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CANADIAN TRADE AND INVESTMENT POLICY REVIEW 2011

Prepared for the Standing Committee on Foreign Affairs and International Development

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EXECUTIVE SUMMARY

Following the 2008–09 global financial crisis, Canada is in a position to reinvigorate its trade and investment relationship with the United States and pursue new economic opportunities with rising major global players, though in the context of significant global imbalances. Three overarching policy trends are evident: the Government of Canada intends to improve bilateral trade and investment relationships with the U.S. and emerging market countries—particularly China, India, and Brazil—and strengthen multilateral ties through the ongoing Doha Round trade negotiations of the World Trade Organization. To ensure economic growth, job creation, and the maintenance or improvement of Canadians' standard of living, Canada must facilitate trade and investment opportunities with the U.S., develop relationships with the emerging market countries that are expected to drive global growth in the coming years, and improve multilateral ties.

Recommendations:

• Given the importance of the Canada-U.S. trade and investment relationship to Canada and the marginal utility of FTAs, Canada should initiate efforts to strengthen the Canada-U.S. border.

• Given global economic growth rates, the potential for rapid development in emerging market countries in upcoming years, and the likely increase of domestic demand in these countries, the Government of Canada should commit to improving Canada's international competitiveness by investing in productivity gains and further promoting FDI flows into Canada.

• Given EDC's success in 2010, the Government of Canada should facilitate increased cooperation between DFAIT and EDC and authorize EDC to open offices in foreign countries.

• Given the potential for a change in Canadian policy to contribute to the conclusion of the Doha Round and significant benefits for Canadians, the Government of Canada should outline plans to eliminate supply management.

INTRODUCTION

Canada stands at a pivotal moment in history when trade and investment patterns are changing, economic power is shifting from West to East, and fiscal, monetary, demographic, and competitiveness challenges exist for many of the key countries in the global political economy. The global economic downturn, which deepened in August 2008, that followed the global financial crisis pushed Canada into a short, mild recession and the global economy to accelerate the above trends. Canada recovered from the downturn by mid-2009 and in 2011 is in a position to reinvigorate its relationship with the United States and to pursue new opportunities with rising major global players, though in the context of significant global imbalances.

CONTEXT

Current situation, policy, and issues

Two of the five priorities for 2011–12 of the Department of Foreign Affairs and International Trade Canada (DFAIT) is greater economic opportunity for Canada, with a focus on growing and emerging markets, and the U.S. and the Americas, priority commitments related to trade and investment being:

- implementing the *Global Commerce Strategy* to boost Canadian commercial engagement in the world, with a focus on China, India, and Brazil;
- showcasing Canada's advantage as an investment site;
- expanding global research and development partnerships with a view to commercialize innovation;
- advancing trade and investment liberalization and market access interests, bilaterally and in the Doha Round;
- concluding and implementing free trade agreements with new strategic partners;
- focusing on foreign investment promotion and protection negotiations;
- building a comprehensive strategy for relations with the U.S., including competitiveness, global economy, trade relations, border management/facilitation, energy and climate change, and the Arctic;
- address decisively Buy American impacts on Canadian exporters.[1]

[1] "The Priorities of Foreign Affairs and International Trade Canada for 2010-2011," last modified February 8, 2011, http://www.international.gc.ca/about-a_propos/priorities-priorites.aspx.

Three overarching policy trends are evident: the Government of Canada intends to improve bilateral trade and investment relationships with the U.S. and emerging market countries—particularly China, India, and Brazil—as well as strengthen multilateral ties through the ongoing Doha Round trade negotiations of the World Trade Organization (WTO). To meet its objectives of securing economic growth, job creation, and the maintenance or improvement of Canadians' standard of living, Canada must approach each situation carefully as each has its context-specific issues, but at the same time the policy mix must be coherent and non-contradictory.

