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# Asia Pacific Economic Cooperation in a Changing Global Context

## Meeting the Challenge of Rising Protectionism: The Canadian Approach

Hugh Stephens, Vice Chair, CANCEC  
Distinguished Fellow, Asia Pacific Foundation of  
Canada

Singapore, February 13, 2017

# **The Challenge: Donald Trump's Inauguration Speech**



**“Protection will lead to great prosperity and strength...two simple rules: buy American and hire American”**

**“We must protect our borders from the ravages of other countries making our products, stealing our companies and destroying our jobs”.**

Photo Source: [nbcnews.com](https://www.nbcnews.com)



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# Donald Trump on NAFTA



"We're going to renegotiate NAFTA, **probably the worst trade deal ever agreed to**, signed, in the history of the world....If we don't get the deal we want, we will withdraw from NAFTA and start all over and get a much, much better deal than we ever had before."

Photo source. Storypick.com



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# Significance of NAFTA Changes

- Focus of Possible Changes: Rules of Origin; Dispute Settlement
- Impact on Canada and Mexico (Integrated Supply Chains)
- Supply Management in Canada and Softwood Lumber likely targets
- Impact on US Economy
- Impact on other US trading partners



# Donald Trump on TPP

“The Trans-Pacific Partnership is the greatest danger yet. The **TPP, as it is known, would be the death blow for American manufacturing.** I’m going to issue our notification of intent to withdraw from the Trans-Pacific Partnership, **a potential disaster for our country**”.



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# Impact of TPP “Demise”

- Knock on effect on trade liberalization initiatives in the region (what happens to TPP consensus on a range of issues?)
- TPP Minus One-a realistic possibility?
- Positive or negative impact on RCEP?
- What happens to US engagement in Region?



# Donald Trump on China



“China’s entrance into the World Trade Organization has enabled the **greatest job theft in the history of our country**. I’m going to instruct the U.S. trade representative to bring trade cases against China, both in this country and at the WTO.”

Photo source: thehustle.co



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# US-China Trade (& Political) Relations: Potential Impact

- Imposition of border measures (the infamous 45% tariff), leading to retaliation?
- Investment and currency issues (Impact on FDI both ways)
- China as a leader of globalization? (Xi Jinping 's Davos Speech)
- Strategic/political fallout of a “trade war”



# **The Realities Behind the Trump Rhetoric**

- Slowing growth globally
- Uneven distribution of benefits of trade within economies
- Automation; changing nature of jobs and the workforce
- Lack of open trade champions



# Canada's Response

- **Renewed Commitment to Open Borders**
  - Successful conclusion of CETA
  - Offer of constructive engagement with US on NAFTA
  - Dialogue with Mexico (avoid hub and spoke with US)



