

Biden's biggest challenge will be facing up to China

A mix of Trump's forcefulness and a coherent commitment by America's allies is what is needed

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While U.S. president-elect Joe Biden's most immediate priorities will be domestic — containing COVID-19 and bolstering the economic recovery — his most daunting global challenge will be to constrain the Chinese Communist Party's burgeoning global aspirations. It is increasingly evident that China is determined not only to displace the United States' leadership role in Asia, but also to provide a rival economic and governance model globally.

In 1990, the U.S. economy was 17 times that of China's. Today, many believe that China's economy is on par with, or has already surpassed, the U.S. That is one significant change.

Prior to President Donald Trump, several U.S. administrations mistakenly believed that, with growing economic power, China would move to a less authoritarian political structure. It was wishful thinking that proved to be dead wrong, but which the Chinese government sought to exploit.

Trump saw the looming threat from China in starker terms and began to shift the playing field. His tariff war, intended to rectify the widening trade imbalance, has had mixed results. But when Trump started to use executive powers to check Chinese attempts to expand its technology network globally, he injected real bite into the American response. Huawei is a case in point. When the U.S. moved to block Huawei from its telecom market, all its Five Eyes partners, except Canada, fell in line, as have Taiwan and South Korea.

The Trump administration also invited several nations to join an effort to reduce their vulnerability to Chinese supply chains — a lesson learned the hard way during the COVID-19 crisis.

The threat is not just economic. China's military buildup in the region and its aggressive claims to territory are a source of alarm, which prompted India, Japan and Australia to join the U.S. in military exercises to check Chinese ambitions.

Using a slogan that Canadians will recognize, Biden asserted that "America is back." He promised that the U.S. will work closely with its allies to counter China's broad-gauged economic and security threats. Biden seems to accept Trump's basic diagnosis about the threat, but seeks a more effective response. As Walter Russell Mead wrote in a Wall Street Journal op-ed, the Biden team's critique of the country's current China policy is "about means more than ends."

Even though several of Biden's key foreign policy nominees helped shape the naive, pre-Trump policy toward China, they expressed a much tougher approach in the run-up to the election. Last summer, Tony Blinken, Biden's nominee for secretary of state, said that, "We are in a competition with China and we need to rally our allies and partners instead of alienating them to deal with some of the challenges that China poses."

Jake Sullivan — Biden's new national security advisor and a former aide to both Hillary Clinton and Biden — was more emphatic, saying that the "way to check China's display of a superpower ambition and maintain U.S. influence is to end the current trajectory of self-sabotage." This was campaign rhetoric, to be sure, but soon we should know whether these muscular statements will translate into action.

Potential Republican candidates in 2024 like Marco Rubio are already labelling the new foreign policy team in Washington as officials who "appeased" China when Barack Obama was president. Questions are also being raised about the nature of Chinese funding for the Penn Biden Foundation, where Blinken serves as managing director.

Beijing made many commitments when it entered the World Trade Organization (WTO) that remain unfulfilled two decades later, such as refusing to report on the use of state subsidies to support exporters and continuing the practice of forcing foreign companies to hand over proprietary technologies as the price for market access. Bizarrely, China continues to enjoy preferential status as a "developing country" within WTO rules.

Australia, New Zealand and Canada have already felt the sting of China's blatantly discriminatory actions on trade. They, along with nearly all of America's allies, are vulnerable to Chinese economic coercion due to the significance of existing commercial ties. Germany is economically intertwined with China, its largest trading partner, as is Japan, which conducts 21 per cent of its trade with China. These are realities that may make Biden's claim that he will "build a united front against China" all the more difficult to achieve.

A China that feels strong enough to threaten U.S. allies is a very different China than the Obama administration ever faced. Thinking outside its comfort zone to meet this new threat posed by China is the most complex task Biden's foreign policy team will face.

Reactivating the Trans-Pacific Partnership or joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership to constrain China's economic aspirations could be one element. But it is questionable given the extent to which many in Congress share Trump's aversion to multilateral trade deals. In any event, the administration's trade promotion (i.e., negotiating) authority expires on July 1 and there is no guarantee that an inward-focused Congress will speedily extend that authority.

Meanwhile, the Chinese are not standing pat. In mid-November, China and 14 other countries (Japan, South Korea, New Zealand, Australia, Indonesia, Thailand, Vietnam, Brunei, Cambodia, Laos, Malaysia, Myanmar, the Philippines and Singapore) signed a free trade agreement that could shape matters for decades to come and cement Beijing's natural role as the centre of the Asia Pacific region.

The U.S. may be annoyed that allies like South Korea, Japan and the Philippines have been willing to accommodate Beijing rather than move against it, but Trump's bully tactics with key allies in the region prompted them to hedge their bets. Reliability has not been the hallmark of U.S foreign policy in recent years, so some alliance fence-mending is definitely in order.

The rise of China creates new economic realities that cannot simply be wished away. Accommodation and conciliation do not provide a foundation for resolve, nor is a Cold War mentality the answer.

The challenge is not exclusively economic- or security-based. The crackdown on pro-democracy elements in Hong Kong and gross abuses of human rights in China itself strike at the heart of the differences between the two systems of government. The core values of the Western alliance should be the driving force for all actions intended to constrain China. A mix of Trump's forcefulness and a coherent commitment by America's allies is what is needed.

A first step on the economic dimension could be transparent action to compete openly across all technology platforms, while forging, in the name of national security, more agreements to restrict the use of Chinese technology. (This should appeal to the Big Tech companies that helped bankroll Biden's campaign, but whose behaviour in China has been more compliant than assertive.) Concerted actions are needed at the WTO, as well, in order to redress China's egregious violations of trade laws. That would still leave scope for co-operation in areas where interests intersect (climate change, food and water security, pandemic prevention, etc.)

The manner in which a bold new strategy on China evolves will be the acid test for the Biden administration and for the new president's core belief that "America is strongest when it works with its allies."

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The Transition to a Biden Administration and Trade Policy Priorities for Canada

John Weekes
Bennett-Jones Fall Economic Outlook
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Highlights
The coming into office of the Biden administration will set a new tone, and instill a new dynamic, in global trade relationships.

For Canada, it is an opportunity to leverage our economic relationship with the United States and

to pursue global trade rules, agreements, and business practises supportive of selling more goods and services to the world.

Specifically, Canadian priorities include:

using the election of Joe Biden to secure the benefits of the CUSMA and to work collaboratively on global trade reform;

stepping up efforts, in concert with United States and other allies, to strengthen the WTO;

pursuing improved rules for digital trade, trade-distorting subsidies, and competition;

diversifying our trade into dynamic Asia and Europe; and

pursuing a long-term strategy with China, including both enhanced trade disciplines and co-operation on matters of shared interest. After four years of a distinct brand of America First policy under President Trump, the Biden administration will set a new tone, and instil new dynamics, in global trade that will impact both bilateral and multilateral trade relationships. U.S. policy will nonetheless continue to be driven by U.S. interests. Indeed, while President Biden will govern a divided nation, trade is a domain where he may succeed in securing a measure of bipartisan co-operation.

