



11th Annual  
Queen's Institute on Trade Policy

# What's Next for Rules-Based Trade Cooperation?



**November 17 - 19, 2019**

Kingston, ON

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## **What's Next for Rules-Based Trade Cooperation?**

Canada can look back on an extraordinarily productive period of trade negotiations, which has yielded the CETA with the European Union, the CPTPP with 10 countries in the Pacific region, and the CUSMA with the United States and Mexico. At the same time, the need to adapt to tectonic shifts in the global economy poses continuing challenges: the rapid advance of digital technology has the potential to vastly increase the scope of “tradable” tasks and will for the first time expose many of the service sector jobs that form the backbone of Canada’s economy to foreign competition. This development lends additional urgency to the Canadian government’s commitment to ensure that all Canadians share in the benefits of trade. Canada also needs to find a way to take advantage of the shift of the world economy’s centre of gravity towards Asia, without getting further embroiled in the escalating economic and technological competition between the United States and China. Finally, Canada faces the task of deepening cooperation under its existing agreements and to ensure that these agreements yield benefits for all Canadians. This could involve increased regulatory cooperation inside and outside the WTO, as well as better use of available committees and review mechanisms to monitor compliance with commitments.

As Canada attempts to grapple with these challenges, the legal regimes on which it has traditionally relied for rules-based trade cooperation are under increasing strain. While Canada has successfully fended off attempts by the United States to roll back trade liberalization in the bilateral relationship, the multilateral trade regime finds itself in increasingly dire straits, as the Appellate Body will become dysfunctional towards the end of 2019 and the system grapples with an unprecedented willingness of some WTO Members to invoke national security exceptions or to act completely outside the WTO’s remit. Canada has taken an active role in developing solutions to the current crisis by assembling a coalition of like-minded countries – the Ottawa Group – and by advancing proposals to reinvigorate the WTO, which remains the bedrock of Canada’s trade policy and its main forum for formal dispute settlement, including with the United States.

The 2019 edition of the Institute will prepare participants to address these challenges for rules-based trade cooperation. The Institute will be structured around three pillars that take up each challenge in turn. A first set of presentations will explore the broad trends that have led to the current crisis of the trade regime and will explore their ramifications for negotiating formats and the design of dispute resolution mechanisms. A second set of presentations will delve into the elements of a negotiating agenda that can meet the challenges of digitisation, the rise of Asia, and the resulting opportunities for trade diversification and for more inclusive trade. A final set of presentations will explore the mechanisms for enhancing trade cooperation under existing agreements. How can the Canadian government engage businesses more effectively to ensure that they can take full advantage of the market access provided by Canada’s new trade agreements? How can Canada make use of the existing mechanisms to strengthen regulatory cooperation? Can Canada do a better job of using the WTO’s committees and other transparency mechanisms to advance its trade agenda?

# Agenda

**Sunday, November 17**

**3:30 Introduction to the Institute**

The presentation will provide an overview of the Institute and introduce the challenges identified in the theme, namely, the breakdown in trade cooperation in the WTO and beyond, the major issues on the negotiating agenda and the avenues for preserving and deepening rules-based trade cooperation under existing agreements.

**Nicolas Lamp**, Director, Queen's Institute on Trade Policy; Assistant Professor, Faculty of Law, Queen's University

*Part I: Long-Run Trends and the Current Trade Landscape*

**4:15 Overview of the Current Trade Landscape**

This presentation will provide an overview of the global state of trade and Canada's trade performance. It will discuss the most significant economic trends of recent years, including the increased share of global trade of the emerging economies, and will explore the opportunities and challenges for Canada to diversify its trade.

**Stephen Tapp**, Deputy Chief Economist, Export Development Canada

**5:00 Break**

**5:15 Anatomy of the Breakdown in Trade Cooperation**

The presentation will put the rise of protectionism since 2016 in historical context and will examine its effects on the global economy.

**Simon Evenett**, Professor, Swiss Institute for International Economics and Applied Economic Research, University of St. Gallen

**6:00 Return to hotel**

**7:00 Dinner and Evening Keynote: A Long View of the Current Moment in US Trade Policy**

**Douglas Irwin**, John French Professor of Economics, Dartmouth College

**Monday, November 18**

*Part II: The Negotiating Agenda*

**8:30 The Effects of Trade Agreements: A Firm-Level Perspective**

Resource reallocation within industries is a key driver of trade and productivity. This presentation examines the new policy implications resulting from recent firm-level trade models that have changed our understanding of the impact of increased trade, and increased trade restrictions, on productivity at the level of the firm, the industry, and the nation. In a time of trade conflict, how should policymakers identify which Canadian firms within which industries will gain and which will lose?

**Beverly Lapham**, Professor, Economics Department, Queen's University

**9:15 The Effects of Trade Agreements: Global Value Chains, Digitization and the Trade in Tasks**

How do Canadian firms participate and collaborate in global value chains? What effect does trade policy have on the competitiveness of North American value chains? Using practical examples, the presentation will include suggestions on how to make the macro/micro distinction in thinking about the determinants and effects of global value chains. The presentation will also explore the impact of advances in digital technology on value chains in the service sector and will discuss how companies react to the disruption of value chains due to protectionism (e.g., stricter rules-of origin in the CUSMA) and the increasing 'de-coupling' of the US and Chinese economies for national security reasons.

