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http://www.cbc.ca/m/rich/business/story/2011/11/14/f-pittis-asia-trade.html

ANALYSIS | Trans-Pacific trade deal about more than resource exports

Asia-Pacific partnership could push us to innovate at home

Posted: Nov 15, 2011 6:08 AM ET

Last Updated: Nov 15, 2011 7:56 AM ET

Our prime minister says he's signing us up for the Trans-Pacific Partnership trade talks, and it comes as no surprise — given Stephen Harper's Alberta roots — that our ability "to access Asian markets for our energy products" is at the top of his list of priorities.

For Canadians, any move toward better trade with Asia and the Pacific Rim has a secondary goal: to reduce our dependence on our single biggest trading partner, the United States, a country that recently turned up its nose at a plan to build a pipeline that would pump raw bitumen from the Alberta oilsands deep into America's industrial heartland, where it would be processed into high-value products.

We can hardly accuse Mr. Harper of rushing into the Asia-Pacific trade talks, which to date have included Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam and the U.S. Negotiating a pan-Pacific free trade deal will be a long and painful process — even if the nine countries did reach consensus on the broad outlines of a deal Nov. 12. But before we go too far, Canadians must think about what they would be giving up in such a deal — and what they might be getting in return.

Resource exporters

It was former U.S. president Andrew Jackson who gave us the expression "hewers of wood and drawers of water," rich irony from a slave owner, unlikely to do either himself.

In fact, that was Jackson's point. He feared that unless they were careful to preserve their republic, Americans would become mere slaves to the forces of international moneyed classes, doing the work but not getting the profit.

We Canadians have picked up the phrase as our own, loaded with its smell of sweat and mindless toil. But we have taken that negative image and applied it generally to resource exports.

Stephen Harper stands with leaders of some of the countires that make up the Trans-Pacific Partnership at the APEC summit in Honolulu on Nov. 13. Clockwise from front far left: Chinese President Hu Jintao, Singapore Prime Minister Lee Hsien Loong, Peruvian President Ollanta Humala and New Zealand Deputy Prime Minister Bill English, Australian Prime Minister Julia Gillard and Harper. Aside from China, all are part of the TPP. Chris Wattie/ Reuters

Embodied in the term is the 19th-century image of rough Canadian lumberjacks hacking down trees to be shipped overseas, only to be returned a year or two later as expensive English furniture.

And if there is anything to fear from a free trade deal with parts of Asia, it is that. We export our crude oil, our iron ore, our canola oil, our potash, our molybdenum. We import high-value manufactured goods, packed with technology and innovation and made with cheap Asian labour.

Some Canadian union groups were against the Keystone XL pipeline for that very reason.

"We would like the MPs to start putting pressure on the government to do what they should have and stop this pipeline before more jobs are lost to the United States," said Alberta labour leader Gil McGowan.

Can't compete on jobs

"When you compare Canada and Asia, it's a matter of complementarity," says Tony Fang, a specialist in labour markets and immigration at York University. "We have oil, gas and raw materials while they have a huge population."

But when it comes to creating jobs, we can't compete directly with Asian countries.

'We can't pay people $2 an hour to work in factories; we need to produce high-value goods.'

— Tony Fang, labour markets specialist

"We can't pay people $2 an hour to work in factories," says Fang. "We need to produce high-value goods."

Our textiles industry has already collapsed, and the Canadian furniture industry is going the same way, says Michael Burt, economist with the Conference Board of Canada. Not only are we exporting resources; we are exporting jobs.

On the bright side, says Burt, our goal of expanding trade outside the United States really is succeeding. On a percentage basis, trade with our southern neighbor is shrinking. Trade with Asia is growing.

But Burt says the types of goods we are selling remain the same. The huge majority of our exports to Asian markets are still raw materials. Burt insists we better get used to it.

"Rather than trying to change our stripes, we should capitalize on our strengths," Burt said.

We are good at finding, extracting and shipping raw materials, he says. We are good at financing mines. We are masters at horizontal drilling. This is a place where we have a special advantage.

Burt has a point. The gold industry is a good example. Just as the number of Canadian gold mines was shrinking, Canadian gold financing grew, so that even now, much of the world gold industry is run from Canada with Canadian expertise.

'A foot in the door'

The other advantage of increasing resource exports to countries bordering the Pacific ocean is that it expands our contacts and expertise within those places. Further opening trade with the more developed countries of the Pacific Rim, such as Singapore, Australia and New Zealand — and with Japan, which has now elected to join the talks — will help Canadian business learn techniques for penetrating the large number of Asian countries not part of the trade group.

"It gives us a foot in the door," says Burt.

And according to Fang, who is also incoming president of the Chinese Economic Society, this is a place where Canada's immigrants give us an advantage.

"Our research found a close correlation between immigrants and trade relations with their countries of origin," he said. "They know the trade law, the languages."

Neither of them had the data to prove it, but both Fang and Burt suspect that something, perhaps our resource wealth itself, has made Canadian businesses less adventurous when it comes to investing and selling abroad.

"We also know —we have data from Canada — that immigrants are risk takers," Fang said. "Fifty per cent of business startups are by immigrants."

But both agree that depending on resource exports is not enough. For his part, Fang insists we must pour money into education and technology.

"If we don't invest in those high-value areas now, how can we compete with those countries?" he said.

Textiles growing

And there are signs of life in the industrial economy. For the first time in 10 years, says Burt, we are seeing growth in the Canadian textiles industry, where the focus is on high-tech and high-value textile products like seatbelts and fireproof clothing.

"We're not making T-shirts anymore; we are designing T-shirts," Burt said.

When it comes right down to it, so long as their economies continue to prosper, we don't really need free trade to sell our natural resources to Asia. We have them; they need them.

Maybe the biggest value of the Trans-Pacific Partnership talks will be to further open Canadian eyes to a huge and growing market and, while we are looking for other opportunities, push us to spend and innovate to become the world's best high-tech hewers.