



5 Minutes for Business

Why We Need the TPP (“Trans-Pacific Partnership” or “Trade Is a Pain for Politicians”)

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Wouldn't it be great to join a free trade agreement with 12 countries in the world's fastest growing region – one that covers 40% of the world's GDP and one-third of global trade?

The Peterson Institute for International Economic estimates that by 2025, the Trans-Pacific Partnership (TPP) could boost Canadian incomes by an additional \$10 billion per year and raise global incomes by \$295 billion per year. Given our challenge with exports and a slowing economy, who wouldn't want that?

However, the problem is that TPP is very ambitious. It would be the largest regional trade deal ever and would set a new standard for what trade agreements cover.

One of the fundamental challenges of trade agreements is that it's easy to point to the industries or companies that struggle with new competition because they're so vocal. We hear a lot less about who will benefit and who will gain new export deals five years into the future. Canada's trade with the United States has quadrupled since we signed NAFTA, but nobody could have predicted which companies would flourish.

Some benefits are clear: the high import tariffs paid by Canadian exporters of meat, grain, oil seeds, seafood and certain forest products will drop significantly. Over 65% of Canada's agricultural exports go to TPP countries. The TPP could double beef sales to Japan.

But for other industries, tariffs aren't a big deal because they're already low after years of trade liberalization. For them, the big barriers to trade come from a complicated web of regulations and red tape, like inconsistent customs procedures or regulations that don't let companies send business data back to Canada. Companies are also worried about risks to their investments and intellectual property and about

having to compete with companies that have an unfair advantage because of subsidies or weak environmental and labour standards. By tackling these problems, the TPP will significantly improve the business environment for Canadian financial services, manufacturing, natural resources and high-tech companies.

The stakes are even higher because the 12 members of TPP are just the beginning. Everyone hopes the TPP will expand, bringing in countries like the Philippines South Korea, Thailand and, eventually, China. An expanded membership would boost Canadian incomes by \$26 billion and global incomes by \$1.9 trillion annually. With all these massive traders, the TPP would be the new rulebook for global commerce.

That's why we were so excited about last week's meeting in Maui. The TPP could have been the biggest trade agreement sealed anywhere in the world in the past 20 years. But the deal failed to close because of disagreements, notably on dairy, sugar, automobiles and pharmaceuticals.

We shouldn't point fingers because every country has its sensitive areas. And it's harder for politicians, particularly now that Canada and the United States are going into election season.

That's why it's more important than ever that Canadian business and Canada's chambers of commerce raise their voices to say that free trade will help us win more deals, make us wealthier and help us create better, higher-paying jobs. Our future depends on it, so let's keep trying.

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