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EXECUTIVE SUMMARY

Canada has undergone a remarkable metamorphosis in its relationship to the Trans-Pacific Partnership (TPP) and its offshoot, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the CPTPP (comprising Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam). Initially a disinterested and disengaged observer of the developing TPP process back in 2006-09, by 2011-12 Canada underwent a conversion to become a determined, almost desperate suitor seeking to gain entry to the TPP club. It finally succeeded, but a change of government in 2015 led to a re-evaluation of the decision to accede to the TPP, under pressure from anti-globalization forces. Effectively, Canada sat on its hands for over a year until the U.S. had determined its final position. Then, after the TPP's impending collapse, when the United States under then president Donald Trump announced its withdrawal, Canada changed tack once again and decided to work with Japan and others to rescue the agreement. However, during the negotiations to adapt the original TPP into the TPP-11 agreement (which became known as the CPTPP), Canada earned a reputation as a difficult and demanding partner, pushing its "progressive trade agenda" and slowing down the process. Indeed, Canada is often seen as trying to impose very progressive values on a region with little receptivity for such views. The cultural-exemption and auto-trade issues were of principal concern to Canada. Through its policy positions and negotiation style, Canada under the Trudeau government almost scuttled the CPTPP process and risked finding itself locked out once again. Quick action was taken to stem the damage and Canada became not only a signatory, but one of the first six countries to ratify the CPTPP, bringing it into force on December 30, 2018. Today, Canada has fully embraced the CPTPP, situating it as an important leg in its developing Indo-Pacific strategy, and is open to considering expansion to new members who are able and willing to meet the CPTPP's high standards.

Deborah Elms, in her essay “The Origins and Evolutions of TPP Trade Negotiations” (Elms, 2016, 29-49), sketches out the history of how the TPP came into being, starting with the “P4 agreement” (between Singapore, Chile, New Zealand and Brunei) in June 2005. That agreement, technically called the Trans-Pacific Strategic Economic Partnership, came into effect “with very little attention” (Elms, 2016, 30) and was incomplete. It did not cover investment or financial services, which were to be left for later negotiation. When the parties finally got around to discussing the two missing chapters in February 2008, the United States joined the discussions. In September 2008, a couple of months prior to the Asia-Pacific Economic Cooperation (APEC) summit to be held in Lima, Peru in November, the U.S. announced that it would seek to join the agreement in its entirety. This set the stage for announcements at that meeting of other countries joining the talks, namely Australia, Peru and Vietnam. Now there were eight.

What about Canada? At the Lima summit, attended by then prime minister Stephen Harper and then international trade minister Stockwell Day, Canada expressed no interest in getting on board, much to the frustration of accompanying officials (Stephens, Conversation). Elms states (2016, 40) that Canada had expressed interest in joining earlier but had been rebuffed over concerns regarding the supply management system that it maintains for dairy, poultry and eggs. Dairy is a particular concern for both the United States and New Zealand. However, senior Canadian officials closely involved with APEC and trade policy at the time told the author that Canada had been invited to join the P4 agreement in the early days, by New Zealand, but had refused (Sloan; Plunkett). The assessment was that Canada had little to gain, as it already had an agreement with Chile, at the time was negotiating one with Singapore (which was never completed) and had little to gain from an agreement with New Zealand, given the political need to defend the dairy industry.

There are various explanations for Canada's lack of interest in 2008–09. Part of the reasoning was domestic. The Conservative government of Stephen Harper was in a minority situation and would remain so until Harper won his first majority in 2011 (after two minority governments in which he was prime minister). Despite the Conservatives' support for trade liberalization, it was a hot-button issue and anti-globalization sentiments were vocal, in Canada and in other countries. The Harper government was dealing with the 2008 financial crisis and was focused very much on the U.S. market and NAFTA. The initial coolness toward the P4 continued to apply, and from the perspective of trade negotiating resources, Canada was already fully engaged in negotiations with South Korea and the EU. There was concern that if Canada entered the TPP negotiations, it would have to make additional market concessions beyond those already conceded in NAFTA, but with little likelihood of getting additional concessions from the U.S. Yet, in the end, it was probably NAFTA that changed the position of Harper vis-à-vis the TPP.

Both Canada and Mexico had preferential access to the U.S. market through NAFTA. There was growing concern in both countries that the TPP could be a back door to the U.S. market, undermining the value of NAFTA concessions. Autos were a particular concern. Canada and Mexico concluded therefore that they needed to be at the negotiating table. In essence, Canada decided to try to enter the TPP tent for defensive reasons, although the possibility of Japan eventually joining was an additional factor, given Canada's longstanding desire to improve its access to the Japanese market and the limited prospect that a bilateral agreement would be concluded in the foreseeable future (Ciuriak 2018).

