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How NAFTA affects Canada's trading relationship with China

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NAFTA: Impact on Canada – China trading

- Importance of China to Canada – economics and history
 - History – good relations
 - Economic importance to Canada
 - Vibrant Chinese community in Canada
 - China as not only economic but also political power
 - Canada as new member of Asian Infrastructure Investment Bank; ready to be part of Trans-Pacific Partnership

NAFTA: Impact on Canada – China trading

- NAFTA
 - Canada's two largest trading partners – current tariff war
 - US tariffs on steel and aluminum – exemptions for Canada and Mexico (EU and China taking case to WTO)
 - General consciousness of several plausible Canadian perspectives
 - Vulnerability to unilateral action
 - Need to diversify risk of over-dependency

NAFTA: Impact on Canada – China trading

Canada – China Bilateral Trade Agreement

- Current Canadian government exploring this with China
- Issue of progressive elements
- China has bilateral trade agreements with many countries including Australia and New Zealand. Others include Pakistan, Chile, Singapore, Peru, Costa-Rica, Iceland, Switzerland and Korea

NAFTA: Impact on Canada – China trading

NAFTA Considerations

- Any diplomatic consequences of aligning with China or even perceived to align with China (or vice-versa)
- “Market Economy Status” – grant to China?
- China can observe Canada
 - Negotiation strategy
 - NAFTA outcome shapes Canada’s bargaining position at other trade negotiations

NAFTA: Impact on Canada – China trading

NAFTA Considerations

- China can observe Canada
 - Agreements on progressive elements (relates to China negotiations)
 - Final wording of NAFTA – can become a default standard reference point
- Rules of origin:
 - China-related content
 - Next best places to manufacture – reverse of jumping the tariff barrier

NAFTA: Impact on Canada – China trading

NAFTA Considerations

- Use of national security and subsidization arguments in light of increased Chinese presence in Canada