Canada must situate in its own trade policy and priorities in this new environment. This chapter reviews what Joe Biden's electoral victory means for American trade policy, what Canada should do to prepare, and how in this context Canada may engage with other countries and at the World Trade Organization (WTO).

The Biden Administration's Approach to Trade

Biden's trade policy will be more measured than Trump's but focused very much on what is best for American interests. It will be less erratic and tempered by a belief that the rule of law in

international trade relations is good for Americans. However, Biden's approach may pose bigger challenges for some Canadian interests than Trump's did.

Biden will not put trade near the top of his priority list. His main priorities include the pandemic, economic recovery, climate change, and healing a fractured country. However, he will not be able to avoid dealing with a number of trade issues in the coming months. Indeed, trade considerations will permeate many aspects of domestic policy priorities. A key issue is that the "trade promotion authority" (TPA) granted by Congress to the administration expires on July 1. As a practical matter, this means that the United States will be unable to negotiate trade deals as of about April 1, 2021, until such time as Congress grants new authority. Securing trade promotion authority is a policy intensive process for both Congress and the administration, and neither will have this near the top of the priority list. It could well take at least a couple of years to get new authority. Trade policy is full of details, and Biden's team will not be able to focus on the elements that matter before late spring or early summer.

This is not to say nothing will happen immediately in the trade space—in these troubled economic times, there will be many petitions to trade agencies of the U.S. government seeking protection against imports, including imports from Canada. Any administration is already well armed with legislative authority to deal with such matters. Most investigations into imports can be triggered by private sector actors, and the administration is required to investigate within specific legislated time frames. There will be antidumping investigations against allegedly dumped imports, countervailing duty investigations against allegedly subsidised imports, safeguard investigations against imports alleged to be causing serious injury to American producers, and Section 301 and Section 337 investigations against a range of alleged unfair foreign trade practises, including alleged violations of intellectual property rights. This spells trouble for many Canadian producers, for example softwood lumber suppliers. Mexico will face the added burden of being targeted under the rapid response mechanism of the Canada-United States-

Mexico Agreement (CUSMA), which can result in duties on products from specific companies. On the brighter side, we expect that the new administration will be much less likely to use Section 232 as a protectionist weapon. Trump used this tool to slap tariffs on Canadian steel and aluminum imports alleging they were a threat to U.S. national security. Many Republicans opposed the President's use of Section 232 and there were several Republican legislative initiatives to constrain the use of the president's trade powers. Clearly, there is some scope for President Biden to work with Congress.

Trade Issues Likely to Play Out Early in the New Administration

The pursuit of a number of Biden's top policy priorities will generate trade impacts on other countries even if trade is not the intended, or the stated, driver. For example, addressing economic recovery through an infrastructure program with Buy America features, or climate change by shutting down the Keystone XL project, will adversely impact Canadian interests.

In addition several trade matters will be hard to avoid in the near term. These include dealing with China, the crisis at the WTO, foreign discrimination against American goods, and ongoing trade negotiations, notably with the United Kingdom.

Economic Recovery

Biden's insistence that public monies for large infrastructure projects be spent only on American products and jobs entails a massive Buy America program that would exclude Canadian businesses from procurement markets. There is no procurement chapter applying to Canada in the new CUSMA, and thus the fallback is the WTO. The Canadian government should take a hard look at the legal case to challenge this program as a violation of the WTO Agreement on Government Procurement. It should also work with Canadian stakeholders to minimize the adverse impacts on Canadian interests by building on successful advocacy efforts from the last

few years.

Climate Change

Climate change will be a key priority of the Biden administration. With the appointment of John Kerry as climate czar, the president-elect is taking steps to ensure an all-of-government approach is implemented to advance this priority in both domestic and international affairs.

Biden has promised to rescind the Presidential permit for the Keystone XL (KXL) pipeline. This is important for Biden's base, and while it would be damaging economically to Canada, and in fact, achieve no reduction of emissions in the United States or globally, it could be an easy political win. President Biden will rejoin the Paris Agreement on climate change, something he can do without the support of Congress. However, it will be more difficult for him to get Congressional support for laws to reduce carbon emissions in the United States. He may try to reduce emissions through executive orders and regulatory actions in cases where the administration has authority to do so. If the administration succeeds in imposing emission reductions onto trade-exposed sectors of the economy, then the implementation of border-adjusted carbon taxes to offset the competitive edge of imports from countries with less onerous carbon policy is probably inevitable. At least one very credible American trade expert thinks such measures could attract bipartisan support and would be WTO compliant.

Border taxes would also generate revenue. U.S. interest would be intensified if the European Union moved forward in this direction. Canada itself has staked some ground. The Fall Economic Statement states that "the government is exploring the potential of border carbon adjustments, and will be discussing this issue with our international partners."

Large-scale subsidy programs for green technology that would discriminate against foreign suppliers

would pose challenges to Canadian interests by eroding the competitiveness of our firms in global markets.

Canada will need to defend vigorously its interests and move early to engage the United States on cooperative approaches to energy and climate that would keep the border open to Canadian goods and services. It is only within this wider context that KXL stands any chance of survival.

China

While there is a broad bipartisan consensus in the United States that China poses a threat to American interests, Biden has been clear that China is a “competitor” and not an “enemy”. The Biden administration is likely to pursue a more rational and predictable approach toward China than has been the case under President Trump. In a welcome departure from Trump’s approach, Biden has signalled that he wants to work with allies in bringing China more effectively into the rules-based system. This would mean a change to Chinese practises with respect to the behaviour of State-Owned Enterprises (SOEs), and reductions in subsidies, particularly industrial subsidies. Biden will also have to decide what to do about the tariffs Trump unilaterally applied to China.

While acting forcefully on trade, Biden may also look to areas of co-operation with China, including climate change, renewable energy, and health. This two-pronged approach to China, and United States willingness to join with allies in the cause, will be in Canada’s interest. There should be an early signal that Canada is willing to work with the new administration on this agenda.

Crisis at the WTO

As a supporter of traditional American multilateral diplomacy, the Biden administration will want to show continued support for the WTO. In particular, it will want to engage constructively in appointing a new Director-General and in finding a solution to the impasse largely created by the Trump administration

over the Appellate Body. It will also want to use the WTO and its dispute settlement system as part of its China strategy. There will be significant opportunities for Canada to work with the new administration in pursuit of Canadian objectives for WTO reform. We return to these ideas in the section on the WTO below.