That realization kicked off a series of meetings with officials from TPP-negotiating states, since admittance of new negotiating partners required a unanimous decision of the existing members. But, as in many things, the United States played an outsized role. The U.S. initially was not helpful, especially at the officials level. It is not fully clear why, but anecdotally the author was told by U.S. trade officials that the addition of Canada would “complicate” matters. Canada’s unhelpful position on trade in dairy products was certainly a factor. Canada pushed its advocacy to the political level and Canadian participation in the TPP was a major topic of discussion between Harper and then president Barack Obama at the 2011 Honolulu APEC summit. At that meeting, Obama “welcomed” Harper’s expression of interest in seeking to join the TPP talks and initiating consultations toward that goal (White House 2011).

SUPPLY MANAGEMENT BARRIER

With the U.S. onside, Canada was able to reach agreement with others also not so keen on having Canada at the table (New Zealand for one, because of dairy issues). Canada had to agree to adopt the TPP’s “dress code” (as New Zealand’s then trade minister Tim Groser liked to phrase it) (GFM Network News 2011); in other words, to meet the TPP’s high standards for trade liberalization. For Canada, that meant reluctantly putting supply management on the table for discussion and negotiation. There was a lot of pressure to do so from producers in other commodity groups in Canada not regulated by supply management, such as beef, pork and grain producers (AGCan.com 2012).

While Canada agreed to discuss its supply management system, the Harper government was quick to reassure dairy, egg and poultry producers that the system would not be abandoned. Supply management, in which production of a given commodity is controlled by a regulatory agency in order to match supply with demand, has been in effect in Canada for half a century. The system has three pillars: production quotas, minimum prices and high external tariffs. It is a policy to subsidize farmers without paying the subsidies from the public purse; they are paid instead by consumers. While the dairy industry loves supply management and claims that it is a “Canadian success story” (Dairy Farmers 2021) it has also come under heavy criticism in Canada (Hall Findlay 2012) because, in effect, it is a transfer of wealth from households, many of them lower-income, to wealthy dairy farmers. Supply management limits production by requiring producers to acquire production quota resulting, in the case of dairy farming, in each “licensed” cow now costing over \$25,000. To ensure that foreign producers do not undercut the artificially set price for dairy products, high tariffs are established to keep out foreign products, except for limited quotas for products not produced in Canada, such as specialty cheeses.

Having to defend supply management puts Canadian trade negotiators on the defensive and limits their ability to secure market-access commitments from other countries because of the price to be paid for maintaining a closed market in specific sectors. Supply management almost kept Canada out of the TPP, but the overall balance of interests in the end led the Harper government to agree to discuss it. The negotiated outcome was a small crack in the supply management protective wall, providing a very limited opening of the Canadian market to dairy products from other TPP countries.

Canada has faced the same issue in its trade negotiations with the EU and in the renegotiation of NAFTA, where the Trump administration made greater access for American dairy producers a red-line issue (Stephens 2018b). Supply management is difficult to dismantle because of disproportionate political influence wielded by dairy farmers and their lobby organization, Dairy Farmers of Canada. The dairy lobby has astutely targeted key ridings (constituencies), many of which are swing ridings in the province of Quebec. As a result, no political party has had the political courage to dismantle supply management. Instead, successive governments have permitted a chipping away at the high tariff barriers, allowing enlarged quotas of some foreign dairy products, while compensating Canadian producers for their “losses.” Even here, however, the government has dragged its feet and played games, by allotting foreign quota to Canadian producer co-ops, thus not allowing foreign producers to do their own marketing and distribution in Canada. Recently, a dispute-resolution panel set up under the new NAFTA agreement (known as the USMCA in the United States and called CUSMA in Canada) ruled that Canada was violating its commitments under the agreement through its method of allocating tariff-free quotas for the import of U.S. dairy products (Martin 2022).

CANADA JOINS TPP

Having agreed that no sector should be excluded *a priori* from the negotiations, both Canada and Mexico were admitted to the negotiations in mid-2012 (Canada a day after Mexico was admitted), but owing to statutory notice requirements to Congress in the United States, it was not until December 2012 that Canadian (and Mexican) negotiators actually joined a negotiation session. Canada was required to accept all issues negotiated up to that point as the price of late entry.

Japan was the last country to join before negotiations were completed in 2014. Japan’s last-minute accession, in mid-2013, added a further level of complication but also greatly increased the economic value of the agreement. The U.S. and Japan negotiated agricultural-access issues bilaterally before bringing in the other members to the agreement. Eventually, after 19 official rounds of negotiations and many more other meetings, a final agreement was initialled in October 2015 and signed on February 4, 2016. The ratification process in each member state then began (Canada West Foundation 2016). For the TPP to come into effect, it needed to be ratified by at least six of the 12 constituent members, representing 85 per cent of the total GDP of the bloc. This meant that without ratification by the United States, the agreement could not come into effect. As it was, only New Zealand and Japan ratified the original agreement. Canada decided to wait until it was clear that the U.S. would ratify through passing implementing legislation in Congress.

