

Intelligence MEMOS



From: Dan Ciuriak
To: Canadians Concerned About Tariffs
Date: June 14, 2018
Re: **DECONSTRUCTING CANADA'S PROGRESSIVE TRADE AGENDA**

Canada is developing a progressive trade agenda in response to the global rise of anti-globalization populism.

And while it may seem a forlorn goal given the current Washington-induced trade turmoil, it is in fact a strategy explicitly designed to counteract the impulses that appear to be driving the US administration.

In my C.D. Howe Institute [Commentary](#) I review the PTA concept, its motivation, the specific elements that comprise it, the likely efficacy of these measures in addressing the factors thought to be driving populism, and the extent to which the PTA can shape Canada's trade agreements in general and the renegotiated NAFTA in particular.

Among my conclusions:

- The PTA is not just an idiosyncratic Canadian initiative. It closely parallels the concept of “inclusive trade,” which has received much attention internationally, including in the World Trade Organization (WTO), the G20, and the World Economic Forum. It also closely parallels the concept of “trade sustainability” that has been developed by the European Union as part of a mainstream, progressive vision.
- The PTA responds to a widely accepted view that the gains from globalization have not been fairly shared, that there have been losers as well as winners, and that this reality has been a factor fuelling the populist reaction against globalization. In particular, it responds, along with similar agendas elsewhere, to the declining middle-class share of income in industrialized societies.
- While the policy is coherently framed and it goes without saying that trade policy should, indeed, help redress the distributional inequities to which it contributes, the reality is that trade policy has played a relatively small part in generating the current backlash against globalization.
- At the same time, the measures that have been developed to advance the PTA have limited traction in affecting economic structure and income distribution. Expectations concerning the PTA's potential efficacy should be calibrated accordingly.
- The PTA also faces implementation issues: the norm-setting aspect is most effectively pursued at the multilateral level. In bilateral negotiations, policy coherence issues arise with both new and existing FTA partners, which have varying progressive credentials (and changing administrations). This limits the PTA's substantive content in negotiations with less progressive trade partners, which may result in Canada facing competitive disadvantages and cause difficulties in mobilizing support for any trade agreement.
- And finally, failure to achieve strong PTA outcomes as part of the NAFTA renegotiation would signal that the move to deeper integration on the North American continent in the sense of harmonization of policy is both unlikely and ill-advised.

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