Market Disadvantage for American Goods

American businesses and agricultural producers are losing ground to foreign competitors in lucrative markets in Europe and the Pacific because U.S. producers face higher levels of protection in these markets. Indeed, unlike Canada and several other countries, the United States does not have a free trade agreement with the European Union and it is not part of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The current situation gives Canadians an opportunity to make inroads into European and Pacific markets while their American competitors remain at a disadvantage. However, U.S. business interests will exert pressure on the administration and Congress to rectify the situation by negotiating similar agreements with these regions.

Ongoing Trade Negotiations

The Trump administration has completed so-called Phase I agreements with China and Japan and it intended to pursue more comprehensive agreements at an early date.

An agreement is also being pursued with the United Kingdom. It may be seen as particularly attractive because the United Kingdom, the world's fifth largest economy, leaves the European Union on December 31. Indeed, some Washington insiders think it might even be possible to get an extension to the current TPA authority limited to the United Kingdom negotiations to allow time for them to be concluded. The United Kingdom does not raise serious concerns among Democrats about the labour and environmental impacts of trade agreements. As the administration and the Congressional leadership take full stock of the state of play, and

of opportunities for trade negotiations, trade may move up the policy priority list and the TPA may be adjusted accordingly.

An Opportunity to Reboot the Canada-U.S. Partnership

Canada should move strategically to engage the new administration on strengthening North American co-operation as a critical step in securing a better future for Canadian business in the post-COVID world. Canadian officials are already engaged in this sort of planning. Canada should demonstrate how it can be a helpful partner, with useful ideas. If Canada waits until the United States fleshes out its own agenda, actions may be cast in stone, and they may not accommodate Canadian interests. No doubt, old bilateral trade irritants with the United States will persist. New ones may arise. While standing up for Canada, our government needs to try to ensure that the irritants do not undermine the underlying strength of the bilateral trade relationship. Concurrently, working together on global challenges increases the prospect of successfully managing bilateral disputes. To be successful in its U.S. engagement, Canada needs to have a clear sense of its objectives and goals—the key elements of trade reform and trade disciplines needed to bolster Canadian trade competitiveness. This work would also pay dividends in furthering wider co-operation, for example with Mexico in working toward the smooth implementation of the CUSMA.

As part of the same strategy, Canada must also be prepared to firmly defend its interests if the United States, or any other country, takes unjustified action against Canadian exports. In the case of Trump's tariffs on Canadian steel and aluminum exports, Canada demonstrated that carefully calibrated retaliation was a decisive tool in getting the Americans to change their position. Many Canadians do not fully appreciate how important the Canadian market is to Americans. For instance, in the high value added area of agri-food consumer products, Canada imports roughly the same amount from the

United States as China, Hong Kong, Taiwan, Japan and South Korea combined.

There are many trade policy matters for early discussions between Canada and the new administration.

Strengthening and Reforming the WTO

Now is the time to make a serious effort to strengthen multilateral trade co-operation. The Biden administration will likely be supportive. As the convenor of the Ottawa Group, Canada can be a facilitator.

To reinvigorate the WTO and restore its potential as the primary vehicle for international trade co-operation, three things are desperately needed.

First, the WTO must complete the process of selecting a new Director-General. The clear front runner is Dr. Ngozi Okonjo-Iweala, a former Finance Minister of Nigeria and Managing Director of the World Bank. However, the Trump administration refused to support her appointment. The issue should be discussed with the Biden transition team to facilitate a decision as soon after January 20 as possible.

Second, WTO members must find a way of restoring the Appellate Body, which is vital for the dispute settlement system and the credibility of the organization. The creation by a group of members, including Canada, of an interim appeal mechanism shows that an appellate function is considered essential. Many ideas have been advanced about how to resolve the crisis. A solution is within reach for reasonable people. Once again this is a matter which should be taken up with the new administration in Washington.

Third, a credible program needs to be developed to restore the negotiating function of the WTO. This would involve various negotiations already underway in the WTO and a work program for elements like those described below in

this section. Having a U.S. administration that believes in multilateral co-operation will facilitate this task. Members should work to put such a program in place at the next Ministerial Conference of the WTO, which will probably take place sometime in 2021.

Working Toward a Framework for Digital Trade

The digital economy is the most dynamic factor in international economic relations and it is critical that rules be developed and implemented for trade to make the best contribution to growth and widely-shared benefits in the global marketplace. The competition between the United States and China in this area is a point of serious contention that risks splitting the world into two digital universes. Work in digital trade is a priority in the OECD and at the WTO. Actual provisions on digital trade have already been incorporated into the CPTPP and the CUSMA. Also noteworthy is the work in this area undertaken by New Zealand, Chile and Singapore which, resulted in the Digital Economy Partnership Agreement signed earlier this year. This self-standing agreement could lead the way to a series of similar agreements among other countries, pending the incorporation of such provisions into various trade agreements including potentially the WTO.

Reducing the Use of Trade Distorting Subsidies

As governments emerge from the pandemic heavily indebted, this is an excellent time to try to improve WTO disciplines aimed at reducing the use of trade-distorting subsidies. Before the pandemic, the United States, the European Union and Japan were already discussing how to engage in such negotiations with China. For Canada, heavily dependent on the export of primary commodities that are often subsidised by foreign governments, this is a major opportunity. A successful negotiation would allow governments to focus their subsidies in areas that will promote improvement in their economies, while avoiding those that are most trade distorting. Subsidies less likely to distort trade include investments in infrastructure and health care systems.

Making Trade in Medical Products and Services

More Resilient and More Open

The pandemic illustrated the fragility of some supply chains and the risk of trade-distorting measures for critical supplies—underscoring opportunities for global co-operation. In the early weeks of the pandemic, there was a rush to secure supplies of personal protective equipment and various other medical supplies. Shortages resulted and many countries erected export controls to protect scarce domestic supplies. Similar pressures arose in the food and agricultural sector. Governments began outbidding each other. Some argued that each country should be securing its own domestic production to ensure adequate supplies in time of crisis. Many are now recognizing the shortcomings of such an approach. Canada is already playing a leading role through the Ottawa Group in proposing a more resilient system to manage a future pandemic more effectively.

Strengthening International Co-operation on Competition Policy

There is growing concern about the threat to competitive markets of the phenomenal increase in market power and concentration in the hands of a few dominant corporations—thus a question of whether trade policy could help advance a coherent international approach. Governments have been taking action within their domestic or regional (i.e., European Union) frameworks against anticompetitive behaviour but their approaches on practises that cross borders often differ. Some free trade agreements promote co-operation among competition authorities, but so far there has been no serious effort to develop and enforce rules on a multilateral basis. While there could well be reticence in the United States because several dominant American companies might be targeted, new disciplines would also impact on dominant Chinese enterprises.

Global Challenges for Canada

Quite apart from dealing with a new U.S. administration, and cooperating with it on issues of common interest, Canada has to respond to shifting trade dynamics and ensure that we are in a position to sell goods and services and to trade in growing economies and new markets.