Even though the U.S. had been the major architect of the TPP, with much of its wording being based on the text of the South Korea-U.S. free-trade agreement (KORUS), and despite having been a key component in president Obama’s “pivot” to Asia in 2009, the TPP began to run into trouble in the United States. It quickly became a political issue in the 2016 presidential election. Candidate Hillary Clinton, although a key player in the Obama administration that had negotiated the TPP, damned it with faint praise (Jacobs et al. 2015) and candidate Donald Trump, representing the party that was typically the standard-bearer for liberalized trade, the Republicans, swore that if elected he would

ensure U.S. withdrawal. That is what happened just a couple of days after Trump took his oath of office. Canada and the other 10 TPP members stood on the sidelines, watching the deal implode.

FROM TPP TO CPTPP: CANADA'S LONG JOURNEY

In Canada, Liberal leader Justin Trudeau had become prime minister with a strong parliamentary majority in the October 2015 general election. In the process, the Liberals, who had criticized the trade policies of the Conservatives when in opposition, now inherited Canada's seat at the TPP negotiating table. The then minister for international trade, Chrystia Freeland (now deputy prime minister and finance minister), had signed the completed agreement in February 2016, but the Liberals were never strong proponents of the deal. Their position was that they needed to consult the public on an agreement that, in their view, was a legacy of the previous Harper government. (The author recalls asking Minister Freeland in early 2016 what plans she had to convince Canadians that the TPP, which she had just signed, was in Canada's interest. She replied that it was not her job to "sell" the agreement to Canadians; rather she would wait to see the results of public consultations on the agreement. In other words, she left herself an escape hatch to walk away from the TPP agreement if public opinion — i.e. polling — was unfavourable.)

The Trudeau government claimed it was seeking input on what "improvements" might be necessary. The suggestion that Canada could unilaterally negotiate "improvements" (from a Canadian perspective) to a 12-party agreement on which the ink had already dried was laughable, but that was the fig leaf the Liberal government employed to avoid either endorsing or condemning the agreement they had just signed. In Canadian hockey parlance, they were "ragging the puck" (buying time) waiting to see the outcome of the 2016 U.S. presidential election, and the position of the next U.S. administration on the TPP. When Trump signed the document that terminated U.S. membership in the pact on January 23, 2017 (just three days after Japan had rushed through its instruments of ratification in the hope of forestalling Trump's well-signalled intentions), it seemed that it was all over. Freeland famously declared that the TPP was dead (Ljunggren 2017).

Technically, of course, she was right, because the departure of the United States meant the ratification provisions of the agreement could not be fulfilled. Unofficially, Canada breathed a sigh of relief that its coveted access to the U.S. market would not have to be shared with other TPP signatories, other than Mexico. There was also a belief that the disadvantages of lost market access in Japan could be compensated for by revitalization of the Japan-Canada Economic Partnership talks that had been suspended when Japan joined the TPP negotiations (Stephens 2016). Meanwhile, Australia and New Zealand were hoping to rescue something from the wreckage, even hinting that they might approach China (BBC 2017).

For then Japanese prime minister Shinzo Abe and Japan, U.S. withdrawal was a blow, as one element of Abe's "Abenomics" shock treatment for the Japanese economy was to secure more assured access to the U.S. market, while making Japan more competitive by lowering traditional protectionist barriers. Abe had worked hard to keep the United States in the pact, using his personal relationship with Trump to try to reverse Trump's withdrawal decision. With the realization finally sinking in that Trump was not going to reconsider,

the Japanese turned to plan B, which was to keep the TPP alive with the remaining 11 members in the hope that, in future, the U.S. would reconsider, either under Trump or a new administration (Terada 2018). With Japan on board, the Australian and New Zealand desire to save the agreement became much more realistic. The trade ministers of the TPP-11 met in Viña del Mar, Chile in March 2017 (with China invited as an observer by the Chileans) to discuss the option of carrying on without the U.S. Canada's new trade minister, François-Philippe Champagne, attended. The attraction of cementing access to the Japanese market was the carrot for Canada. Indeed, studies showed that, without the participation of the United States, the TPP-11 provided greater economic benefit to Canada than the original agreement, because Canadian products, such as beef, would have preferential treatment over competing American products in Japan (Dade and Ciuriak 2017).

