

Canada-ASEAN Business Council
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Canada-Pacific Trade Consultations
Global Affairs Canada
Trade Negotiations Division (TCA)
Lester B. Pearson Building
125 Sussex Drive
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Monday, October 30, 2017

SUBJECT: Trans-Pacific Partnership (TPP) 11 -Views from the Canada-ASEAN Business Council

Dear Sir or Madam,

In response to Global Affairs Canada's request to receive the views from Canadians regarding the Trans-Pacific Partnership without the participation of the United States (referred to as the "TPP-11"), the Canada-ASEAN Business Council (CABC) is pleased to submit its official position supporting the swift entry into force of the agreement.

TPP-11 Benefits the Canadian Economy

Despite the withdrawal of the United States, the TPP-11 remains the best way for Canada to gain overall market access in Asia. According to research from the Canada West Foundation (CWF), the real economic benefits to Canada would be considerable, and in some cases, Canadians would benefit more from a TPP-11 than the original deal including the US.

Quantitative economic benefits include an increase of annual exports by CAD \$3.2b over the baseline by the year 2035, and an increase in real GDP by 0.082% (both higher than in the original TPP, at CAD \$2.1b and 0.068%, respectively). Certain sectors, such as agricultural products, would face significantly higher benefits under a TPP-11. The full analysis from the CWF can be found [here](#).

Producers Will Win Improved Access to Export Markets

Falling tariffs on exports to TPP markets with which Canada does not already have trade agreements will improve Canadian exporters' competitiveness in these markets. TPP provides improved export market access for key Canadian industries, and lowers import costs for production inputs and capital equipment.

This means Canadian companies will compete on a more level playing-field with our biggest economic rivals in Asian markets, notably Australia and New Zealand. Our current disadvantage is clear: Australia for currently benefits from free-trade agreements with many of Asia's TPP signatories, including the four ASEAN-member signatories (Singapore, Brunei, Vietnam, and Malaysia), and Japan. Australia and New Zealand produce similar products as Canada, but Canada in reality holds competitive advantages in many of them except for tariff-free market access.

Consumers will benefit

Canadian consumers are likely to be some of the biggest beneficiaries of the TPP. Falling tariffs on imports will reduce the costs of goods at the cash register for Canadian families, ensuring that their spending goes further and their standards of living increase.

On import categories including furniture, beverages and clothing accessories, which make up 4.15 percent of total Canadian imports, tariffs will fall from as high as 18 percent on some items to zero. Applied to 2014 import values, this would have saved Canadians approximately US\$1.1 billion at the register.

TPP as Part of a Broader Canada-Asia Trade Strategy

Canada Must Look to Asia for Future Trade Growth

The ongoing re-negotiation of the North American Free-Trade Agreement (NAFTA) illustrates the danger of Canada's historical heavily US-centric trade. What's more, the end result of the NAFTA re-negotiations will, at best, be to maintain existing market access, leaving Canadians no better off than they were before.

With the Canada-Europe Trade Agreement (CETA) in force, meaningful trade engagement in Asia is Canada's logical next step in its trade diversification strategy. To do so will require Canada to move quickly to secure multi-lateral deals such as the TPP and a Canada-ASEAN agreement. The risks of complacency are clear when considering that Canada currently only has one trading agreement in Asia (Korea) while Australia holds FTAs with 13.

What's more, the TPP will keep Canada's doors open for subsequent strategic bi-laterals for Canada, including Japan and select ASEAN economies.

Canada to take a Leadership Role in Global Trade

The vacuum created by the departure of the US from the original TPP marks an opportunity for Canada to assume a leadership role in the promotion of free trade in the face of growing economic nationalism.

Many Asian economies have expressed interest to joining the TPP in later rounds. Canada should leverage its new status as a champion of the TPP to ensure that the less-developed Asian economies can join what is a high-quality and progressive agreement, thus helping establish Canada's progressive trade agenda as a standard for multi-lateral deals in the Asia-Pacific.

TPP to Compliment, Support a Canada-ASEAN Free-Trade Agreement (CAFTA)

The TPP is the first FTA where Canada and several ASEAN Member-states (Singapore, Brunei, Vietnam, and Malaysia), would be signatory, thus carrying forward the CABC's vision for a strong and lasting economic partnership between the two regions. However, key ASEAN markets are unlikely to join TPP (e.g. Indonesia and Philippines, who have both expressed a keen interest to join the TPP in subsequent rounds, but whose protections vested interests and significant foreign investment barriers prohibit this in the near future.).

The case for a CAFTA is strong - In 2017, the CABC jointly issued a [report](#) on the overall economic benefits of a CAFTA, including an increase in annual two-way trade flows of up to CAD \$11 billion by the year 2027.

As a member-nation of the TPP, Canada's position to assist the remaining ASEAN nations in pursuing trade either into the TPP, or more likely a complimentary CAFTA, is significantly strengthened. For this

reason, Canada can leverage the market access gains it will achieve in the TPP to achieve a high-quality agreement with ASEAN.

Furthermore, the high standards agreed in the TPP, of which Canada and four ASEAN Member-states are signatories (Singapore, Malaysia, Vietnam, and Brunei), provide an additional template for Canada to seek deeper agreement in areas such as IP and digital trade in an FTA with ASEAN.

Conclusion

The TPP represents an historic opportunity to ensure that Canada, as a Pacific nation largely dependent on trade, enjoys a prosperous trading future.

CABC unreservedly endorses Canada moving forward with the TPP-11, as an agreement of significant economic benefit to Canadian, and as an important compliment to an eventual Canada-ASEAN free trade agreement.

We urge Global Affairs Canada, Minister of Trade Francois-Philippe Champagne and Prime Minister Justin Trudeau to push for the remaining signatories of the TPP to join Canada in reaching an agreement at the APEC Leaders' Summit meetings in Da Nang, November

Very best regards,



Wayne C. Farmer
President
Canada-ASEAN Business Council

About the Canada-ASEAN Business Council

Founded in 2012 by the Canadian private sector in ASEAN, on recommendation of DFATD and the Canadian Minister of Trade's office, the Canada-ASEAN Business Council (CABC) is the sole organization with an ASEAN region-wide mandate to promote and increase trade relations between Canada and ASEAN.

With over 50 members, comprising the leading players across all major business sectors in the region, our Council is known as "the voice" of the Canadian private sector in ASEAN.

For Further Information, please contact:

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