Dealing with Fast-Growing Economies of the Pacific

Leaders of 15 nations of the Pacific captured the world's attention on November 15 when they signed the Regional Comprehensive Economic Partnership (RCEP). This deal, eight years in the making, links the 10 members of the Association of Southeast Asian Nations (ASEAN) with China, Japan, South Korea, Australia and New Zealand. It is the first free trade agreement between Japan and China, and between Japan and Korea. It consolidates earlier separate trade agreements between the ASEAN countries and each of the other five nations now signatories of RCEP.

While the RCEP is not of the same quality as the CPTPP, it establishes a common set of rules of origin which is likely to strengthen regional supply chains in the orbit of China. If a good produced in the region qualifies for free trade access in the market of any one member, it similarly qualifies in the market of all countries of the region. While experts are still analysing the RCEP agreement, some weaknesses and gaps relative to the CPTPP are evident. Duty elimination will cover only 90% of goods and it will take 20 years to phase in; coverage is particularly weak for agricultural products. There is no chapter on digital trade, nor on state-owned enterprises. Provisions on services, and on product regulations that impede trade, are less well developed.

Nonetheless, the question is posed whether accession might make sense for Canada. We have been struggling for years to get a negotiation with
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ASEAN launched, and there is some attraction to having an agreement with China which could be a possible stepping stone to something better.

There is some time to reflect on the question. The RCEP will not come into force until it is ratified by at least six ASEAN countries and three of the other five signatories, which could delay ratification.

Accessions cannot take place until at least 18 months after that, and are subject to the consent of all the parties to the agreement and “any terms or conditions that may be agreed.”

Dealing with China

China is too big to ignore: its economy, already the largest in the world by some measures, and still among the fastest-growing, is moving rapidly from being a low-cost producer to a leader in advanced technologies. It is already the largest trade partner for many countries in the world. Interestingly, despite COVID, and despite tension in the bilateral relationship, Canada’s merchandise exports to China in September 2020 were 12.5% greater than a year earlier—this, while Canada’s total merchandise exports dropped 7.4% and exports to the United States were down 10.4%.

At the same time, geo-political tensions and the real prospects of an economic cold war from which no one will benefit represent a significant risk for the global economy. China’s behaviour with respect to the Uighurs and Hong Kong and the South China Sea, as well as the erratic actions of the Trump administration, have aggravated a strategic rivalry between the world’s two largest economies and dominant geo-political forces. Canada’s own relations with China have deteriorated following the arbitrary detention of two Canadian citizens (Michael Kovrig and Michael Spavor) after our arrest of Huawei’s Chief Financial Officer, Meng Wanzhou, further to an extradition request from the Trump administration.

How we deal with China is a matter that is critically important for Canada’s economic future: short-termism is not a viable option; focusing on the long game, while difficult today, is essential. Just as in the United States, the pendulum of power shifts in China from one leadership to another. While there is

no doubt about the tightening that has taken place under the Xi Jinping regime, at some point if China's history is a guide, those favouring opening up and greater reform will once again be in the ascendancy. Shutting ourselves out of an economic relationship with China today would be a serious handicap in pursuing longer-term opportunities.

In the short term, as long as the situation of the two Michaels and Meng Wanzhou is not resolved, there is little the government can do to make Canadian exports to China more secure, but the ground needs to be laid now for future negotiations in better circumstances. Such work needs to operate on two tracks. The first track is negotiation with China on industrial and agricultural subsidies, and on reform of rules to ensure that SOEs engaged in international trade operate on the basis of market signals rather than government fiat. The Biden administration will be focused on this challenge, and this offers the best prospect Canada has for encouraging reform in China. The second track is to seek areas of co-operation that achieve mutual benefit. In the overall process, Canada has to advance its own interests, including our exports of goods and services, and two-way trade in technology. We need to be able to compete in China with the United States and others.

Making Trade Agreements Work for Canada
Canada should continue efforts to ensure that the major trade agreements concluded in recent years deliver results for Canadian exporters that are noting, with some justification, that non-tariff barriers frustrate what was negotiated. The government should work with its free trade partners in the CUSMA, the CPTPP and the Comprehensive Economic and Trade Agreement (CETA) to remove residual barriers hindering our exports.

The government has now concluded an agreement with the United Kingdom to continue CETA-like treatment when the United Kingdom completes its transition out of the EU on December 31. The agreement is a foundation to initiate new negotiations in 2021, to improve on the CETA, and to open new bilateral opportunities.

Importantly, the government needs to identify how best to encourage and assist Canadian businesses to take advantage of the new trade agreements. Despite unprecedented efforts to explain the new market openings to businesses, and to offer them support, the private sector uptake has been disappointing. Some kind of new approach should be tried. While the government knows all about what was negotiated, it is the private sector that actually engages in trade and understands the intricacies of market operations. Individual Canadian businesses are unlikely to have fully digested what the new agreements could mean for their markets and for their bottom lines. Perhaps it would be useful to experiment in a few areas that appear promising with small, carefully selected teams from government and businesses actively engaged in particular markets of interest. The objective would be to review how negotiated trade provisions can open concrete and profitable market opportunities for business, and then to pursue those aggressively.

Global 2021: A Saner, Less Fragmented World

Jeremy Kinsman

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Canada has spent the past four years wedged between an unrecognizably belligerent United States and an unproductively belligerent China. Provided the economic damage from the COVID lockdown doesn't produce geopolitical consequences that make 2020 look good, a new US administration and a fresh appreciation of both democracy and multilateralism present a new opportunity for Canadian leadership in 2021.

Donald Trump's exit from the White House wins our disrupted and divided world another chance to get its collective act together to meet existential global challenges.

Only 20 years ago, Canadian diplomacy was at the front end of the post-Cold War effort to design and anchor new inclusive norms for international governance. Do we still have the stuff, the will and ability, to be a key player again?

We have a stake in successful international cooperative outcomes. It needs robust outreach diplomacy. Canada can't just fall into line behind Joe Biden's more congenial US leadership and hope for the best.

The world has vastly changed in 20 years. Optimistic assumptions were crushed by events whose residue still disrupts. The jihadist attacks of September 11, 2001 re-cast global priorities, fed enduring terrorism, and prompted the long Afghan war and the disastrous and divisive US/UK invasion of Iraq that spewed refugees into Europe. Borders stiffened and populist nationalism gained traction, bolstered by ubiquitous social networks that polarized publics. With the encouragement of Russia, nativist populists vilified globalization and liberal democracy. Meanwhile, China continued its remarkable and inexorable rise in economic stature, shifting the global balance of power, with an increasingly nationalist posture.

Barack Obama's election in 2008 had lifted hopes of a reprise of constructive internationalism. But the financial cataclysm he inherited laid bare an unfair system that privileged capital over ordinary people's welfare.

