The TPP and Canada: Factsheet

What is the TPP?

The Trans-Pacific Partnership (TPP) is a 12-country trade and investment treaty negotiation that began in 2008. Canada only joined the U.S.-led initiative in 2012. Other members include Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Supporters call the TPP the "NAFTA of the Pacific" as it is modeled on the 1994 Canada-U.S.-Mexico trade deal. Critics, however, refer to it as "NAFTA on steroids" since it puts far more restrictions on government policy and regulation.

What kind of restrictions?

Like all current free trade agreements, the TPP is only marginally about trade. A far greater part of the text - thousands of pages in more than 30 chapters - has to do with harmonizing regulations (financial, health and safety standards, etc.), reinforcing intellectual property rights (patents, copyrights), opening up new sectors to privatization and foreign investment (health insurance and education), and putting strict limits on how governments choose to protect the environment or create jobs. In almost every case, participant countries will be required to adopt the preferences of powerful U.S. corporate lobbies.

Is it worth it?

Canada already has free trade deals in place with four of the larger TPP countries (Peru, Chile, U.S. and Mexico) and tariffs on trade with the others are already low. TPP countries with which Canada does not already have an FTA make up only 3% of its total exports and 5% of its imports. Canada has a trade deficit with these countries of $5 to 8 billion annually. Eighty per cent of Canadian exports to these countries are raw or semi-processed goods (e.g. beef, coal, lumber) while 80% of imports are high value-added goods (e.g. autos, machinery, computer and electrical components). The TPP is therefore likely to exacerbate the erosion of the Canadian manufacturing sector and jobs that has been taking place since NAFTA.

Canada has not released an economic impact study of the TPP, likely because the effect on GDP and job growth will be so small (and possibly negative, according to one study). A pro-TPP study in the U.S. estimated only a 0.13% increase to U.S. GDP by 2025 from the TPP. Many prominent economists, including Paul Krugman, Joseph Stiglitz and Dani Rodrik, feel that the trade impacts of TPP are far less important than the serious concerns it raises about excessive intellectual property rights, regulatory harmonization and investor-state dispute settlement (ISDS).

Issues for Canada

Patents and drug costs – The intellectual property chapter of the TPP could prove a minefield for efforts to control drug costs in Canada, which are already the second highest in the world. For example, Canada is one of only three TPP countries with a patent linkage system for pharmaceuticals (allowing brand-name patent holders to contest regulatory approval for generic drugs). But the TPP will mark the first time that Canada has accepted trade treaty obligations governing patent linkage, which could interfere with cost-saving reforms.

Copyright and trademarks – TPP copyright rules would require far longer terms of copyright protection, based on the U.S. model, and could require protection for controversial practices such as "digital locks," which allow copyright holders to encrypt software in computerized devices. Trademarks have been the central focus of tobacco plain packaging litigation, and the industry is fighting for stronger trademark protection under the TPP.

Free flow of information - In an e-commerce chapter, the U.S. is insisting on rules to prohibit countries from requiring that personal information be stored on national databases. There are good reasons why a country might require that tax, health care or financial data be stored locally. Treating all information as a kind of private commodity that companies could move when and where they like has considerable implications for privacy.

Increased protection for corporations – Leaked text confirms that the TPP includes an investor-state dispute settlement mechanism similar to NAFTA chapter 11. These clauses exist in thousands of international trade and investment deals and are used by multinational companies from rich countries to sue governments when policy decisions interfere with their investments. Canada is already the most sued developed country in the world because of NAFTA's ISDS process and the TPP will significantly increase the number of foreign investors eligible to sue.

A recent Canadian NAFTA ISDS loss shows how unfair and skewed the process is. In that case, a NAFTA tribunal ruled 2-1 that an environmental assessment process, which resulted in a U.S. firm being denied a permit to dig a massive quarry in an ecologically sensitive region of Nova Scotia, violated the firm's NAFTA investor protections. The dissenting member called this finding "a remarkable step backwards" for environmental protection. Bilcon is now seeking over $300 million in damages from the federal government.

Supply management – One of the most difficult issues for Canada concerns the fate of supply-managed sectors. Although under fierce attack from conservative pundits and big business, supply management systems provide a fair return to farmers and a reasonably priced supply of fresh milk, eggs and poultry to food to consumers. Farmers and consumers in countries and sectors without supply-management systems are subject to wild swings in commodity prices and have little ability to negotiate reasonable returns or prices with giant global agri-businesses. The Canadian government is holding back making an offer on market access for dairy until the last possible minute. But U.S. negotiators have made it clear that they expect substantial access for all dairy products as well as for poultry. New Zealand and Australia are also insisting on substantial market access for dairy.

Cultural protections – The U.S. and its entertainment industries have always strenuously opposed Canadian efforts to exclude cultural industries and policies. The TPP could erode Canadian cultural protections, such as foreign ownership restrictions in broadcasting and publishing.

When will the TPP talks end?

The TPP talks have dragged on for a long time. Though most of the text is agreed upon, the remaining issues are the most difficult to settle. But the Obama administration is currently seeking Trade-Promotion Authority (also known as "fast track") which would let the executive sideline Congress by forcing a yes-no vote instead of allowing changes to the agreement. If the TPA bill passes this would rapidly increase the pressure on Canada to make difficult concessions in order to conclude the TPP.

Prepared by: Scott Sinclair and Stuart Trew, Canadian Centre for Policy Alternatives, May 5, 2015