## Canada in Asia: Post TPP

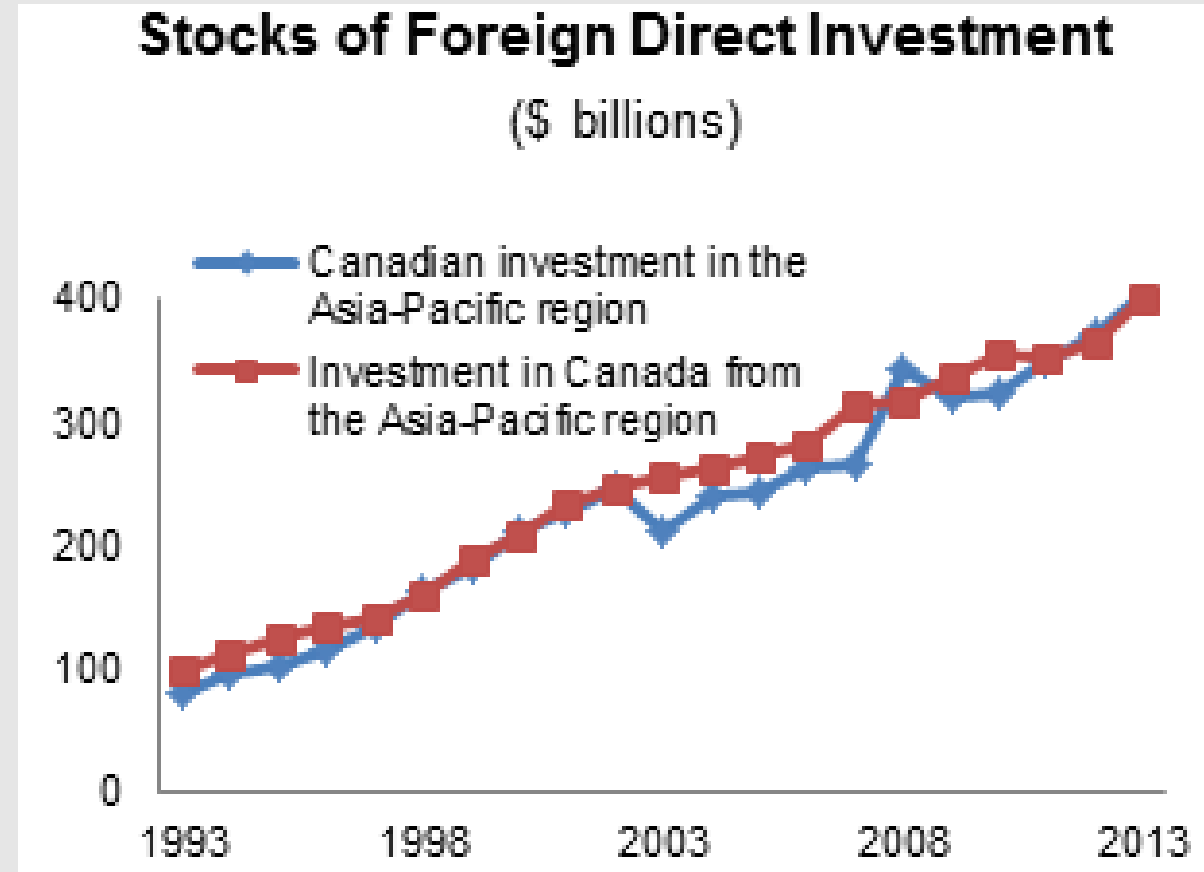


- Renew bilateral FTA talks with Japan
- (but is Japan interested?)
- Pre-FTA negotiations with China
- Feasibility study with ASEAN
- Ongoing negotiations with India



# Canada-Asia Investment Flows

- **Steady growth in two-way investment**
- **Significant Asian investment in Canadian energy (China, Malaysia, Korea, Japan, India, Australia, Brunei)**
- **Canadian presence growing in Asia (Manulife, Sun Life, Bombardier, CAE)**
- **Canada (finally) joins AIIB**



# Canada's Bilateral Trade in Goods, 2015

Of Canada's top 6 trading partners, 5 are in Asia-Pacific  
(with lots of room to grow!)

	Canadian Exports/Canadian Imports/Total Trade		
(Billions CAD)			
1. United States	397.0	363.0	760.1
2. EU	39.4	53.0	92.4
3. China	21.4	38.9	60.3
4. Mexico	7.9	18.3	26.2
5. Japan	10.1	10.9	21.0
6. Republic of Korea	4.2	6.1	10.3

EU Breakdown: (Two-way trade)- UK (25.2); Germany (18.8);, Netherlands (8.0); France (7.8) and Italy (7.7)

Source: Statistics Canada



# Cultural Diversity and Inclusiveness: Key Canadian Values



**People to People  
Connectivity--a key  
foundation for  
stronger partnerships**

**Asian competencies-a  
hidden advantage**



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**Canada is looking to lead by example, and will continue to be a key trans-Pacific partner for Asia in.....**

**Energy**

**Technology**

**Trade in Goods (Open Markets**

**Investment**

**Professional and Financial Services**



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## APEC's and PECC's Role

- Asia Pacific region must work together to combat protectionism
- We need to work with open market champions in all economies
- Trade architecture **must** ensure **inclusivity** (“progressive trade”)
- We need to demonstrate that turning inward and raising protectionist barriers is not the way to prosperity
- Canada will be part of that effort







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# Let's Work Together

# Thank You!

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**Canadian National Committee for Pacific  
Economic Cooperation**