The world's mood trended to pessimism and identity-based nationalism, including in the UK. The US elected as president a disruptive nationalist who wrought carnage on international cooperation and institutions. Pledging to "no longer surrender the country to the false song of globalism," Trump tore up foundational agreements in the name of "America first," upending 75 years of US international leadership.

Just how scorched he left the institutional landscape was clear when the increasingly deadlocked G20 met virtually on November 21, under the inauspicious rotating chairmanship of Trump ally Saudi Arabia. Trump mocked hopes of concrete progress on the agenda, trashing the notion of global warming, and skipping the critical session on the global pandemic to play golf.

Most countries now impatiently endure an overlong and dysfunctional US transition, anticipating the remedial succession of Joe Biden, a welcome multilateralist.

But expectation of restoration comes with a hedge. Germany, as an important example, had since the war viewed the US as its key ally, protector, and democratic mentor before Trump turned the privileged relationship into what Germans came to call the US "catastrophe." The US reputation for can-do competence plummeted as the world witnessed with a "mixture of concern, disbelief, and *schadenfreude*," a "leaderless America slip into a deep pandemic winter," per *CNN's* Brian Stelter. Chancellor Merkel's observation that "the times we could rely on the US are somewhat over" won't now be archived just because of a close election. Trump leaves behind a polarized US which could reverse direction again.

Even though the incoming Biden team is reassuringly experienced, positive, and outward-looking, it will face an obstinate partisan opposition, the overwhelming domestic priority to manage the pandemic and economic recovery, and the many unexpected things that land on the president's desk. US allies share German worries

about the extent to which the new administration will have much room for range and transformative ambitions in foreign affairs. So, others need to maintain creative momentum to reform and reinforce international cooperation. Will Canada be in the front rank?

Princeton University international relations theorist John Ikenberry observes that “the world order has (so far) endured because it is in everybody’s interest.” But that general interest has to be translated into common purpose, and it doesn’t come easily. Two decades ago, as the dean of G8 finance ministers, Paul Martin argued convincingly that the world needed a more inclusive forum to negotiate trade-offs on critical global challenges. It became the G20. But it isn’t working. Notions that a democratic G7 enlarged to include India, South Korea, and Australia would provide a more inclusive but effective forum than either the G7 or the G20 begs how to engage China. The increasingly fractious rivalry between China and the US for economic primacy is apt to define our age.

A rare US bipartisan consensus concludes that China has gamed international trade rules, bullies neighbours, and represses human rights in Xinjiang and Hong Kong. Canada, other democracies, and China’s neighbours agree. Incoming US Secretary of State Antony Blinken knows the resolution of key global issues needs agreement between the US and China. He has previewed the bilateral relationship as a composite of components that are adversarial, competitive, and also, where possible, cooperative, recognizing that on global warming and the pandemic, China is an essential factor. The US will resist calls to “de-couple” western economies from China’s and won’t endorse an allied Cold War “containment” strategy. But the Biden administration will move warily and firmly. Other countries need to engage China on multilateral issues. Canada needs a realistic and open-eyed approach only possible after resolution of our debilitating hostage dispute.

Of course, our main bilateral priority is our critical relationship with the US. Canada has, in the Biden administration, a partner on whom we can count for civil discussion and negotiation based on shared facts and evidence. But it will be no pleasure cruise: US political themes are inward and protection-ish. We need to remain in campaign communications mode toward all levels of the US, to temper impulses to “buy America,” and to lift the US view of the benefits of the North American partnership.

Other regions are organizing. Asian countries including China, Japan and Australia, representing one-third of global GDP have created the tariff-cutting “Regional Comprehensive Economic Partnership.” Canada must succeed in Asia. Looking ahead, our Comprehensive Economic and Trade Agreement with the EU could become the template for a comprehensive North Atlantic economic partnership between the European Union and North America as an expansion of NAFTA.

Canada needs to work every day abroad to strengthen opportunities from a diversity of partnerships, including to build support for global multilateral reform. Twenty years ago, Foreign Minister Lloyd Axworthy was the leading protagonist for “*human security*,”

a paradigm placing people at the centre of new norms of international behaviour and accountability. With like-minded middle-rank states and international NGOs we formed the Human Security Network to design and promote landmark initiatives to end the use of anti-personnel land mines, and to establish both a Responsibility to Protect (RTP) to prevent tragedies such as Rwanda and Srebrenica, and an International Criminal Court to apply principles of universal justice.

Today the United Nations system is bogged down by the fragmentations of our world. We badly need like-minded solidarity groups to galvanize institutional reform and positive outcomes for such essential UN activities as peacekeeping, humanitarian aid, poverty, migration, and public health, including immediately the COMAX coalition of over 100 countries to assure equitable affordable COVID-19 vaccine distribution, in which Canada should be a protagonist.

Ottawa has been working with like-minded internationalist countries to try to unlock some key multilateral issues. On trade, the Ottawa Group initiative of middle-power countries to revive and reform the World Trade Organization is making progress. But it will need a wider buy-in from the great powers. More broadly, then-Foreign Minister Chrystia Freeland encouraged the formation of the Multilateral Alliance group that brings together Canadian, German, French and other partners seeking ways to re-build trust and purpose in multilateral fora. One exemplary success stands out as a model of international governance—the Arctic Council, an innovative, bottom-up consensus-based organization of the eight circumpolar states and Indigenous peoples that guides the sustainable development and shared custody of the world’s High North in line with the UN’s international legal norms.

Joe Biden has pledged to convene a summit of democracies to address democracy’s global recession and to restore a better example. It should reaffirm that universal human rights are democracy’s building blocks and our commitment to have the backs of human rights defenders everywhere, consistently.

As to our creative policy capacity, the perception in the foreign affairs community is that it atrophied under recent top-down governments centralized in PMOs and leaders with narrower international aims, focused on signaling our virtues, absorbed by electoral politics.

But crisis response has been excellent, notably in procuring PPE, and evacuating Canadians during the pandemic. Work to save NAFTA and craft the ground-breaking CETA with the EU was outstanding.

We need to revive the creative capacities of the Foreign Service and re-energize our international public diplomacy. The world also sees “the other North America” through interacting with multitudes of Canadian scientists, entrepreneurs, scholars and students, artists, humanitarian workers, military, firefighters, and innumerable family ties. Including public consultation in the policy process is essential.

The pandemic makes it emphatically clear we are all in the same global boat. But it needs fixing to stay afloat. Canadians are globalists. That repair work is rightfully our brand.

A sad anniversary for Kovrig and Spavor brings more of the same

Gar Pardy

The Hill Times, December 18, 2020

The time has more than come for the Canadian government to accept its responsibility and initiate discussions with Beijing on seeing the three victims—Michael Kovrig, Michael Spavor, and Meng Wanzhou—returned home.

Another sad anniversary has come and gone. Michael Kovrig and Michael Spavor remain locked physically and politically within the confines of the prisons of China. The inability and unwillingness of the government of Canada to initiate actions that could lead to their release and return home continues.

