the School of Public Policy of the University of Calgary. He is, in addition, Vice Chair of the Canadian National Committee on Pacific Economic Cooperation.

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Byron Rogers commented

5 hours ago

Agree – it was clear that the PM limited his last trip to China by promoting the progressive aspects for the home audience beforehand – there is no longer, and hasn't been for a long time, a strict distinction between home and international audiences: we're connected as never before. The Chinese would have lost face agreeing to anything after being tipped publicly in advance.

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with Chris Hall (feat. James Trottier), *CBC News*, January 17, 2018

AUDIO: Geoff Currier Wednesday Show (37:05)

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