The Canada-U.S. trade and investment relationship is the most extensive bilateral relationship in the world, with total trade valued at CAD$501.4 billion in 2010.[2] Although it has declined in recent years, Canada-U.S. trade, principally through the prism of the North American Free Trade Agreement (NAFTA), continues to be by far the most important dimension of Canada's trade portfolio. The trade relationship forms the foundation of Canada's wealth and standard of living, in that exports represented 35 percent of its gross domestic product (GDP) in 2008.[3] With regard to foreign direct investment (FDI), the U.S. is Canada's largest foreign investor while Canada is the fifth-largest foreign investor in the U.S.[4] In 2009, 52.5 percent of all FDI in Canada came from the U.S.[5] Investment is concentrated in sectors such as mining and smelting industries, petroleum, chemicals, the manufacture of machinery and transportation equipment, and finance.[6] NAFTA facilitates investment by guaranteeing protections and establishing investment channels.

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[2] "International Trade: Canadian Economy," Industry Canada, last modified March 3, 2011, http://www.ic.gc.ca/eic/site/cis-sic.nsf/eng/h_00029.html.

[3] "Stat Extracts," Organisation for Economic Co-operation and Development, last modified February 20, 2011, http://stats.oecd.org/Index.aspx?DatasetCode=SNA_TABLE1.

[4] "Background note: Canada", U.S. Department of State, last modified September 1, 2010, http://www.state.gov/r/pa/ei/bgn/2089.htm**.**

[5] Foreign Affairs and International Trade Canada, "Canada's State of Trade: Trade and Investment Update – 2010," Ottawa: Public Works and Government Services Canada, 2010: 87.

[6] Ibid.

At present there are 40 emerging market countries, which together represent one-half of all import growth and almost two-thirds of global economic growth.[7] With regard to Canada's trade and investment relationships with the three fastest-growing emerging markets, China was Canada's third largest trading partner in 2009 as exports jumped 6.6 percent to CAD$11.2 billion, India placed 10th with Canadian exports worth CAD$2.1 billion, and Brazil 13th with Canadian exports totaling CAD$1.6 billion.[8] In 2009, the stock of Canadian direct investment abroad in China, India, and Brazil was CAD$3.3 billion, CAD$600 million, and CAD$11.4 billion, respectively; percentage growth between 2004 and 2009 was 25.4, 22.9, and 9.4 percent, respectively.[9] Negotiations about a potential Canada-India FTA are pending, while Canada's negotiations with China and India regarding Foreign Investment and Protection Agreements (FIPAs), which protect and promote foreign investment through legally binding rights and obligations, are in their final stages.[10]

Canada is an active player in multilateral institutions, having been an initial signatory of the General Agreement on Tariffs and Trade (GATT) in 1947 and a founding member of the WTO in 1995. DFAIT lists the advancement of the Doha Round negotiations, which have been ongoing since January 2002, as a priority. Canada's supply management policies have been seen as considerably undermining its position in the Doha negotiations and therefore undermining potential multilateral improvements to its trade position. The Government of Canada is concerned with protecting the supply management systems for poultry and dairy products whereby prohibitive tariffs (of up to 299 percent) are imposed on the import of products above a