The anniversary was marked by reiterations by the Prime Minister and the Minister of Foreign Affairs of earlier statements. Obtaining the release of Mr Kovrig and Mr Spavor remained the “highest priority” for the government and, according to the Prime Minister in the House of Commons, “Canada has done absolutely everything necessary to try and get them home safe.”

The possibility of a collectivity of democratic countries forming to pressure China to forgo its confrontational approach and “hostage diplomacy” is muted but there are few signs anything useful will emerge. After two years thin to no gruel at all.

In the meantime, the Canadian Ambassador to China, Dominic Barton, spoke to the Commons Committee on Relations with China. He told the Committee both men were “very healthy, physically and mentally.” The Ambassador was “deeply inspired by their resilience and mindset. It’s incredible given everything they have gone through.” His comments, suggesting that two years in a Chinese prison are ennobling, should be questioned by all as they are based on two contacts through video over the past ten months. The magic of television lives on but to characterize this as “visits” belies every meaning of the word.

The United States remain involved to the extent that there continues to be efforts to conclude an enlarged trade agreement with China in the last days of the Trump presidency. Earlier, President Trump suggested the release of Mme Meng from American criminal charges might be of use in negotiating such an agreement and the leaked news of a deferred prosecution agreement might be in the works could well be an

element in the American negotiating strategy. As such, it would have little to nothing to do with the release of Mr Kovrig and Mr Spavor, as has been suggested by several commentators.

The “get tough with China” suggestions continue although the elements of such an approach offers little prospect of influencing the policy of China. Most recently the idea of sending Christmas cards to the Mr Kovrig and Mr Spavor through the Chinese Ambassador has gained momentum. It is suggested this would contribute to the well being of the jailed Canadians and influence China. Whether the cards ever leave Canada is of some doubt. But the idea of sending the cards to the Prime Minister has no traction.

Much in the same vein as the Christmas cards is the idea of boycotting various events involving China, including the Olympic winter games in 2022. Some may remember a similar effort following the Soviet invasion of Afghanistan in 1979. The games in Moscow in 1980 and those in Los Angeles in 1984 were boycotted by a variety of countries but the only results were the asterisks attached to the awarded medals.

There are now increasing suggestions of responding to China using political and economic measures. The recall of the Canada’s ambassador to China and/or declaring the Chinese ambassador to Canada as no long welcomed has been mentioned. As well, the possibility of economic sanctions against specific Chinese officials using the Canadian Magnitsky law has been suggested and the boycotting of goods from China forms part of the discussion. There is, however, no suggestion that Canada might reduce its exports to China.

In all of this there is little concern over the lack of action by the Canadian government. Surprisingly, Canadians seem comfortable with the illusory statements by the government that everything possible is being done and it is appropriate for the government not to give in to Chinese demands for the return of Mme Meng.

Various members of the opposition offer suggestions of getting “tough” with China but this has all the ringing of a bell without a clapper. Canadian China experts generally support the “tough” approach but this at times seem to reflect regrets for their earlier roles in seeing China through glasses rosy. Australia is often mentioned as the model for such action but distance does distort. Diplomacy on such matters should not involve self-injury nor the well-being of citizens. Australians are slowly learning the price of its fool-hardy actions.

In all of this, there is only one inescapable truth. The well being of Mr Kovrig and Mr Spavor is the responsibility of the Canadian government. It cannot be offloaded to maybe actions by others. Diplomacy at this level is not pretty nor is it avoidable. The time has more than come for the Canadian government to accept its responsibility and initiate discussions with Beijing on seeing the three victims – Michael Kovrig, Michael Spavor and Meng Wanzhou – returned home.

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Government competence is important in a crisis. Canadians have reasons to be worried

From piling up mountains of debt to haphazard messaging on the pandemic, our elected leaders are not demonstrating a steady hand

Derek H. Burney

National Post, December 14, 2020

The combination of a flimsy fiscal update and the erratic management of the COVID-19 pandemic raises questions about the competence of government in a crisis. Public trust should be ebbing on both challenges.

What the fiscal update revealed most pungently was that the government massively overspent on benefits to individuals without really helping those most in need. Most of the money distributed was saved, not spent. Deficits in Canada are now the largest in the G20 and nearly twice those in Europe. No Canadian government has spent as much so fast, or so cavalierly. Finance Minister Chrystia Freeland promised to spend \$70-100 billion more over five years without indicating when or how she would start to spend less.

The reckoning will come, inevitably, when the piper demands to be paid.

The most likely consequences will be higher taxes and higher deficits that will shake investor confidence and lead to capital flight.

Examined under direct sunlight, the fiscal update reads like an election platform providing a pastiche of many flavours intended to appeal to a galaxy of potential Liberal voters, outflanking the NDP on the left as was done successfully in 2015. As a responsible financial forecast of what lies ahead, it beggars belief.

On COVID-19, the cacophony of voices — scientific and political — in Canada accentuates a checkered, whack-a-mole response to the virus by governments, inspiring more confusion than trust in the debate, more fear, even hysteria, and shaking confidence with the public at large. People can only be persuaded to “follow the science” if the message is rational and consistent. Canadians meekly comply with inconsistent, ill-founded lockdown edicts that trample basic freedoms and thwart efforts by small businesses to survive. Lives are important but so are people’s livelihoods.

An undercurrent of smug satisfaction prevails, nonetheless because, while we may not be coping well, we are doing better on the virus than our American neighbours.

It is time for a little humility about our relative performance, to resuscitate public trust just as breakthroughs on vaccines and therapeutics are about to enter centre stage.

There should also be an open acknowledgement that we have much to learn from many countries, especially in Asia, which have managed far better. A modicum of accountability on how the money was spent would be timely, as well. The provinces received \$19.5 billion to deal with the second wave but where exactly did the money go?

Vaccines are seen as the ultimate remedy, but questions persist about where Canada stands in the queue of recipients, how quickly we will receive doses and how efficiently they will be distributed.

The tremendous scientific breakthroughs on vaccines were triggered primarily by Operation Warp Speed, an unprecedented partnership in the U.S. among government, science, the private sector and the military, which produced vaccines in a record 10 months compared to the norm of six to 25 years. Regrettably, there is nothing comparable happening in Canada, less evidence, too, of a concerted, comprehensive approach. That undermines confidence in the efficacy of vaccines. Without public trust, the vaccines will not provide a miracle cure.

The fiscal update may capture the wish lists of some who crave more government control of our well-being but, as Perrin Beatty, head of the Canadian Chamber of Commerce, has stated, it is not a “game plan for economic recovery.” Nor does it feature evidence of revenue enhancing measures or actions to rectify Canada’s chronic, competitive disadvantages vis-a-vis our major trading partner or policies that will inspire innovation in Canada.

The appointment of Michael Sabia as deputy minister of finance should bring a degree of rigour to a department that seemed to have abandoned its role as the fiscal rudder of government.