Recall that it took over five years of negotiations and almost 20 negotiating rounds to reach agreement on the text of the TPP. To start renegotiating elements of the agreement, particularly the market-access provisions, in the absence of the United States would have made renegotiation a retirement project for those concerned. Instead, the remaining 11 partners wisely decided to retain the key elements of the TPP, with the exception of market-access commitments made by the United States. In the course of subsequent discussions, it was decided to suspend some key provisions that were of interest primarily to the United States, where other members felt they had made concessions (Government of Australia, n.d.). These included commitments in the area of express delivery (which had been heavily lobbied for by FedEx Corp.), investor-state dispute settlement (ISDS) provisions, and some articles relating to intellectual property (IP). In the IP chapter, commitments dealing with patent-term restoration, period of protection for biologics and several copyright-related provisions were frozen. In all, 22 provisions were kept in the new agreement, now labelled the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) but placed on suspension as a "carrot" to induce the United States to reconsider its decision to leave the agreement.

In terms of impact on Canada, some of the IP provisions subsequently ended up on the negotiating table during the renegotiation of NAFTA initiated by the Trump administration. While Canada subsequently agreed to some of the suspended provisions in the new USMCA/CUSMA trade pact, it was at least able to use these provisions as negotiating coinage in the back-and-forth thrust of negotiations and the calculation of respective economic benefits. Ironically, ISDS, which remains in the CPTPP but was narrowed by the suspensions, was dropped from the USMCA (with regard to Canada) at the insistence of the Trump administration.

ISDS

ISDS was developed to prevent governments from discouraging foreign investment by taking unreasonable actions to expropriate foreign holdings, or to take action tantamount to expropriation. It provides a private right of action allowing foreign companies that have invested in a country to sue that government for damages if government actions devalue the prospects for that investment. There are normally safeguards allowing government to take action for various legitimate policy reasons, such as public security and public health, but the ISDS provision nonetheless acts as a constraint. It is generally popular with governments of countries that supply overseas investment, such as Japan and the United States. It is less popular with investment-receiving countries; Australia, New Zealand

and Canada are particular examples. Canada was sued 30 times under the NAFTA ISDS provisions (Government of Canada, n.d.), and lost or settled 11 of those cases at a cost of over \$375 million (Sinclair 2018; Canadian Centre for Policy Alternatives 2021). Many of the actions that violated the ISDS provisions were taken by provincial governments. However, even though the U.S. has never lost an ISDS case under NAFTA, and even though a number of U.S. companies have benefitted from the clause, the Trump administration wanted it removed from the USMCA because, in its eyes, it promoted U.S. investment abroad, thus sending U.S. jobs to Canada (McGregor 2018a).

THE CULTURAL EXCEPTION

While Canada was happy with the suspended TPP articles, it still had concerns regarding cultural industries and auto provisions. Culture has always been a sensitive political topic in Canada. (Council of Canadians 2017). Canada's cultural concerns basically have two foundations. One is the perception among Canada's English-language cultural industries, such as publishing, film and television production and music, that it needs special protection to be able to survive alongside the cultural colossus that is the United States. The second is the cultural and political need to protect French-language cultural industries from being dominated and swamped by English-language media, primarily from the U.S.

As a result of these dual concerns, a "cultural exemption" was embedded in Canada's initial free-trade agreement (FTA) with the United States in 1988 (Article 2005) and subsequently picked up in the NAFTA agreement and its successor the USMCA/CUSMA. The exception allowed Canada to take measures favouring Canadian content (such as content quotas, restrictions on distribution of U.S. signals, etc.) at the expense of U.S. programming and publishing. The wording states that cultural industries (the definition covers the publication, distribution or sale of books, magazines, film, video and music, as well as broadcasting) are exempt from the provisions of the agreement. There is a sting in the tail, however, since if Canada takes measures that would have been inconsistent with the agreement but for the exception provision, the other party or parties can take retaliatory measures of equivalent commercial effect. This is designed to discourage use of the exception, as its use will come with a price. Canada has never invoked the exception to justify an action and therefore retaliation has never been applied.

Canada tried without success to negotiate a similar broad exception in the TPP but was not successful in doing so. Instead, it took reservations on a chapter-by-chapter basis when it came to cultural industries, including in the specific chapters dealing with trade in services, investment, e-commerce, national treatment and market access for goods, state-owned enterprises and government procurement. However, the withdrawal of the United States from the TPP offered an opportunity to close a loophole that Canada had agreed to in the negotiations with respect to digital content. The chapter "Cross Border Trade in Services" (Chapter 10) provides for national treatment for services providers of other parties, subject to lists of specified exceptions for existing non-conforming measures and future non-conforming measures. Canada identified cultural industries on its list of future non-conforming measures but agreed to an *exception to the exception* for digital content. The relevant provision (Annex II 2016) reads:

“Canada reserves the right to adopt or maintain a measure that affects cultural industries and that has the objective of supporting, directly or indirectly, the creation, development or accessibility of Canadian artistic expression or content, except:

(a) discriminatory requirements on service suppliers or investors to make financial contributions for Canadian content development; and

(b) measures restricting the access to on-line foreign audio-visual content.”