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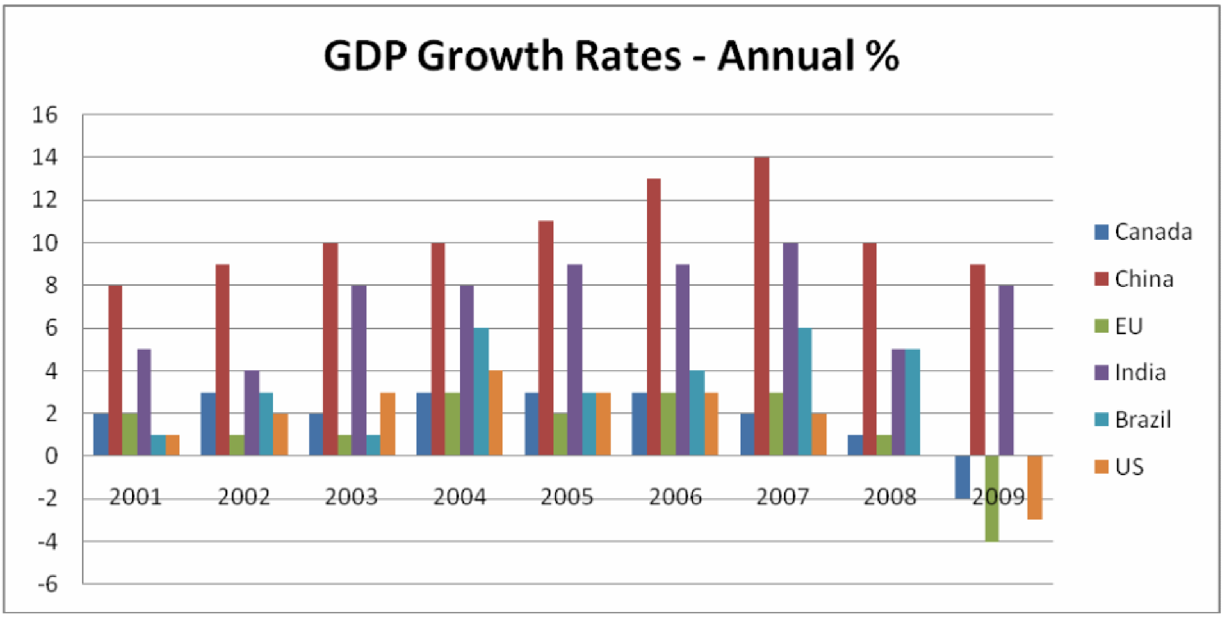
[7] Tiff Macklem, "Canada's Competitive Imperative: Investing in Productivity Gains," speech, Productivity Alberta, February 1, 2011, http://www.bank-banque-canada.ca/en/speeches/2011/sp010211.html.
[8] Foreign Affairs and International Trade Canada, "Canada's State of Trade," 57–60.
[9] Foreign Affairs and International Trade Canada, "Canada's State of Trade," 95.
[10] "Canada's Foreign Investment Promotion and Protection Agreements (FIPAs)," last modified March 4, 2011, http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/fipa-apie/index.aspx.

minimum quota (tariff rate quota), artificially high prices are maintained through government price guarantees, and domestic quotas stipulate how many cows can be milked per farm.[11]

Indicators

The export, import, and FDI statistics outlining Canada's trade and investment relationships with the U.S., China, India, and Brazil described above require contextualization. Canada's economic opportunities in the global political economy are best understood by comparing and contrasting its economic growth rate with that of its partners, differences in GDP per capita among major global players, and differences in current account levels of key countries.[12]

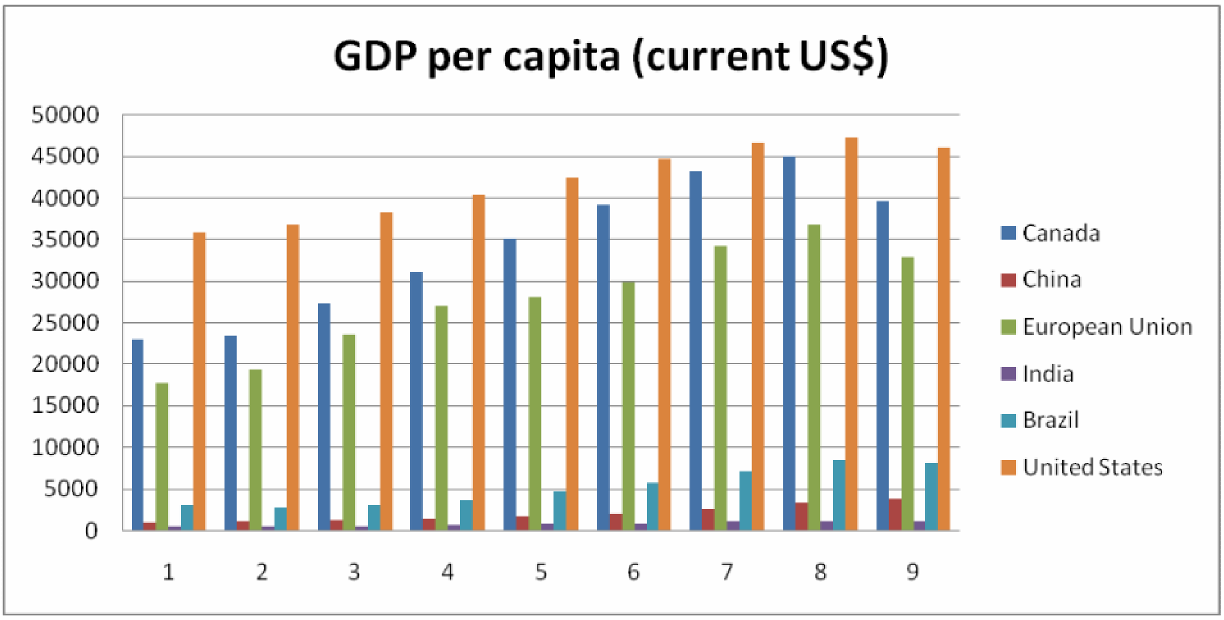
Figure 1: Annual GDP Growth Rates, 2001–09



