

# Intelligence MEMOS



From: Daniel Schwanen  
To: The Honorable Chrystia Freeland, Minister of International Trade  
Date: November 22, 2016  
Re: **MR. TRUMP REVEALS AN IMPORTANT CARD**

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In a video statement released on November 21<sup>st</sup>, President-elect Trump said that on his first day in office, he would denounce the United States' signing of the TPP agreement. What was particularly interesting in his announcement was a spelling out of his preferred alternative: pick US trade partners off one by one in the hope of getting better deals from them.

What should Canada take from this? First, based on his statement, we are allowed a cautious sigh of relief. The incoming US president wants to negotiate better deals, which is not the same as altogether repudiating the value of international trade for the US or the global economy.

Second, however, we need to worry. How far will this approach take the new administration down the road of renegotiating existing agreements? Canada could cautiously assume that the new administration will leave the 1987 Canada-US free trade agreement in place. That would be a crucial bulwark against mutually valuable Canada-US value chains unravelling.

The US is also unlikely to seek to reopen the current WTO agreements, to which it belongs. Doing so would risk a massive trade war resulting in the loss of crucial markets for US firms around the world, services on which they register a large trade surplus.

And what about NAFTA? With the bilateral agreement in our pocket, it might be tempting for Canada not to staunchly defend the integrity of the trilateral agreement, which has been in the President-elect's crosshairs. But overall NAFTA is a stronger agreement and Canada should seek as much as possible to preserve the integrated North American value chains that are so valuable to consumers and, yes, to workers in all three countries.

Third, Canada needs to figure out whether the results of the Brexit vote earlier this year, and of the US election, will be emulated by others around the world.

The backlash against more open trade and globalisation is in fact far from universal. In this environment you can do much to continue to promote open trade to the benefit of Canadian producers and of the global economy. In some cases, the preferred route for Canada may still be through major regional preferential agreements, such as CETA. Canada could still push for more services trade liberalisation, beneficial to advanced economies including the US. It could help deepen the work of less controversial arrangements such as APEC, where things move slowly and by consensus, but which has the advantage of encompassing China. Indeed, Canada should continue to push forward with the idea of a bilateral agreement with that country, and selectively with others as well, with an eye on specific bilateral US moves.

As the big picture comes more into focus, Canada should continue to firmly push for open but fair trade relations, first with the US, but as a close second, with the majority of our partners still very much interested in expanding - not limiting - trade relations.

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