

Bilateral Free(r) Trade Agreement: Drivers, Pressures and Constraints

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Canadian Agricultural Trade Policy Research Network

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Some Definitions and Understandings:

Free trade: Exists between California and Nevada and across many other states for goods, but likely not for many services.

Does not exist across Canadian provinces in either goods or services.

Free Trade Agreements will be used to describe Freer Trade Agreements.

Bilateral Freer Trade Agreements between two countries. (CUSTA)

Plurilateral Freer Trade Agreements between several countries. (NAFTA, SADC)

Multilateral Trade Agreements between many countries, usually within an agreed institutional framework and structure. (GATT, WTO, Cites)

(Cites - Convention on International Trade in Endangered Species of Wild Flora and Fauna)

- Modalities and processes vary across trade agreements as the number of actors change, and
- Pressures, constraints and drivers vary as well.

Appeal to the great American philosopher: Forrest Gump:

“My momma always said, ‘Life was like a box of chocolates. You never know what you're gonna get.’ “

Application: Outcomes will be shaped by drivers, pressures and constraints! You never know what you are going to get, but knowledge is gained by developing a conceptual framework!

Bumper Sticker Guy: [*running after Forrest*] “Hey man! Hey listen, I was wondering if you might help me. 'Cause I'm in the bumper sticker business and I've been trying to think of a good slogan, and since you've been such a big inspiration to the people around here I thought you might be able to help me jump into - WOAH! Man, you just ran through a big pile of dog shit!”

Forest Gump : “It happens.”

Bumper Sticker guy: “What, shit?”

Forest Gump: “Sometimes.”

Synopsis: Shit happens and stuff matters.

Institutions matter, a lot! (Supply management)

US constitution specifically prohibits export taxes. They are unconstitutional.

Interstate commerce is specifically reserved for the federal government, but licensing massage therapists is not. People can move freely, but they often can not work in skilled areas until they obtain the required license.

Forrest Gump as narrator: "Now for some reason I fit in the army like one of them round pegs. It's not really hard. You just make your bed real neat and remember to stand up straight and always answer every question with "Yes, drill sergeant." "

Napoleonic Law: based on a book of rules. Good lawyers have memorized the rules!

Anglo-Saxon Law: based on precedent, what has been decided/agreed before. Good lawyers know the past and can logically connect the past with the present.

Food safety:

Under Napoleonic Law: food additives are generally considered to be unsafe until explicitly proven to be safe.

Under Anglo-Saxon Law: food additives are generally considered safe until explicitly proven to be unsafe. GRAS: generally regard as safe.

Fresh milk must be refrigerated to certain specifications.

Forrest Gump: “Stupid is as stupid does.”

Compensation principle: Gainers from freer trade can compensate losers for their losses and have something left over.

Canada seems to have a hard time applying this principle in bilateral negotiations!

Asparagus: a tariff was collected for a prescribed number of years with the revenue invested in research on asparagus. Today, Ontario Asparagus Growers receive almost \$750,000 in revenue from sales of asparagus seed.

Foodland Ontario: agreement to help with marketing of Ontario produce in return for accepting/not challenging NAFTA. Generally, accepted, but since it lacks enforcement powers, is largely ineffective. Peruvian asparagus with the price on a sign stating “This product grown in Mexico.” and under a Foodland Ontario banner.

Bubba : My given name is Benjamin Buford Blue, but people call me Bubba. Just like one of them ol' redneck boys. Can you believe that?

Forrest Gump: My name's Forrest Gump. People call me Forrest Gump

Drivers are largely external to Canada.

Constraints maybe either internal or external to Canada.