[11] Richard Barichello, "Options for Supply Management in Canada with Trade Liberalization," Canadian Agricultural Trade Policy Research Network, last modified March 26, 2011, http://ideas.repec.org/p/ags/catpcp/6124.html.
[12] All data were found on the World Bank's "World databank" (http://databank.worldbank.org/ddp/home.do) and graphs were compiled by the authors.

Figure 1 demonstrates a clear discrepancy between Canadian and American growth rates and those of China and Brazil over the last decade, which indicates the existence of global imbalances. The latter two countries have consistently seen high growth rates and continued high growth is projected in 2012, while the growth rates of advanced economies are projected to be moderate.[13] Canada's growth rate is projected to be 2.3 and 2.7 percent in 2011 and 2012, respectively, which broadly matches the growth rates of other advanced economies.[14]

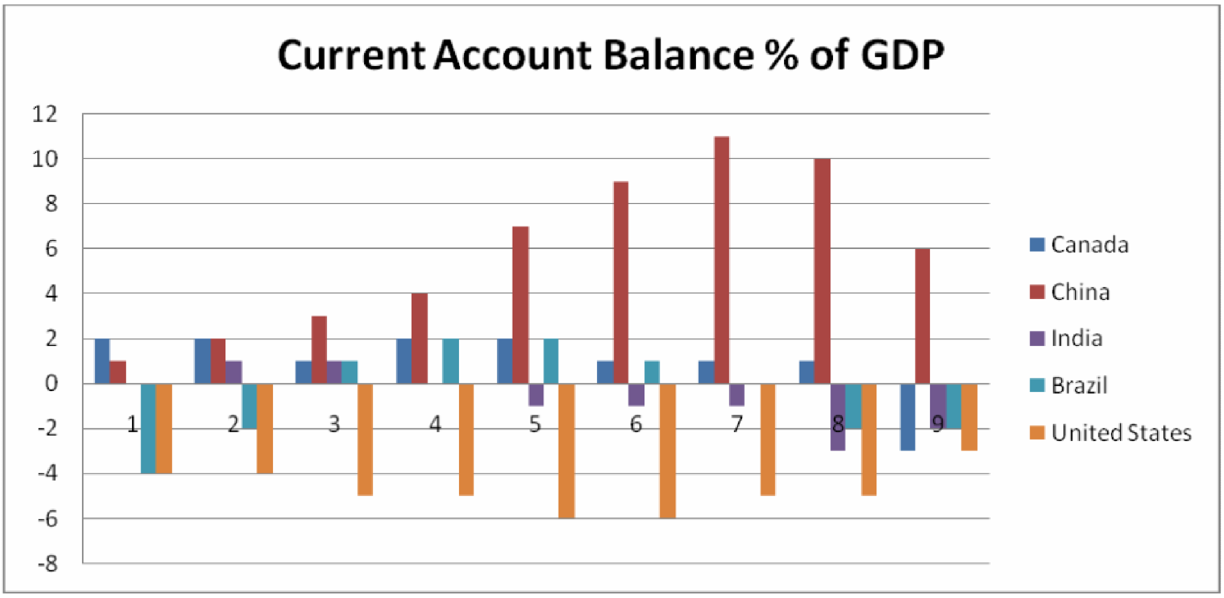
Figure 2: Annual GDP Per Capita, 2001–2009



The striking differences in annual GDP per capita between advanced economies and emerging market countries in Figure 2 demonstrates that emerging markets have the potential to develop rapidly over the coming years to catch up in terms of prosperity to advanced economies.