Despite a decade of extensive grants and funding mechanisms intended to boost innovation, Canada stands dismally 22nd in the world, one notch below Slovenia. When small Canadian startups do develop indigenous technologies, they are often acquired by larger non-Canadian entities with larger ambitions. Direct inducements from government seldom stimulate new technologies or economic growth. Instead, what the private sector needs is a policy environment that attracts both investment and research.

Prime Minister Justin Trudeau might take a cue from his Mexican counterpart, President Lopez Obrador, who, despite being a leftist “champion of the poor,” has followed a conservative approach to government spending, reflecting his experience with several Mexican debt crises in the 1980s and '90s that led to peso devaluation, high inflation and government bailouts.

Mexico’s caution may pay off when the pandemic ends and other countries, like Canada, are left with large piles of debt. While Canada has dispensed \$650 billion to date, the Obrador administration has distributed only \$1.7 billion since the pandemic hit, mostly loans to individuals and small and micro enterprises. In ratifying Mexico’s investment-grade rating last month, Fitch Ratings said, “Mexico is giving priority to the stability of public finances.”

Getting our own fiscal house in order is the essential foundation for economic growth. Stabilization measures in the wake of economic free fall were essential when the pandemic broke but should have been temporary. We quickly learned that, if you pay people more to stay home than to work, that is what many will choose to do. Concepts of guaranteed incomes carry a similar risk.

The COVID-19 pandemic has also exposed the fragility of Canada's health-care system. Emulating the adage of former U.S. president Barack Obama's chief of staff, Rahm Emanuel, that "you should never let a good crisis go to waste," it is time to look to structural reforms for a system that is more than 50 years old and is wilting under the combined pressure of soaring demand and limited resources. Health-care costs already absorb more than 50 per cent of the Ontario government's budget with a similar trend in other provinces. Demand pressures are limitless, forcing rationing or quotas and delays across the board. Mediocre is not a standard worthy of praise.

Our system is neither universal, as we like to pretend, nor is it technologically advanced. One major reason is that it lacks the most efficient ingredient for consistent improvement — competition — the root of success for any private enterprise.

We need to escape the phobia that a complementary public/private health-care system is un-Canadian or a "third rail" in Canadian politics. There are efficient, public/private models in Europe and Asia that prove otherwise. We should be guided by facts and comparative analyses, not emotions. Political leaders should stop pandering with myths and bogies and offer Canadians a rational choice for the future while acknowledging frankly that the status quo is not sustainable.

Public trust can be regained if politicians discuss challenges honestly with their constituents. Turning a blind eye to a system that is faltering is irresponsible. Saddling future generations with the burden of expensive social engineering panaceas is neither straightforward nor viable. The public has reason to be skeptical.

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Arts and artists need a 'new deal'

Deanna Horton

Hill Times, January 5, 2021

Supporting the arts as part of the creative class that is essential to innovation and economic development does not require the costs of building hard infrastructure, and the impact may be intangible.

The government has recognized the necessity of fiscal stimulus not only to revive the economy, but also to support the most vulnerable. Artists and the arts sector are at serious risk during the pandemic. For example, a recent Nordicity report noted a survey of live music which indicated that 96 per cent of surveyed venues were at risk of failure—only one sector of the arts spectrum, many without access to enough government support.

Using additional fiscal stimulus to support the arts would be an investment in our future, it would help rebuild our communities, and improve quality of life for artists and audiences alike. And it would allow artists to make an immeasurable contribution to a better post-pandemic future.

Why not a 21st-century Canadian version of the Depression-era New Deal? Franklin Roosevelt's Works Progress Administration (WPA) in the U.S. was an ambitious program integral to his New Deal. Support for bricks and mortar infrastructure was only part of the story. The WPA also employed thousands of artists, musicians, actors and writers through a WPA program known as Federal One, enthusiastically promoted by Eleanor Roosevelt.

The WPA supported American artists, such as Jackson Pollock, and others who went on to become icons of the postwar abstract expressionist movement—Mark Rothko, William de Kooning and Lee Krasner. The WPA program allowed more than 5,000 other artists to work in their chosen fields and develop their skills.

The Federal Theatre project, also a part of Federal One, not only supported theatre across the country, but also the professionals who went on to illustrious careers, such as Arthur Miller and Orson Welles.

Federal One made up only a minuscule (0.5 per cent) portion of WPA expenditures—just US\$27-million of the nearly US\$5-billion that had been earmarked for WPA work programs went to the arts.

What's more, the U.S. Farm Security Administration sent photographers across the country—who can forget the iconic photographs of Dorothea Lange and Walker Evans that documented the hardships of life in rural America?

Fast forward 85 years to a pandemic-instigated recession where high-touch sectors, such as culture, are uniquely vulnerable.

Programs are necessary to ensure that the largest cultural institutions in Canada—those that attract both Canadians and visitors—are given sufficient funding to tide them over, and to use their innovative skills to create new ways of reaching audiences. The government's Nov. 30 economic statement, which announced additional funding for Canadian Heritage and the Canada Council for the Arts is a welcome step, but institutions are still fighting for their survival.

Most importantly, however, the artists who depend on these institutions should be given more support for their work. Artists creating on their own or in groups are critical to reweaving Canada's cultural fabric now and into the post-pandemic era.

This past year, performing artists have demonstrated their ingenuity by embracing online technologies to engage their audiences. Their creativity forms the lifeblood of our communities. Many are volunteering or working at a fraction of what they would normally earn, because just as we need them, they need us. There is nothing that can replace the shared experience of viewing visual and performing arts, and our cultural sector is demonstrating its talent and commitment to audience engagement, even if only virtual.

Cultural industries are a vital part of the "creative class," the term coined by renowned urban geographer Richard Florida. As we move deeper into the global digital economy, the services and software-related industries will underpin our competitiveness. Supporting the arts as part of the creative class that is essential to innovation and economic development does not require the costs of building hard infrastructure, and the impact may be intangible. But there is little doubt that the government's support for cultural institutions and artists will prove a wise investment for Canada's future. Let's put them to work to help us thrive.

In a recent speech, Minister of Infrastructure and Communities Catherine McKenna quoted Roosevelt's maxim for the intangible impact of the New Deal as "inspiring hope for the future." The arts are an intrinsic part of Canada's brand, and of our innovation edge. If Canada is to lead on the world stage, cultural industries and the artists who support them should be given the support they need to play their roles.

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Links

Jeremy Kinsman

CTV "Diplomatic Community" January 5, 2021: - Whither Trump, Trumpism, and US democracy?

<https://www.ctvnews.ca/video?clipId=2112737>

CTV Diplomatic Community: December 15, 2020: CHINA, CHINA, CHINA!!!

