

## **Who's Really in Charge of Trade?**

By Lee Berthiaume

August 25, 2009

Even in the days leading up to the official launch of free trade talks between Canada and the European Union in May, diplomats from the 27-member union remained doubtful that a deal could actually be inked.

The proposed economic partnership agreement was, and still is, to be the most comprehensive trade pact ever negotiated, surpassing even NAFTA's scope and complexity. And it's no secret the deal will intrude upon areas that, in Canada at least, are the jurisdiction of the provinces. Labour mobility, securities regulation and government procurement are all expected to be subject to negotiations.

As a condition for starting talks, EU diplomats and other officials had long demanded the provinces commit to the negotiating process and abide by the terms of a final deal. Those reassurances, led by the provincial governments in Ontario and Quebec, had been made numerous times. And yet it's no secret that, in some European corners, there remain major doubts over whether all of the provinces will actually co-operate, no matter how much the federal government wants a deal.

For those looking for some reassurance the federal government can cow the provinces aside, *The Provinces and Canadian Foreign Trade Policy* will sorely disappoint. That's because Christopher J. Kukucha, an associate professor of political science at the University of Lethbridge, argues that Canada's provinces have retained, and even enhanced, their abilities to intervene and influence Canadian foreign trade policy and negotiations, rather than the other way around.

Mr. Kukucha starts things with an analysis of the impacts decades of globalization and trade liberalization have had on the provinces, and the role they have played in negotiations like NAFTA and setting up the GATT.

"Not surprisingly, the fragmented nature of Canada's economy has had a direct impact on Canadian foreign trade policy," he writes. "It follows that provincial sectoral interests can provide us with insight into this country's inconsistent position on liberalization."

He goes on to cite how Alberta's energy producers want open access to the U.S., Ontario's automotive sector wants free trade with strict rules of origin, while Quebec's aeronautics industry wants protection.

The bottom line, he summarizes, is that "the provinces pressure Ottawa to represent the priorities of non-central governments." When that hasn't happened, there have been ramifications, such as in 1985 when Ontario refused to comply with provisions for liquor and wine distribution.

Mr. Kukucha goes on to look at the different links that have been established between the federal and provincial governments since the end of the Second World War, which he says is when the provinces really developed an interest in foreign trade policy. While the federal government has historically refused to let the provinces into the negotiation process, an involved consultation process has evolved, which has increased their influence.

Mr. Kukucha also delves into the interests that affect each province, namely sectoral, societal and ideological. In each case, he looks at the ways in which each province or region has its own perspectives and interests, and how this feeds back into the overall federal policy.

Regarding agriculture, Mr. Kukucha writes: "...some provinces are much more protectionist than others in this sector. Some provincial officials, for example, have embraced principles of liberalization. Not surprisingly, conflicting subfederal ideas make it difficult for the federal government to develop a consistent international position on agriculture."

This aspect of the book is interesting for those who wish to understand more about what drives the provinces to take the positions it does on different issues.

Interestingly, despite the growing influence they appear to have, Mr. Kukucha says the provinces have not actually taken the different aspects of trade policy to a level that would be expected. For example, he notes that "Canadian provinces protect sectors that are vital to economic growth and stability, yet there are surprisingly few ties between business and government at the provincial level. Few provinces have formalized their linkages with industry groups; instead, such contacts are tied to specific international negotiations and trade disputes."

As well, he notes that unlike at the federal level, it is actually a few key provincial bureaucrats who are heading provincial approaches to trade policy, most of whom have been working on the area for a long time. Funding has not been set aside for such work, while provincial politicians only intervene in crises and international trade negotiations. One would have expected growing resources for these areas.

These shortcomings have allowed the federal government to retain some of its own autonomy and flexibility, Mr. Kukucha argues, meaning the feds are not as subservient as they may seem to be on first glance.

There are some problems with *The Provinces and Canadian Foreign Trade Policy*. In many ways it seems to be looking backwards, at the NAFTA and GATT negotiations and other events that have transpired decades earlier and brought us to this point. No mention is made of the trade negotiations Canada has more recently completed or launched. It really focuses on the North American landscape, and feels a bit dated. This is understandable given that this is looked upon as a first attempt to look at the subject, but it is noticeable.

In addition, there are no recommendations for policymakers and others. This is a review and analysis, but it would have been interesting to see what Mr. Kukucha would recommend to help Canada negotiate in the 21<sup>st</sup> trading world.

As well, it is very much written in a textbook form. Policy wonks, academics, negotiators and those who are working in the field will love it (particularly those from other countries that want to understand why Canada's positions are the way they are). But this is not Sunday reading for the general public.

*The Provinces and Canadian Foreign Trade Policy* is informative and insightful. It is a first work at analyzing an increasingly important aspect of Canadian foreign policy, and sets the stage for further discussion going forward.