When the text of the TPP was publicly released, there was criticism that Canada had not secured the kind of broad cultural exemption it had achieved in the bilateral trade agreement with the United States, and in particular that digital content had been carved out of the cultural exception (Geist 2016). That text had of course been negotiated by the Conservative government of Stephen Harper, but it was Prime Minister Justin Trudeau’s Liberals who now had to decide how to proceed. Also, strengthening Canadian content regulations by applying them to online streaming content was a Liberal priority. Yet there had been consensus that the TPP text itself would not be reopened, the only modification being the suspension of the 22 articles of primary interest to the United States. The solution for Canada was to negotiate side letters with each of the other 10 members negating the digital-content exception. The operative phrase in each of the letters to the other negotiating parties stated that *“notwithstanding the language in Annex II...under the Cultural Industries Sector... Canada may adopt or maintain discriminatory requirements on service suppliers or investors to make financial contributions for Canadian content development and may adopt or maintain measures that restrict access to on-line foreign audio-visual content.”* (Government of Canada 2018b)

It was an exception to the exception to the exception!

THE AUTO INDUSTRY

If culture is a sensitive political “identity” issue for Canada, the health of the auto industry is one of the most important economic issues. Trade in autos has been a sensitive topic in every trade agreement that Canada has signed beginning with the original U.S.-Canada FTA in 1987. The TPP and CPTPP were no exception.

The auto industry is one of the pillars of Canadian manufacturing. Highly unionized and concentrated in Ontario, the industry accounts for 10 per cent of Canadian manufacturing GDP and 23 per cent of trade in manufactured goods, directly employing 125,000 people in assembly and parts manufacturing (Government of Canada 2018a). For many years prior to the 1960s, the industry was inefficient, non-competitive and protected by high tariff walls. In the mid-1960s, Canada and the United States signed the Auto Pact, effectively integrating the Canadian and U.S. auto markets. It was a managed-trade rather than a free-trade arrangement but, with the conclusion of the bilateral trade agreement between Canada and the U.S. in the 1980s, followed by NAFTA and the addition of Mexico in 1995, free trade in autos and auto parts was established in North America. As part of NAFTA, a minimum North American content requirement of 62.5 per cent was eventually set to qualify for duty-free NAFTA treatment among the three countries.

Japanese car makers could qualify for NAFTA treatment if they met the NAFTA content standard. Both Honda and Toyota have plants in Canada and there are today 11 assembly plants in the U.S. operated by Japanese companies. Toyota, Nissan, Mazda, and Honda have plants in Mexico. Even with this domestic production however, Japan continues to export vehicles and parts to North America (paying import duties in the process) and Japan runs a huge surplus in auto trade with all three NAFTA countries. There are many reasons for this trade imbalance, but frequently cited by North American producers are non-tariff barriers (standards, inspections) established by Japan to block or discourage vehicle imports into the Japanese market.

The original TPP eliminated some of these Japanese import barriers in return for concessions removing all import tariffs, allowing Japan to export vehicles to the U.S. (and other TPP countries) with a considerably lower TPP content requirement than the NAFTA standard of 62.5 per cent. The lower TPP content rule (as low as 30 per cent for some parts, allowing Japan to source low-cost parts from outside the TPP, for example from Thailand) would benefit Japanese vehicle exports to North America, to the detriment of Canadian (and Mexican) parts manufacturers. The United States negotiated this trade-off bilaterally with Japan, without consulting either Canada or Mexico, almost leading to a breakdown of the TPP negotiations in July 2015 (Ottawa Business Journal 2014; Chase 2015). Canada and Mexico re-opened negotiations with Japan and did their best to salvage a bad situation. In the end, minor changes were agreed upon, revising the TPP content requirement upwards for key components produced by Canada and changing the method of calculating the 45-per-cent regional value content threshold for finished vehicles (Bilaterals.org 2015).

When the U.S. dropped out and the TPP became the 11-nation CPTPP, Canada still had concerns regarding the automotive rules of origin as they applied to Japan, particularly since it was simultaneously involved in a renegotiation of the NAFTA agreement with the United States, at the insistence of the Trump administration. As a result, Canada continued talks with Japan in an attempt to improve the terms of the auto provisions in the CPTPP.

