

Tailor trade deals to fit a new kind of manufacturer

JOHN WEEKES

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John Weekes, a senior business adviser at Bennett Jones LLP, was Canada's ambassador to the WTO and chief negotiator for the NAFTA

Now that the Conservative government of Stephen Harper has promised to move forward with its "strong and ambitious Free Trade Agreement agenda," it is time to reflect on how this agenda will interact with the changing nature of manufacturing in Canada.

The new dynamic manufacturing ventures in Canada appear to be relatively small compared with many traditional enterprises. But they are nimble and entrepreneurial -- these are not projects which resemble earlier champions. Rather, the renaissance in the sector is being driven by individuals with experience and knowledge of where opportunities exist and who possess the energy to turn vision into reality. These entrepreneurs need a predictable environment of rules in which to operate.

These developing success stories reveal the seamless interaction of goods production, services, investment, regulatory rules, intellectual property, and education and experience. In fact, what has been called the "trade agreements agenda" should really be renamed the "international business agenda". Certainly the issues now go well beyond what laymen, or even many ministers, consider to be "trade" -- still largely synonymous with the export and import of physical goods.

Canadian negotiators need to be alert to the importance of building rules designed to foster production in the era of global supply chains.

In negotiating these agreements, it will be important for the government to consult closely with the new producers to get a solid understanding of the sorts of foreign barriers and practices that ought to be disciplined. To allow burgeoning industries to reach their full potential the government will need to understand the practical problems they face in the international market place.

Some of these problems may be ones that can be resolved at the negotiating table. For instance, the U.S. has made major progress through negotiations at improving foreign market access for "remanufactured goods," which were being classified as "used goods" and often faced high duties or even import prohibitions.

Many companies that produce such goods, like Caterpillar, are completely refurbishing expensive pieces of machinery that deteriorate relatively quickly under rugged operating conditions. The remanufactured product even gets the same guarantee as a new product -- and the whole process is environmentally friendly. By getting agreement to place these goods under a new tariff classification, both manufacturers and consumers have benefited. But the issue would never have reached the negotiating table if business hadn't made negotiators aware of this very specific industry problem.

Negotiators need these sorts of inputs urgently, as Canada is now in the midst of several free-trade negotiations with major partners, notably: the EU, India, South Korea, and Ukraine. Equally important are the perimeter security and regulatory co-operation negotiations with the U.S. initiated by Mr. Harper and President Barack Obama in February. These latter negotiations hold the key to reversing the thickening of the border which has been so damaging to the manufacturing sector.

Substantial negotiations are also in prospect with several other major global players, including Japan and, in a somewhat longer time frame, with China and Mercosur (the bloc that includes Brazil, Argentina,

Uruguay, and Paraguay).

The agreements, which the Harper government negotiates over the next four or five years, will set the trade rules for a generation. Let's make sure they take into account the challenges faced by Canada's cutting edge manufacturing enterprises.