[13] "IMF World Economic Outlook (WEO) Update -- Global Recovery Advances But Remains Uneven, January 2011," last modified January 25, 2011, http://www.imf.org/external/pubs/ft/weo/2011/update/01/index.htm.
[14] Ibid.

Figure 3: Annual Current Account Balance as a Percentage of GDP, 2001–2009



The U.S. has been running large, chronic current account deficits since 1982. In 2010, the annual deficit was estimated on an exchange rate basis at US$561 billion—the world's largest.[15] China had been running increasingly large current account surpluses from 2004 until the global financial crisis, as shown in Figure 3. In 2010, China had the world's largest annual current account surplus, estimated on an exchange rate basis at US$272.5 billion.[16] Such large imbalances indicate that China is responsible for much of the global aggregate supply while the U.S. drives global aggregate demand: the U.S. needs China to finance its consumption and China need the U.S. to purchase Chinese exports, which drive economic growth in the country. But as demand drops off in the U.S., domestic demand in China will have to increase if both countries want to see the economic recovery following the global financial crisis sustained.

[15] "The World Factbook: Current Account Balance," Central Intelligence Agency, accessed April 4, 2011, https://www.cia.gov/library/publications/the-world-factbook/rankorder/2187rank.html.
[16] Ibid.

Past policy and trends

The numbers, figures, and analyses above indicate that Canada's past policy has favoured its U.S. trade and investment relationship and trends in both categories have been more or less stable. Canada's protection of supply management to date is also clear. Given the current situation regarding differences in global growth rates, GDP per capita, and current account levels, Canada's past policy and associated trends regarding trade and investment relationships with emerging market countries deserves further explanation.

To boost Canada's weak business reputation in emerging market countries, Canada had many federal- and provincial-led international trade missions during the Liberal years of 1994–2005, including Canada Trade Missions and Team Canada Missions, which included the prime minister as well as dozens of political officials and business representatives. The Conservative government of Prime Minister Stephen Harper continued these trade missions through 2006–08, but Harper has not led any of the delegations.

Canada's *Global Commerce Strategy*, published in March 2009, effectively spelled the end of formal federal trade missions by pledging that the Government of Canada will improve Canada's competitiveness, support Canadian firms pursuing global commercial success, and make Canada attractive to global investment, business, and talent. Identifying 13 priority markets, including China, India, and Brazil, the strategy has a four-pronged approach:

- Boost Canadian commercial engagement in global value chains;
- Secure competitive terms of access to global markets and networks for Canadian businesses;
- Increase FDI in Canada and Canadian direct investment around the world; and
- Forge stronger linkages between Canada's science and technology community and global innovation networks.[17]

[17] Government of Canada, "Seizing Global Advantage: A Global Commerce Strategy for Securing Canada's Growth & Prosperity" (Ottawa: Public Works and Government Services Canada, 2009), 4–13.

With regard to boosting Canadian trade, the Government of Canada has focused on NAFTA as the key platform for economic opportunity, various global value chain initiatives, negotiating and signing FTAs, bilateral science and technology agreements, and the promotion of DFAIT's Trade Commissioner Service. To increase Canada's share of global investment, the federal government has prioritized the pursuit of FIPAs, funding global commerce support program Going Global Innovation, and a Foreign Investment Promotion Strategy that intends to build a Canada "brand" in key markets through the Investment Champions program that draws potential investors to industry-specific events across Canada, strategies that highlight the benefits of partnering with promising Canadian companies, and services to help foreign investors in Canada connect to Canadian suppliers, professionals, labour, knowledge, and innovation networks.

POLICY PROCESS

Objectives

To ensure economic growth, job creation, and the maintenance or improvement of Canadians' standard of living, Canada must develop its international strategy to facilitate trade and investment opportunities with the U.S., develop relationships with the emerging market countries that are expected to drive global growth in the coming years, and improve multilateral ties.