CANADA’S “PROGRESSIVE” TRADE AGENDA

Unhappiness with the auto provisions, as well as concerns about cultural protection, were two specific reasons for Canadian caution in committing to what became the CPTPP, but a more fundamental problem was the so-called “progressive” trade agenda conceived by the Trudeau government. This was an attempt to differentiate the Liberals from their Conservative predecessors and to make international trade agreements more palatable to those segments of Canadian society anxious about the impact of globalization. It focused on issues such as environment, labour, Indigenous rights, gender equality, and human rights (Stephens 2017; Stephens 2018a). Canada wanted to go so far as to include additional chapters in the TPP agreement to deal with some of these issues, such as environment, labour rights and gender equality. The problem with all this “progressivism” was that it had little or no appeal in certain TPP countries, notably Vietnam but also some other TPP signatories. Inclusion of new elements would also involve opening up the agreed-upon text. “Progressive” trade elements didn’t just bedevil Canada’s approach to the CPTPP; they likewise became a prime obstacle to the expected start of negotiations toward a Canada-China FTA (CBC Radio 2017).

Canada's insistence on pushing its progressive agenda was the prime reason behind the diplomatic imbroglio concerning a planned agreement-in-principle signing ceremony that was to have taken place on the margins of the APEC summit in Da Nang, Vietnam in November 2017, although concerns over culture and autos were also stumbling blocks. It is still not clear if this was a result of miscommunication, misunderstanding, or Canadian brinkmanship. Going into the summit, Trudeau had made it clear that he would not be rushed into signing the agreement (Blatchford 2017). However, trade ministers who met in Da Nang just prior to the arrival of leaders had seemingly agreed that there would be an announcement and a ceremonial signing by leaders in Da Nang. The arrangements were made. The leaders gathered, waiting for Trudeau and then Japanese prime minister Abe, who were meeting bilaterally, to join the others for the signing ceremony. Finally, after some delay, Abe, the chair of the meeting, arrived and announced the ceremony was cancelled because Canada was not ready to sign.

If the Japanese were nonplussed, hurt and angry, the Australians were furious. The Australian Broadcasting Corporation claimed that Canada had "screwed" the other leaders (Jennet 2017). Then Australian prime minister Malcolm Turnbull, in a book published after he left office, said he was "deeply disappointed" at Trudeau's action and described Trudeau as having "humiliated" other leaders (Gilmore 2020). The Canadian recalcitrance was a setback for Abe, and the Japanese hinted they might proceed to complete the TPP-11 without Canada. While Trudeau could rightly say he had refused to be stampeded into signing something that was not in Canada's interests, there was also a sudden realization in Ottawa that the TPP-11 train was about to leave with Canada still standing on the platform. Therefore, immediately after Da Nang, Canada set in motion damage control, and a special envoy, now Canada's current ambassador to Japan, Ian G. McKay, was dispatched to Tokyo to smooth ruffled feathers.

In the meantime, officials got back to work. The decision was made to keep the integral TPP text while suspending a limited number of provisions. No new chapters were to be added, although the word "progressive" was now added to the title of the agreement to mollify Canada. Not being able to secure any changes to the agreement, Canada began to work on side letters to deal with its issues of concern, autos and culture. In January 2018 in Davos, Switzerland, Trudeau announced that Canada would sign on (Aiello 2018). The CPTPP agreement was finally signed on March 8, 2018 in Santiago, Chile.

The side letter with Japan on autos included a safeguard mechanism in cases of import surges, binding accelerated dispute-settlement procedures, and the establishment of a bilateral committee on motor vehicle trade to discuss issues and investment. Even with these changes, Unifor, the main union representing Canadian autoworkers, and the main auto industry associations continued to oppose the CPTPP. There was a further revision to this letter just prior to the agreement entering into force. By this time, opinion in the auto industry was split, with at least some key players in the industry withdrawing their objection. This was enough to allow Canada to put ratification on a fast track. Ratification legislation was introduced in June and was moved rapidly through Parliament. Canada became the fifth state to ratify, on October 23, followed by Australia on October 30 (Government of Canada 2022). Since the agreement could come into effect 60 days after six of the 11 members had ratified, it entered into force on December 30, 2018. This had the additional bonus of allowing for accelerated tariff reductions, as tariff-reduction phase-ins

occur on December 31 of each year (McGregor 2018b). Canada had moved from reluctant participant and negotiating laggard to one of the initial cohort of members in the avant-garde of ratification. (Vietnam, Peru and Malaysia subsequently ratified the agreement in 2019, 2021, and 2022 respectively. Brunei and Chile have yet to ratify.)

THE CPTPP AS A PILLAR OF CANADA'S INDO-PACIFIC STRATEGY

An early win for Canada from CPTPP membership was securing preferred access to the Japanese market, especially for beef, an advantage not enjoyed by U.S. producers (Shimada 2020). Canadian exports increased substantially, taking market share away from American beef exporters. Not surprisingly, U.S. producers raised concerns with the Trump administration, leading in the end to the inclusion of beef in the U.S.-Japan Trade Agreement that went into effect on January 1, 2020. That agreement gave U.S. beef access to the Japanese market on equivalent terms with CPTPP producers. However, Canada had enjoyed a 13-month preferential window to establish its product, and Canadian beef and pork exports to Japan continue to do well. The export-promotion potential of the CPTPP became a major selling point for the Trudeau government, despite its initial reluctance to fully support and promote the agreement.