**Ari Van Assche**, Professor, HEC Montreal

**10:00 Break and small group seminar on the first pillar**

**11:15 Developing a Negotiating Strategy**

Moving from theoretical models of sound trade strategy to real life trade policy practice, the presentation will focus on how Canada should articulate its strategy, including defensive vs offensive interests, and linkages with other issues, notably the analytic challenges of reconciling a 21<sup>st</sup> century trade policy agenda with traditional considerations for negotiators. The presentation will give particular attention to negotiations with developing countries and regional groupings that include both developed and developing countries, such as ASEAN.

**Don Stephenson**, Assistant Deputy Minister, Trade Policy & Negotiations (retired)

**12:00 Lunch keynote: Can the US Decouple from China?**

**Mary Lovely**, Professor of Economics, Maxwell School of Citizenship and Public Affairs, Syracuse University

**2:15 Digitization and Trade**

Technology interacts with trade and trade policy in manifold ways. Technology is a means of generating trade (e.g., in the form of e-commerce) and facilitating international transactions (through the provision of virtual “single windows”). Trade agreements are used to convert technological innovations into internationally exploitable assets by affording international protection to intellectual property. Trade (through outsourcing) and technology (through automation) can have similar and mutually reinforcing effects on wages and employment. Trade in technology products can also have strategic implications. The dominant technologies of the day have an impact on international market structures, which can pose challenges for regulators and – because of the international dimension – trade officials.

**John Drummond**, Head of Division, Trade in Services, OECD

**3:00 Break and small group seminar on the second pillar**

**4:15 Trade Policy Communications and Consultations**

With rising economic anxiety, how do we maintain public support for trade as part of an inclusive agenda? How much transparency is needed, and when? How should we consult non-traditional stakeholders? How do we build support in partner countries for trade with Canada?

**Velma McColl**, Principal, Earnscliffe Strategy Group

**5:00 Implementing and Deepening the Inclusive Trade Agenda**

The inclusive trade agenda is now reflected in the provisions of several trade agreements. These provisions often call for cooperative activities by Canada and the other party. What concrete action can Canada and its partners take to implement the agenda and fill these commitments with life? Who will benefit from these provisions and who will be left out? How do provisions that are inspired by the inclusive trade agenda interact with other provisions of Canada’s trade agreements that have profound distributive consequences (labour market impacts, price effects, impacts on asset prices)?

**Kevin Banks**, Associate Professor, Faculty of Law, Queen’s University

**5:45 Return to hotel**

**Tuesday, November 19**

**8:30 Addressing Climate Change in Trade Agreements**

Climate change is the greatest policy challenge of our time and will likely play an ever more important role in the development of trade policy. Discussions about a Green New Deal in the US, the gains of Green parties in the recent elections to the European Parliament, and China's massive investments in renewable energy technologies and electric mobility underscore the increasing centrality of climate change to economic policymaking in Canada's main trading partners. How do policies that are designed to mitigate climate change interact with international trade obligations? How can trade agreements best contribute to climate change mitigation – by liberalizing trade in green goods, facilitating the diffusion of green technology, or disciplining fossil fuel subsidies?

**Jean-Frédéric Morin**, Professor, Department of Political Science, Université Laval

Part III: Deepening Cooperation under Existing Agreements

**9:15 Dispute Settlement, Retaliation, Managed Trade: Instrument Choice in Responding to Protectionism**

While states have always protected certain industries, the landscape of trade restrictions that Canada confronts and the instruments that it has available to respond to them has changed in basic ways in recent years. Since 2016, routine trade restrictions, such as anti-dumping duties, countervailing duties, and safeguards have been complemented by national security measures, state-directed boycotts of Canadian exports, and WTO-illegal discretionary trade measures. Moreover, these measures are no longer simply aimed at providing temporary relief to struggling industries, but are in some cases designed to achieve a significant reversal of trade liberalization, the establishment of managed trade arrangements, or the complete decoupling of hitherto interdependent markets. The presentation asks which tools are best suited to respond to the varied forms of protectionism in a manner that is minimally disruptive of trade while still being effective in inducing trade-liberalizing policy changes by one's trading partners.

**Kathleen Claussen**, Associate Professor, University of Miami School of Law

**10:00 Break**

**10:30 Roundtable: What Can We Learn from Firms about the Implementation of Existing Commitments?**

This roundtable will feature remote presentations from Trade Commissioners posted in key Canadian trading partners.

**11:15 Deepening Rules-Based Trade Cooperation under Existing Agreements**

How can Canada advance rules-based trade cooperation without new negotiations? The presentation will discuss the opportunities for information exchange, consultations and learning provided by the institutional mechanisms of trade agreements, especially by the WTO's councils and committees, and the Trade Policy Review Mechanism. It will also address efforts to improve compliance with notification obligations and other initiatives to improve the transparency of trade policies.

**Robert Wolfe**, Professor Emeritus, School of Policy Studies, Queen's University

**12:00**      **Lunch**

**1:30**      **International Regulatory Cooperation**

At a time when tariffs are generally low, many barriers to trade stem from regulatory differences among countries while regulatory externalities in the form of action or inaction in one state can impose costs on workers and consumers in another state. Regulators talk to each other in order to mitigate these barriers and externalities in several fora, including the Canada-US Regulatory Cooperation Council and the OECD's Regulatory Policy Committee. The presentation will provide a practical perspective on the promise and challenges of regulatory cooperation.

**Jeannine Ritchot**, Executive Director, Regulatory Policy and Cooperation, Treasury Board

**2:15**      **Break and small group seminar on the third pillar**

**3:30**      **Presentation by a Senior Official**

The concluding session will provide an opportunity for an exchange of views with a senior official on the next steps for rules-based trade cooperation.

Steve Verheul or Bruce Christie (tbc)

**5:00**      **Institute Ends**