Key stakeholders, allies, detractors, and beneficiaries

In Canada, major stakeholders are export-oriented farmers, manufacturers, and service providers, which would benefit from boosts in productivity and international competitiveness. Given their respective roles in developing domestic and international positions and initiatives on trade and investment, DFAIT, Industry Canada, and the Department of Finance Canada are stakeholders in the policy process. Provincial governments, which are responsible for policy implementation, could either be allies or detractors based on whether or not they are actively recruiting business to their respective province to maximize tax revenues and employment, attempting to secure re-election, and/or protective of import-competing producers or supply management farmers. The general Canadian public should be understood as a stakeholder as Canadians stand to benefit from reduced prices of goods and services resulting from more efficient production and the freer movement of imports into Canada. Domestic detractors include import-competing producers and those working in import-competing industries, labour unions defending workers' rights and economic perspectives in import-competing sectors, and farmers benefiting from supply management. Internationally, detractors would be those industries directly competing with Canadian exporters. Certain countries intent on economic recovery, the U.S. in particular, could react with measures to boost international competitiveness.

POLICY ANALYSIS

Alternatives

Canada has a diverse set of policy options that could lead to the achievement of its objectives. With regard to the Canada-U.S. relationship, Canada has two options. The first is improved security cooperation. The inadequacy of Canada-U.S. border security is the most immediate threat to both national and economic security in North America. Stricter security measures established by the American government following the attacks of September 11, 2001, obstruct the free flow of goods between Canada and the U.S. The estimated cost to Canadian businesses is CAD$15–20 billion dollars per year, or 4–5 percent of total Canada-US trade.[18] Although the Government of Canada has addressed American security concerns including the Smart Border

[18] Derek Burney et al., "From Correct to Inspired Relations: A Blueprint for Productive Canada-US Engagement," Centre for Trade Policy and Law, Carleton University, January 19, 2009, http://www.ctpl.ca/sites/default/files/FINAL-BLUEPRINT-ENGLISH.pdf.

Accord in December 2001,[19] Security and Prosperity Partnership in 2005, and the development of the "Beyond the Border" Working Group in February 2011, American congressmen continue to speculate that efforts are insufficient.[20] Just as NAFTA acted as a solution to creeping U.S. trade protectionism in the 1980s, a renewed Canada-U.S. border strategy could provide a solution to border problems hampering trade by improving perceptions of Canada as a safe, predictable, and vital trading partner in the eyes of American policy-makers.[21]

Given trends in economic growth rates, the potential for the rapid development of emerging market countries in upcoming years, and increasing domestic demand in these countries, the second option is trade diversification. DFAIT prioritizes concluding and implementing free trade agreements with new strategic partners. The Government of Canada has signed FTAs with 10 countries and is in negotiations (or negotiations are pending) to conclude 12 more agreements. Canada could attempt to negotiate a significant number of FTAs to diversify trade away from the U.S., but to date Canada has only been able to conclude FTAs with countries that do not have a significant impact on Canadian trade.[22] Even though trade between the U.S. and Canada has been declining over the past decade, the bilateral relationship dwarfs almost all prospects for diversification. Concluding negotiations over the Comprehensive Economic and Trade Agreement with the European Union has the biggest potential to bring benefits to Canadian business through policy liberalization: mutual recognition of credentials and a reduction in non-tariff barriers, among other liberalizing efforts, are estimated to potentially

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[19] Thomas d'Acquino, "Security and Prosperity: The Dynamics of a New Canada-United Partnership in North America", presentation at the annual general meeting of the Canadian Council of Chief Executives, Toronto, Ontario, January 14, 2003, 5, http://www.bcni.com/publications/pdf/b10f11c9777f6bcf34fa14e57a594c3c/presentations_2003_01_14.pdf.
[20] Peter Andreas, "A Tale of Two Borders," Center for Comparative Immigration Studies, UC San Diego, 2003, http://escholarship.org/uc/item/6d09j0n2;jsessionid=F65005165177A5AEDFB3312F46EE4D8D#page-7.
[21] Andrew Hurrell, "Hegemony in a Region That Dares Not Speak Its Name," *International Journal*, 61.3 (2006): 559.
[22] "Negotiations and Agreements," last modified March 8, 2011, http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx.

bring benefits amounting to over CAD$34 billion per year.[23] FTAs with other major trading partners—the launch of FTA negotiations with India are pending—could be similarly beneficial.

