

Intelligence MEMOS



From: John Weekes

To: The Senate of Canada

Date: October 13, 2023

Re: **MAKING SUPPLY MANAGEMENT UNTOUCHABLE WOULD BE A BIG MISTAKE**

There are three major negative impacts embedded in Bill C-282, a trade bill awaiting Senate approval that would prevent Canadian trade negotiators from ever ceding any ground on supply management.

First, gratuitously removing dairy, poultry and its supply-managed cousins from any talks would enrage the Americans and imperil extension of the Canada-United States-Mexico agreement, CUSMA (USMCA in the US) when it comes up for renewal in 2026. Second, it would make it much more difficult for Canada in future trade negotiations to negotiate liberalization of trade in products we want to export. Negotiations always involve give and take. If Canada takes products off the table so will other nations. Third, it would take away the Crown's prerogative to determine how to conduct an international negotiation.

CUSMA's Article 34: 7 provides that the agreement will terminate after 16 years unless the parties agree to extend it following a joint review on the sixth anniversary of its coming into force (July 1 2026). The review will be conducted by the trade ministers of the three countries. Prior to that review any of the three may put forward recommendations for action. Such recommendations could include proposals to amend the agreement.

If Bill C-282 were enacted, it would almost guarantee that the Americans would require major changes to Canadian supply management programs as their price for extending the CUSMA.

The US has consistently tried to eliminate the trade effects of Canada's supply management programs. It has not been successful, but waving a red flag in their face via legislation, in a very charged US electoral environment, would provoke them into upping the stakes. This gratuitous approach would ironically make Canada's supply-management defence even harder any future negotiation.

Other nations have also regularly taken issue with supply management [as discussed by C.D. Howe Institute experts](#). Earlier this month, a Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) dispute panel found against aspects of these Canada programs in a dispute brought by New Zealand. Talks on a new post-Brexit trade deal with the UK are foundering on dairy access, among other issues. The UK team has suggested that without dairy, there will be no improved Canadian access for beef and pork. The issue has also been a problem in negotiations with Mercosur (the South American grouping that includes Brazil, Argentina and Uruguay.)

Supply managed sectors have been extremely successful at ensuring that the government supports their interests in negotiations. This has been possible in part because the government has always been able to contend that it can protect supply managed producers at the same time as it seeks to negotiate export benefits for other sectors in the economy. Imagine for a moment that the Americans decide to go for broke in a future CUSMA renegotiation demand elimination of the tariff rate quotas that protect the supply managed sector, as a requirement for extending the agreement. This would pit the supply managed sector against virtually all other sectors of the Canadian economy. It is highly improbable that the government would decide to continue to support quotas on supply managed products if that was the price.

During a career of over 25 years as a Canadian trade negotiator I have often maintained that Canadian negotiators can protect supply management at the same time as they open markets for other products. This is becoming more difficult particularly when negotiating market access for Canada's export agricultural products. In major multilateral negotiations, whether in the WTO or regionally, ministers often appear at the negotiating table for the final phase, armed with extra bargaining flexibility.

But there is a limit to how many issues a Canadian minister can successfully pitch to others at the table and Bill C-282 will hurt Canada's standing. Canadian ministers frequently get a rough ride in the closed bargaining sessions as they try to defend our position on supply management. And time spent on that defence came at the expense of many other issues. Bill C-282 will further weaken Canada's ability to negotiate on behalf of all Canadians in the future.

For the supply managed sectors Bill C-282 is a bridge too far. These industries have always been extremely successful at making sure the government maintains the enormous trade barriers that prevent Canadians from buying competitive products elsewhere. A law that so brazenly entrenches the interests of one sector at the expense of others, may well, in the end, weaken public and government support for it, and prove its undoing.

John Weekes was ambassador to GATT during the Uruguay Round of trade negotiations that led to the creation of the WTO and was Canada's chief negotiator for NAFTA, the original North American Free Trade Agreement.

To send a comment or leave feedback, email us at blog@cdhowe.org.

The views expressed here are those of the author. The C.D. Howe Institute does not take corporate positions on policy matters.