

Intelligence MEMOS



From: Daniel Schwanen

To: Finance Minister Bill Morneau and Global Affairs Minister Chrystia Freeland

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Re: **SUPPORTING OPEN AND FAIR TRADE IN BUDGET 2019**

Actual and threatened barriers to international trade are a danger to the world economy, and to Canada. In the midst of these negative developments, Canada has acted better than most. The entry into force of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) this December 30 is an example of what Canada can accomplish, with like-minded partners, to resist the spread of protectionism.

Your government's 2019 budget should support open global trade and fair competition, by further lowering trade barriers and support fair treatment for Canadian exporters in the face of foreign barriers.

For example:

- Offering to work with like-minded countries to expand and better integrate the world's existing free-trade agreements, which would involve extending zero tariffs to free-trade partners of our trade agreements for goods originating in any one of the partners, as I suggested [here](#).
- Do more to facilitate small and medium-sized business participation in international trade, by proposing a pact among like-minded countries that would change the basis for waiving the costly requirements for proving a good's origin in order to benefit from zero or preferential tariffs. The basis would change from the value of the shipment (typically US\$1,000), to the same value but applied to the duty otherwise payable, as explained [here](#).
- Harmonize Canada's "de minimis" level, below which neither duties nor taxes are collected at the border on discrete and small shipments arriving from the United States by express courier services, with that of packages arriving by postal services, and from other countries. A key advantage of a higher "de minimis" threshold as envisaged in the USMCA is that it would reduce the cost of administrative procedures at the border, and the remaining differences in the treatment of otherwise similar packages thwart that goal.
- Provide more effective relief to Canadian producers inadvertently hurt by Canada's import tariffs imposed in response to US protectionism, where the resulting rise in input costs puts them at a direct disadvantage against global competition. The onus should be on the government to show a tariff will not excessively hurt the competitiveness of Canadian producers, otherwise the tariff could be partially or wholly rebated for these buyers.
- Launching a review of Canada's policies toward Foreign Direct Investment that would focus on limiting investments posing a threat to Canada's security or to Canada's ability to enforce its laws and policies, while leaving the door more explicitly open for others, as I proposed [here](#).
- Launch a review of Canada's dairy pricing mechanism, which Canada has spent much political capital defending in trade negotiations at the expense of Canada's open trade objectives, with the purpose of ensuring that the interests of consumer and dairy-using small businesses are better represented on the Dairy Commission.
- In addition to these trade-opening measures, Canada should announce that it will begin mirroring measures applied by its trade partners that clearly threaten Canada's ability to export to them on normal commercial terms – such as regulations that discriminate against Canadian goods and services, or measures that effectively limit the ability of Canadian-based operations to compete on procurement contracts. Canada should make it clear the door for the reciprocal lowering of such barriers is open, and propose such a mechanism as I did [here](#).

Budget 2019 should, in short, signal even more strongly Canada's support for open trade on which so much of Canada's prosperity depends – and simultaneously signal to Canadian firms that the Canadian government is in their corner, in what is an increasingly tough fight for fair treatment in international markets.

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