With regard to improving access to emerging markets, Canada has three policy options. The first regards trade promotion by way of federal trade missions. Federal trade missions led by the prime minister could be reinvigorated as a strategy for investment and export promotion. However, such missions have been deemed ineffective by scholars: one study found that federal government-led trade missions between 1993 and 2003 did not result in a noticeable rise in bilateral trade in goods, results that extend to service trade and FDI.[24] Nevertheless, federal trade missions could be revamped to apply new strategies alongside the current *Global Commerce Strategy* for investment and export promotion already in place.

The second option is to improve productivity to boost Canada's international competitiveness. In recent years, declining Canadian productivity has been a key concern for the country's future macroeconomic health.[25] As Canadian household balance sheets are currently stretched, household spending is expected to be only moderate, and government stimulus is unwinding, business investment and net exports can play bigger roles in driving growth.[26] Low productivity is seen as a result of uncompetitive small firms, underinvestment, and the wrong skill mix in the labour market. To improve international competitiveness, businesses, including small firms, could invest in productivity gains by investing more in machinery and equipment, particularly in information and communications technology; investing more in research, development, and innovation; employing more workers with higher educational attainment; and

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[23] European Commission and Government of Canada, "Assessing the costs and benefits of a closer EU-Canada economic partnership," accessed January 18, 2011, http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_141032.pdf.
[24] Keith Head and John Ries, "Do trade missions increase trade?" *Canadian Journal of Economics* 43.3 (2010): 772.
[25] "Economy, labour productivity growth", Conference Board of Canada, last modified 2011, http://www.conferenceboard.ca/hcp/details/economy/measuring-productivity-canada.aspx#Angst_canusa.
[26] Macklem, "Canada's Competitive Imperative."

competing in foreign markets.[27] Alternatively, through added emphasis on FDI promotion the Government of Canada could improve productivity by attracting FDI to Canada, which would provide a source of capital that can resolve problems of underinvestment. To address the wrong labour market skill set, the federal government could develop re-training programs for workers who have lost jobs in one sector but could be employed in more dynamic sectors.

The third option is for DFAIT to increase cooperation with Export Development Canada (EDC), Canada's export credit agency. EDC provides financing to foreign companies on the condition they buy goods from Canadian suppliers and insurance to Canadian exporters. In 2010, EDC facilitated a total business volume of CAD$84.6 billion, of which a record CAD$24.7 billion was in emerging markets; Canadian exporters increased their use of EDC's products, services, and matchmaking abilities in emerging markets by 32 percent in 2010, with China, Brazil and India being the top three destinations for Canadian businesses.[28] Increased cooperation between DFAIT's Canadian Trade Commissioners, who work alongside various stakeholders in emerging markets to promote Canadian business and investment, could lead to an increase in total business volume in emerging markets. Moreover, the Government of Canada could authorize the EDC to open offices in foreign markets, which would strengthen Canada's foreign representation and improve EDC's on-the-ground perspective within new markets to identify new opportunities for Canadian businesses developing their global supply chains.[29]

Regarding multilateral efforts addressing supply management, Canada has two policy options. The first option is continuing supply management but making concessions on other issues to make satisfy partners. Although Canada has traditionally been well-perceived and

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[27] Ibid.
[28] Export Development Canada, "EDC facilitates record $24.7 billion of Canadian trade in emerging markets in 2010," last modified March 9, 2011, http://www.edc.ca/english/docs/news/2011/mediaroom_21050.htm.
[29] Export Development Canada, "2009-2013 Corporate Plan Summary," (Ottawa, 2008), http://www.edc.ca/english/docs/corpplan_2009-2013_e.pdf, 15–16.

received multilaterally, current developments in the Doha Round have demonstrated that Canada's influence is declining due to its overly defensive strategy.[30] Continuing supply management would then reinforce Canada's continued diminished position multilaterally,[31] not to mention that products for Canadians would remain expensive.[32] The second option is to eliminate supply management, which would satisfy many multilateral partners and could contribute to the conclusion of the Doha Round. Eliminating supply management could therefore strengthen multilateral ties. Australia suffered economic problems because of similar policies in the dairy sector and the country's transition offers a framework for reform. Dairy production in Australia increased after reform programs took effect, exports increased, and consumers paid less.[33] Canadians would benefit greatly from similar reforms enacted in Canada.