At about the same time that the CPTPP was going into effect, a major diplomatic incident took place between Canada and China, Canada's second-largest export market after the United States. The arrest of Huawei executive Meng Wanzhou on a U.S. Department of Justice extradition warrant while she was in transit in the Vancouver airport, and the subsequent retaliatory arrest and detention of two Canadians in China, Michael Kovrig and Michael Spavor, led to the worst bilateral crisis between Canada and China since the establishment of diplomatic relations in 1970. China not only retaliated by seizing the two Canadian citizens in China, it blocked Canadian exports of canola and pork on spurious grounds. Suddenly, the ardour of the Trudeau government to negotiate a free-trade agreement with China evaporated. China had proclaimed a "new golden age" in Sino-Canadian relations when Trudeau *fits* came to power in 2015. By the end of 2018, not only had Canada and China been unable to begin trade talks, largely over Chinese concerns about Canada's "progressive" trade agenda, but the Meng Wanzhou incident further poisoned the well. Even after the Meng case was resolved in September 2021 after the United States withdrew its extradition request, ongoing concern over Chinese actions in Xinjiang and Hong Kong and with respect to Taiwan made it unlikely that bilateral relations would improve any time soon. It was clear that Canada would have to recalibrate its Asia-Pacific policy and diversify away from an expectation of closer relations with China. Enter the CPTPP.

The CPTPP suddenly provided Canada a seat in an Asia-Pacific forum where China was not a member, and at a time when the United States was developing its own strategy for the region. After having turned its back on the TPP, the Trump administration's policy response to Asia was to launch its "Free and Open Indo-Pacific" (FOIP) strategy, focused primarily on strategic and military issues and clearly designed to contain China. China, meanwhile, continued to develop closer economic ties with its neighbours, both near and distant, through its Belt and Road Initiative (BRI), and participation in the Regional Comprehensive

Economic Partnership (RCEP), concluded in November 2020. In 2017, the United States revived the maritime-security-focused Quadrilateral Security Dialogue (known as the Quad forum, and comprised of the U.S., India, Japan and Australia) and, in late 2021, the U.S., United Kingdom and Australia announced the AUKUS agreement to assist Australia to build nuclear submarines and share other technology. Canada has not been invited to join either the Quad, nor AUKUS, nor has it expressed interest in doing so, but it still needs to define its role in the face of these U.S. initiatives. The most recent iteration of U.S. policy is the launch of its “Indo-Pacific Economic Framework” (IPEF), a concept that is still being elaborated but which appears to be a Biden administration attempt to assert a leadership role for the United States in setting international trade rules in Asia without offering any improved access to the U.S. economy (Goodman and Arasasingham 2022).

In light of negative developments in its relationship with China, and given an increasingly assertive U.S. role focused initially on security and military concerns, Canada has announced its own “Indo-Pacific” strategy, adopting the current terminology now increasingly favoured to describe the region. This strategy, recently announced, has as one of its pillars the strengthening and expansion of the CPTPP. CPTPP expansion could resolve some longstanding issues for Canada: how to strengthen bilateral ties with Taiwan while not paying an economic and political price in terms of relations with China, and how to access Southeast Asian markets, such as Indonesia and Thailand. Canada has engaged in bilateral negotiations with both countries, as well as with the Association of Southeast Asian Nations as an entity, with little progress being made. A large part of the reason for lack of progress is lack of priority given to these talks by all sides, given limited resources. CPTPP expansion would avoid the need for bilateral talks while increasing Canada’s trade partnerships.

CPTPP expansion is not without challenges. The U.K.’s application to join requires Canada to simultaneously negotiate CPTPP entry with Britain while at the same time trying to reach a bilateral accord with the U.K. to replace the temporary Trade Continuation Agreement (TCA) signed with Britain when it left the European Union and was thus no longer covered by Canada’s Economic Partnership Agreement with the EU. This will require some delicate negotiations with respect to sensitive Canadian issues, such as dairy supply management (Stephens 2021a). Likewise, the application of China poses some challenges. It is not clear whether China’s application is a serious strategic decision designed to underpin needed market reform in China, or is simply a tactical decision designed to scramble the cards with respect to Taiwan’s entry (Stephens 2021b). Canada will continue to stress the existing entry requirements for CPTPP membership when it comes to China’s application and will ensure that it is in “good company” with respect to any response to China. Taiwan clearly has the economic qualifications for entry; the question will be — for Canada and for others — whether Taiwan’s application can be delinked from that of China, as should logically be the case.