<https://www.ctvnews.ca/video?clipId=2101800>

CTV News, December 8, 2020: Vaccine nationalism as US rivals fight; then, the US/Huawei/China, Meng Wanzhou's Canadian hostage mess – progress

<https://www.ctvnews.ca/video?clipId=2096627>

CTV Diplomatic Community, December 1, 2020: Prologue to change in US policy in Middle East - assassination of Iranian nuclear scientist, and Saudi chairmanship of a meaningless virtual G-20, while prosecuting women's rights advocates, as exiting Trump golfs

<https://www.ctvnews.ca/video?clipId=2090311>

Canada's Goal: Re-engaging the World on Trade

John Weekes

Policy Magazine, January 2021

The top trade priority for Canada in 2021 must be building an effective working relationship with the incoming Biden Administration in Washington. The reasons are simple. The United States remains by far our most important bilateral partner and working with the US will enhance the prospects for achieving Canada's objectives for global trade reform.

During the transition, President-elect Biden made clear that his focus will be on the pandemic, economic recovery, climate change, and healing a fractured country. Trade is not near the top of his priority list. However, Biden will find it hard to avoid dealing with a number of trade issues because trade considerations will permeate many aspects of his domestic policy priorities.

Biden's trade policy will be more mea-

sured than Donald Trump's—less erratic, but still focused very much on what is best for American interests. Very importantly, it will be tempered by a belief that the rule of law in international trade relations is good for Americans. However, Biden's approach may still pose significant challenges for Canadian interests.

Any serious discussion of the future trade agenda will need to take account of the fact that the legislative framework empowering the president to negotiate trade agreements—Trade Promotion Authority or TPA, also known as “fast-track authority”—was last renewed in 2015 and expires on July 1 2021.

The pursuit of a number of Biden's top policy priorities will generate trade impacts in other countries. For example, addressing economic recovery through an infrastructure program with “Buy American” features, or addressing climate change by rescinding the presidential permit for the Keystone XL project, will adversely impact Canadian interests. At least, that's the consensus view of the Canadian energy sector and trade policy community. Even though this latter action would achieve no reduction of emissions in the US or globally, it would offer a political win for Biden's progressive supporters, led by his climate change czar, John Kerry, who as Secretary of State in the Obama Administration revoked the Keystone permit in the first place. On the hopeful side, the American Recovery and Reinvestment Act over which Biden presided following the 2008-09 financial crash included “Buy American” provisions to which Canada obtained key exemptions.

Several other trade matters will

be hard to avoid. These include dealing with China, the crisis at the World Trade Organization (WTO), foreign discrimination against American goods, and ongoing trade negotiations, notably with the UK.

Biden has been clear that he views China as a “competitor” and not an “enemy” and that he wants to work with allies in bringing China more effectively into the rules-based system. He will also need to decide what to do about the tariffs his predecessor applied to China.

As a supporter of traditional American multilateral diplomacy, the Biden administration will want to show American support for the WTO. In particular, it will want to engage constructively in appointing a new director general, revitalizing the organization’s negotiating function, and in finding a solution to the impasse largely created by the Trump administration over the Appellate Body. Biden will want to use the WTO and its dispute settlement system as part of his China strategy. There will be significant opportunities for Canada to work with the new administration in pursuit of Canadian objectives for WTO reform.

Unlike Canada and several other countries, the US does not have a free trade agreement with the European Union (EU) and is not part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Trade negotiations between the US and the UK are well-advanced; an agreement may be seen as attractive to the US which would like to help define the UK’s post Brexit trade policy. In addition, the Trump administration has completed so-called Phase I agreements with China and Japan and

it intended to pursue more comprehensive agreements at an early date. As the new administration takes stock of the trade files, it may well conclude that trade should move up the priority list.

Canadians should not forget that, while Canada will be focused primarily on the Canada-US bilateral, the US will be focused on the world. Canada can maximize its influence in Washington by demonstrating how it can be a helpful partner, with useful ideas. Working with the Biden team on global challenges will also improve prospects for successfully managing bilateral disputes.

To be successful in its US engagement, Canada needs to have a clear sense of its objectives and goals—the key elements of trade reform and trade disciplines needed to bolster Canadian trade competitiveness. This work will also pay dividends in furthering wider cooperation, for example with Mexico in working toward the smooth implementation of the Canada-US-Mexico Agreement (CUSMA) known as NAFTA 2.0.

Of course, Canada must also be prepared to firmly defend its interests if the United States, or any other country, takes unjustified action against Canadian exports that may require retaliation.

The digital economy is the most dynamic factor in international economic relations. Improved trade rules are needed to foster its contribution to growth in the global marketplace. Much groundwork has been done including in the CUSMA, but more is needed in part to prevent splitting the world into two digital

universes as a result of damaging friction between China and the US. Governments will emerge from the pandemic heavily indebted; this offers an excellent opportunity to improve WTO disciplines aimed at reducing the use of trade distorting subsidies. Before the pandemic, the US, the EU and Japan were already discussing how to engage in such negotiations with China. For Canada, heavily dependent on the export of primary commodities that are often subsidized by foreign governments, this is a unique opportunity.

The pandemic has illustrated the fragility of supply chains for medical products and underlined the need for a more resilient system to manage a future pandemic more effectively. Canada is already promoting new approaches through the Ottawa Group.

Beyond the US, Canada needs to redouble its efforts to ensure Canadians can sell their goods and services into fast-growing markets in other parts of the world. The Comprehensive Economic and Trade Agreement (CETA) with Europe and the CPTPP offer Canadians a chance to succeed in these markets because the United States does not have free trade agreements with these countries. In the Pacific, Canada should be encouraging other countries in Southeast Asia to join the CPTPP if they are willing to accept its high standards. Doing so took on new importance in November when 15 countries signed the Regional Comprehensive Economic Partnership (RCEP). This deal, eight years in the making, links the 10 members of the Association of Southeast Asian Nations (ASEAN) with China, Japan, South Korea, Australia and

New Zealand. Although it is not of the same quality as the CPTPP it is nonetheless expected to have significant trade-generating effects.

The Canadian government has already concluded a trade continuity agreement with the UK, to ensure the two countries continue to apply CEFTA-like conditions to each other when the UK completes its transition out of the EU on December 31.

In both the EU and the Pacific, the government needs to make a further effort to encourage and assist Canadian businesses to take advantage of these new trade agreements.

Finally, the government should develop a long-term strategy for strengthening trade relations with China. China is simply too big to ignore. By some measures it already has the world's largest economy and is growing at a much faster rate than any of our other partners. Despite the current political difficulties in the bilateral relationship, Canada's merchandise exports to China in September 2020 were 12.5 percent greater than a year earlier—this, while Canada's total merchandise exports dropped 7.4 percent and exports to the US were down 9.1 percent.

While there is no doubt about the tightening that has taken place under the Xi Jinping regime, at some point, if China's history is a guide, those favouring opening up and greater reform will once again be in the ascendancy. Canada needs to lay the ground now to prepare for that opportunity.