



July 28, 2015

The Honourable Ed Fast P.C.
Minister of International Trade
105 East Block House of Commons
Ottawa, Ontario
K1A 0A6

Re: Canada's Participation in the Trans-Pacific Partnership

Dear Minister,

Canada and British Columbia depend heavily of international trade. Fostering constructive international commercial relationships and securing access to external markets are essential to sustaining and enhancing our prosperity and well-being. Your government has embraced an ambitious trade agenda, including the recently concluded comprehensive agreement with the European Union. The Business Council applauds the focus that the Government of Canada has brought to this arena by expanding and modernizing trade agreements. From our perspective, the next step in advancing Canada's trade agenda must be to improve access to key markets in the dynamic Asia-Pacific region.

In this regard, it is vital that Canada is part of the Trans-Pacific Partnership (TPP), which currently involves economies accounting for almost 40% of global GDP.¹ Membership in the TPP will provide businesses in BC and the rest of Canada with better opportunities to sell into and forge closer commercial ties with the developed markets of Japan, Australia and New Zealand, and also with the vibrant economies of Malaysia, Vietnam and Singapore. Participating in the TPP will also reinforce and support existing trade agreements with partners Chile, Peru and the United States.

Canada's participation is even more crucial considering the likely evolution of commercial agreements in the region. While the TPP is not an official APEC initiative, all of the negotiating parties are members of APEC, and the TPP is widely viewed as a precursor to APEC's proposed Free Trade Area of the Asia Pacific. There is also speculation that China may eventually join a completed TPP. Canada cannot afford to be left outside of these emerging Asia Pacific economic and trade agreements. In early 2015 Canada entered into a free trade agreement (FTA) with South Korea. The TPP enables Canada to greatly expand the coverage of trade agreements in Asia, a region where, notwithstanding the FTA with South Korea, we currently have limited access.

A potential stumbling block for Canada in the TPP talks is the existence of costly agricultural supply management regimes in a handful of sectors that collectively add up to less than 1% of the country's

¹ Laura Dawson, "Can Canada Join the Trans-Pacific Partnership? Why just wanting it is not enough," CD Howe (February 2012).

GDP. The United States and other TPP parties have raised concerns over agricultural market access and supply management in the dairy, poultry and wheat sectors. In order for Canada to be a full participant in a future TPP agreement, it is necessary that we agree to implement policy and market access reforms in the affected parts of the agriculture sector.

The Business Council is of the view that liberalizing trade in respect of current supply managed agricultural products like dairy, poultry and wheat will lead to greater market opportunities in TPP countries. The 2.5 billion person emerging middle class in Asia has a growing appetite for protein and other agricultural products from safe and secure sources. Canada is well known internationally as a jurisdiction that has developed and adheres to stringent food safety regulation and inspection with respect to food production and processing practices. This gives Canada a marketable advantage as a food producer and exporter in the Asia-Pacific context.

We are convinced that a TPP agreement would deliver important benefits to BC industry and exporters. This includes our commodity industries, notably forestry. The inclusion of Japan in the TPP is especially important to BC. Japan is the third largest economy in the world, BC's third largest export market, and the third largest foreign buyer of BC wood products. A potential issue in the TPP talks is Canadian restrictions on log exports. At present, there are a multitude of regulations imposed on log exports in BC. In most cases, to ship a log from the coastal region BC producers must secure a federal permit, and sometimes an additional provincial permit if under provincial jurisdiction. British Columbia also imposes export prohibitions on the highest grades of logs and an outright ban on all grades of Red Cedar. For TPP partners, especially Japan, these limitations unfairly restrict access to BC logs. Removing log export restrictions, or making other substantive policy changes that liberalize access to BC logs, would help secure Canada's inclusion in the TPP. The Business Council has long recommended that the Government of Canada take steps to do so. It is worth noting that BC forest companies currently exporting logs would benefit from fewer restrictions and regulatory delays associated with shipping logs from the province.

A significant benefit of the TPP for a developed, knowledge-based economy like Canada lies in strengthened protection of intellectual property rights. The Business Council supports the modernization of Canadian IP laws and policies to bring IP standards in our country into better alignment with those in the United States and Europe. Full participation in the TPP would allow Canada to address some relevant domestic issues in the IP domain and to be part of a multilateral rules-based framework that will help protect Canadian IP going forward.

Finally, I want to highlight the growing field of tradable services. Tradable business and professional services are an often unheralded commercial success story in BC as well as for Canada. BC's international exports of services have grown at more than twice the pace of merchandise exports over the past two decades – a trend that many experts expect to continue. The TPP provides a forum to negotiate updated rules to facilitate expanded trade and market access for the growing array of services that can be – and increasingly are – sold across borders.



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The Trans Pacific Partnership is an opportunity for Canada to secure preferred access to the markets of Asia-Pacific economies, including Japan as well as several fast-growing emerging economies. More importantly, being part of the TPP will ensure that Canada is not excluded from the evolving commercial architecture in the Asia-Pacific region – a scenario that would result in Canada increasingly becoming a peripheral player as the TPP leads to greater economic integration for its signatories.

The Business Council encourages you and your negotiating team to do what is necessary to enable Canada to become a full partner in the TPP, including by making domestic policy changes in the areas of agricultural supply management and the regulations governing log exports.

Thank-you for considering this submission.

Kind regards,

A handwritten signature in black ink, appearing to read "G. D'Avignon".

Greg D'Avignon
President and Chief Executive Officer

KP/vjc