The inclusion of Taiwan in the CPTPP should allow Canada to navigate the policy shoals that have prevented the start of bilateral trade negotiations, Taiwan’s ambiguous diplomatic status and the China factor. (When Canada recognized the People’s Republic of China as the sole legal government of China, Beijing stated in the communiqué establishing diplomatic relations that Taiwan was an inalienable part of its territory. Canada “took note of” that statement.) Canada has been moving in the direction of formalizing closer

economic ties with Taiwan, having announced the start of exploratory negotiations toward a Foreign Investment Promotion and Protection Agreement (Stephens 2022), with formal negotiations announced in February 2023 (Global Affairs, February 2023) but has traditionally reacted cautiously when it comes to establishing formal agreements. Unlike New Zealand (which has a bilateral trade agreement with Taiwan), Canada does not have an FTA with China, nor is it likely that one will be negotiated, so the New Zealand (and Singapore) model of “China first, Taiwan second” does not apply. Thus, negotiating with Taiwan as part of a plurilateral economic agreement helps resolve this dilemma. There are sound economic reasons for doing so, since the inclusion of Taiwan in the CPTPP will bring economic benefit to both parties. At the same time, Taiwanese accession would provide additional international credibility to a Taiwanese government that demonstrates many elements of Canada’s “progressive” trade policy.

CONCLUSION

Over the course of some 13 years, Canada has moved from being a disinterested TPP outsider to becoming an avid supporter and promoter of the TPP’s spin-off agreement, the CPTPP. Canada’s initial disinterest, and then its sudden conversion to being an interested party in 2011-12, can be largely explained by concerns related to protecting access to the U.S. market and maintenance of NAFTA, and possibly an inadequate appreciation of the strategic value of engaging more directly in the Asia-Pacific region. Domestic Canadian politics also played a role. The Liberal government of Justin Trudeau that took office in the fall of 2015 inherited Canada’s seat at the TPP table, but was a tepid supporter. Concerns with the TPP’s auto and dairy provisions could be blamed on the previous government. The Liberals were ambivalent.

When president Donald Trump blew up the TPP, reaction in Canada was mixed, with some breathing a sigh of relief. However, a desire to build trade linkages with Japan kept Canada at the table as the Japanese worked to keep the TPP alive in the hope that, in time, the U.S. would return. Nonetheless, Canada was still ambivalent toward what became the CPTPP, focusing on promoting its “progressive” trade agenda and working toward a free-trade agreement with China. The auto-trade provisions were of great concern because of their misalignment with NAFTA requirements. However, when it became evident that Canada’s insistence on adding progressive trade chapters to the CPTPP agreement and reopening commitments made on digital cultural content and automotive trade could lead to Canada’s exclusion, a decision was made to compromise. Suspension of some key articles in the agreement, along with side letters on culture and autos and a name change in the agreement, were sufficient to allow Canada to embrace the agreement despite continued opposition from the auto and dairy industries. Canada became an active supporter and pushed ratification of the CPTPP through Parliament quickly, becoming one of the initial six countries to implement the agreement on December 20, 2018.

Canada’s entry into the CPTPP came at a fortuitous time, just as Canada-China relations were facing their most severe crisis in half a century. Early gains in the Japanese market cemented support for the agreement. The CPTPP has become a key pillar in Canada’s development of a new Indo-Pacific strategy to define its role in the region in the face

of U.S. efforts to promote an Indo-Pacific Economic Framework without committing to rejoin the CPTPP. After its initial disinterest, Canada negotiated late entry to the TPP as a defensive move. When Japan proposed to keep the TPP alive as a bloc of 11 countries after U.S. withdrawal, Canada went along for the ride. It almost managed to exclude itself from the CPTPP through mismanaged expectations among the negotiating partners, but in the end found itself, despite the mishaps and changes of direction over a dozen years, as an active and ardent supporter of the agreement and its expansion to qualified partners. The conversion is complete.

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ABOUT THE AUTHOR

Hugh Stephens is Executive Fellow at the School of Public Policy at the University of Calgary, Distinguished Fellow at the Asia Pacific Foundation of Canada, and an Associate Faculty at the School of Business, Royal Roads University. After a 30-year career in the Canadian foreign service during which time he served at Canadian missions in Beirut, Hong Kong, Beijing, Islamabad, Seoul and Taipei (as Head of Mission), and as Assistant Deputy Minister for Policy and Communications at the Department of Foreign Affairs and International Trade in Ottawa, in 2001 he became SVP (Public Policy) for Asia-Pacific for Time Warner based in Hong Kong. He retired from Time Warner in 2013. He now lives in Victoria, BC.. He has written and published extensively on Canada's engagement with the Asia Pacific region. He writes a weekly blog (www.hughstephensblog.net) on international copyright issues, and was educated at UBC (BA-Hons), Duke (MA) and Toronto (B.Ed).



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Phone: 403 210 3802

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