

Intelligence MEMOS



As NAFTA renegotiations proceed through the summer and fall C.D. Howe Institute Intelligence Memos will be looking at what to expect and provide analysis on the latest developments at the table. This post is part of that series.

From: Dan Ciuriak
To: Concerned Canadians
Date: October 12, 2017
Re: **PROGRESSIVE TRADE AND THE NAFTA RENEGOTIATION**

In the NAFTA renegotiation, Canada is pursuing a “progressive trade agenda” (PTA). Most broadly, the PTA has been pitched as a response to the narrative that links the rise of anti-globalization populism to the uneven distribution of the gains from trade. This situates the PTA as high policy in contrast to optional window dressing or self-serving “virtue signalling”. This also raises the stakes for the PTA.

The PTA closely parallels the concept of “inclusive trade” which has received much attention internationally including in the WTO, G20, and World Economic Forum. Its key elements are: achieving a fairer sharing of the gains from trade, with a particular emphasis on jobs for the middle class; specific focus on women, indigenous peoples, youth, and SMEs; specific reference to labour and environment, and safeguarding the government’s right to regulate in the public interest; and reforms to achieve greater transparency and participation of civil society in negotiations.

There is considerable latitude for negotiators in how to implement these progressive elements in a trade agreement. Measures can range from binding mandatory commitments fully supported by dispute resolution mechanisms backed by the possibility of trade sanctions, to non-binding “best efforts” commitments to make progress, to still weaker statements acknowledging the importance of the issues and permitting the inclusion of the issues in future cooperation work programs.

But the challenges faced in advancing the PTA in the NAFTA talks are many.

In the first instance, PTA-type measures in regional trade agreements have no track record in actually moving the dial on the distributional issues that motivate the PTA. To put this bluntly, the labour chapter of the Trans-Pacific Partnership (TPP), which the Obama Administration signed and which featured mandatory commitments backed by dispute resolution and trade sanctions, would not have materially impacted wages or income distribution in North America.

Second, Canada faces an American side that is placing a new emphasis on economic sovereignty and that, in its domestic agenda, appears to be implacably opposed to many of the elements of progressive trade, including on supporting collective bargaining, addressing gender discrimination, acting to limit climate change, and addressing problems in investment arbitration through a new international court.

Accordingly, while coherently framed as a response to the risks of populist backlash against trade, the PTA must be understood as having limited power even under the most optimistic outcomes and thus cannot be seen as the main policy response to these pressures. By the same token, while the PTA plays a useful and important role in reinforcing progressive norms, it is not, and should not be seen as, a make or break issue for the NAFTA talks.

Nonetheless, a failure to get the PTA implemented in a positive sense through dedicated chapters in the NAFTA text, however modest the practical implications, would signal loudly that the move to deeper “beyond-the-border” integration on the North American continent is truly over, at least with respect to social and environmental measures. What cannot be achieved in pro-active measures in a trade agreement must then be clearly reserved for domestic policy action.

Less might truly be more from the perspective of the PTA in the NAFTA negotiations – and the NAFTA might actually turn out to be just a free trade agreement after all.

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