

China and Canadian Trade Policy

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Cassels Brock & Blackwell

Toronto

February 2005

It would be a mistake to think of the Prime Minister's current trade mission to China and Japan as a one-off event.

The mission is part of what appears to be an evolving strategy in Ottawa that focuses more on strong, dynamic markets (like China, India and Brazil) and less on minor economies where there is questionable direct benefit for Canadian business.

This is a subtle but important shift from the Chrétien era, when the federal government seemed to lack focus and tended to pursue trade policy initiatives in all sorts of directions.

What seems to be happening now is that Ottawa is putting less economically worthy trade policy initiatives on the back burner in favour of a more strategically driven approach. We hear little of Free Trade of the Americas and even less about the proposed trade deal with a group of small Central American countries.

And for good reason. Trade statistics alone would tell us that there is little to be gained in having a free trade agreement with Costa Rica or Nicaragua. As far as the FTAA exercise is concerned, after years of talks, that initiative seems to be going nowhere and it is wrong to place a lot of scarce resources there.

So the Martin government is changing tack and going after larger, critical markets that are more likely to pay dividends for Canadian companies. China is clearly on the front line in this respect and it is a welcome development that this government is committed

doing more business with that country. With a large Chinese-Canadian population, Canada should have a comparative advantage in doing business in China.

As always, the key will be to sustain that effort – Chinese and Japanese business thinks in terms of years and not the next fiscal quarter – and for the Canadian business community to follow through. Thinking in terms of years and even decades is critical when it comes to Asian markets.

Another area of the Martin government's attention is the trade relationship with Europe. Canada recently agreed with the European Union on two important initiatives which, unfortunately, have not been given the attention they deserve.

The first is a proposed Trade and Investment Enhancement Agreement, agreed in principle in March 2004, setting out a broad framework for future commercial relations between Canada and Europe. The second is a voluntary framework for regulatory cooperation, signed last December, to help harmonize technical standards and business regulations to facilitate two-way trade.

Finally, but far above the others in terms of importance, is the trading relationship with the United States. This has to be an all-consuming priority for any government and, rightly, Mr. Martin and his colleagues seem to be taking a more determined and attentive approach to the proper management of this relationship.

Events leading up to and surrounding the recent Ottawa visit by President Bush signifies greater recognition in Ottawa of the vital importance of skillful stewardship of our dealings with the Americans and, as the twenty-first century unfolds, to addressing U.S. security concerns as an absolutely component of that relationship.

Taking this all together, we get a picture of a government that appears less inclined to embark on second and third-tier initiatives and more strategically focused on areas of direct Canadian trade, investment and business interest.

There is a disquieting note, however, in the decision to separate the Foreign Affairs and International Trade into two departments. Legislation to do this is now before Parliament but de facto changes are being made ahead of enactment on the assumption that the legislation will pass. And it will.

The rationale for a separate trade department makes some sense in giving more prominence to the government's trade functions. However, as the China trip recently revealed, trade and foreign policy go hand-in-hand and the two cannot easily be separated in into discrete functional compartments.

In fact, the business community largely approved of the old combined department and appreciated its ability to provide one-stop services and to integrate foreign and trade policy as apart of a unified whole. These are important factors when dealing with countries as complex as China and Japan. The division of Foreign Affairs and International Trade into separate ministries is not something the private sector either wanted or needed.

That being said, the current trade policy signals coming out of Ottawa seem to be good ones. We can expect that, during the life of this government, and hopefully beyond, there will be a more realistic and pragmatic alignment of trade policy with true Canadian interests and a less romantic vision of Canadian internationalism.

The challenge will be for Canada's business community to follow through and take advantage of the benefits of Ottawa's new trade policy in these dynamic markets.

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20 January 2005

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