Pressures are largely internal to Canada

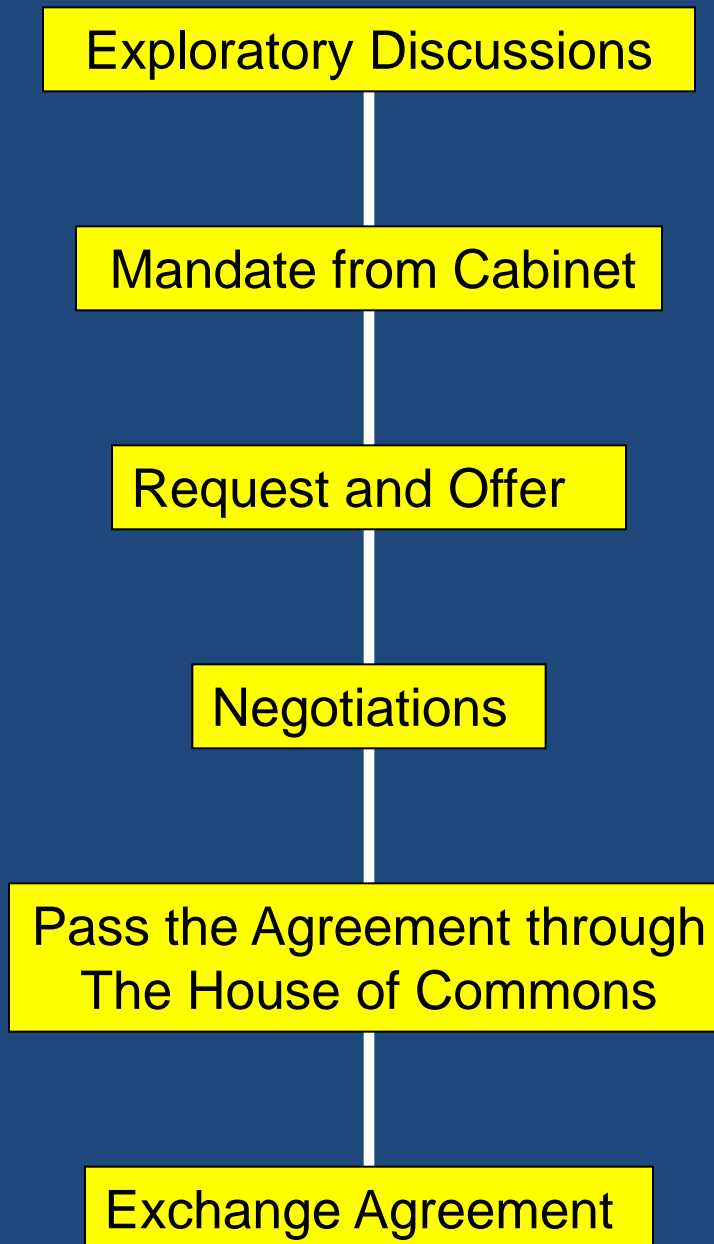
Identify and access the negotiation process.

Assign and access the impacts of drivers, pressures and constraints.

Development of Negotiating Capability and Infrastructure

CUSTA → NAFTA → BILATERALS

Negotiation
and
Implementati
on Process



Exploratory



Drivers

- What are our competitors doing?
- New opportunities
- Larger market share
- Increase export capacity
- Geopolitical/political welfare
- What will Increase growth

Pressures

- Producers as exporters
- Pressure groups lobbying against trade

Constraints

- Not a big power in global markets
- Little interest for trade with Canada
- Sleeping with an elephant

Majority versus minority government
Conservative versus liberal/NDP
Quebec?

Negotiations

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graph TD; A[Negotiations] --> B[Constraints]; A --> C[Pressures];
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Constraints

- Unable to extract the same advantages as US and EU
- Little leverage
- Negotiate only where government has strong support or weak opposition
- Extensive agreements make consensus difficult

Pressures

- Labour unions
- Stakeholders in protected or sensitive sectors
- Special interest groups, lobbyist's,
- Voters/ Supporters
- Government Agenda

Columbian and Panamanian Free Trade Agreements

Small countries with tropical climates that would seem to offer little competition with Canadian agriculture.

But, Ontario has a large greenhouse sector that based on farm gate sales is the second largest agricultural sector, and on the bases of rural employment is the largest employer!

Ontario greenhouses used to dominate the North American cut rose and carnation markets. Facing an increasing strong currency, the number of greenhouses has declined substantially and cut flower production is down to an handful of producers.

What didn't happen?

Modifications in import laws and procedures to allow ready importation of plant materials.

Seedlings were imported from Zimbabwe, and now increasingly from Kenya. A day's delay is often disastrous.

Import restrictions and a lack of modern infrastructure at the US border hinders the ready flow of product to the States.

Significant changes in US plant retail markets requires modification in Canadian laws and regulations. Pay by scan marketing.

Gainers are not compensating losers.

US: financing for a collection and distribution centre in California to increase their competitiveness.

Negotiations constrained by supply management advantages the least competitive sectors and disadvantages competitive ones.

Could be offset by taking necessary actions to increase the competitiveness of competitive sectors.

Sector representatives have not anticipated consequences and not negotiated actions that might increase their competitiveness.

Forrest Gump: “Mama always said, dying was a part of life. I sure wish it wasn't.”

Thank you!