Constraints

If the Government of Canada decides to pursue any of the policy options outlined above, constraints on policy-making include: domestic challenges that new border measures reflect Canadian capitulation to U.S. security interests; aggressive Parliamentary debates about costed options during a time of budget consolidation; foreign governments intent on their exporters staying competitive; a consistently strong Canadian dollar against the currencies of trading partners; and opposition by politically influential dairy and poultry farmers, especially in Ontario and Quebec, to any reforms that threaten the status quo.[34]

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[30] Carl Meyer, "Behind the Scenes of Supply Management," *Embassy* (May 5, 2010), accessed March 1, 2011, http://www.embassymag.ca/page/view/management-05-05-2010.
[31] Meyer, "Behind the Scenes of Supply Management."
[32] Montreal Economic Institute, "Reforming Dairy Supply Management in Canada: The Australian Example," (January 2006: 1), accessed February 11, 2011, http://www.iedm.org/files/janv06_en.pdf, 1–2.
[33] Montreal Economic Institute, "Reforming Dairy Supply Management in Canada," 4.
[34] Nico Human, "Supply Management: Doha: quo vadis?" *Canadian Poultry Magazine*, accessed January 28, 2011, http://www.canadianpoultrymag.com/content/view/852/67/.

RECOMMENDATIONS

• Given the importance of the Canada-U.S. trade and investment relationship to Canada and the marginal utility of FTAs, Canada should initiate efforts to strengthen the Canada-U.S. border.

• Given global economic growth rates, the potential for rapid development in emerging market countries in upcoming years, and the likely increase of domestic demand in these countries, the Government of Canada should commit to improving Canada's international competitiveness by investing in productivity gains and further promoting FDI flows into Canada.

• Given EDC's success in increasing total business volume in emerging markets in 2010, the Government of Canada should facilitate increased cooperation between DFAIT and EDC and authorize EDC to open offices in foreign markets.

• Given the potential for a change in Canadian policy to contribute to the conclusion of the Doha Round and significant benefits for Canadians, the Government of Canada should outline plans to eliminate supply management.

Implementation

Strengthening the Canada-U.S. border is the most efficient means to safeguard Canadian economic prosperity. Specific initiatives could include a shared North American identity document, using radio frequency identification technology associated with the People Access Security Service that U.S. residents frequently use to enter Canada,[35] 24/7 access at major border crossings,[36] a shared system for commercial processing, and, more controversially, shared policing of the border overseen by a joint commission on border management.[37]

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[35] Monica Nogueira and Noel Greis, "Uses of RFID Technology in US Identification Documents," Institute for Homeland Security Solutions, accessed March 26, 2011, https://www.ihssnc.org/portals/0/Documents/VIMSDocuments/Greis_RFIDBrief.pdf.
[36] Burney et al.,"From Correct to Inspired Relations," 8.
[37] d'Acquino, "Security and Prosperity," 7.

To improve international competitiveness, the Government of Canada should assess the impact of *Mobilizing Science and Technology to Canada's Advantage*, its science and technology strategy published in 2007, and update the strategy by improving the incentives that have led to increases in Canada's productivity since 2007. Modernization of the strategy should reinvigorate the framework in place for investment in capital, research, development, and innovation, which consequently should result in productivity gains.

To increase total business volume in emerging markets, the Government of Canada should mandate DFAIT's Trade Commissioner Service to increase cooperation with EDC's representatives in order to promote Canadian exports and investment. Moreover, the Government of Canada should amend the *Export Development Act* to authorize EDC to open offices internationally, which will significantly reduce transactions costs incurred by businesses attempting to penetrate new markets.

With regard to eliminating supply management in the dairy and poultry sectors, reform can begin immediately through coalition-building between the federal government and Canadian farmers most interested in seeing a more liberal agenda pushed and realized at the Doha Round negotiations, such as wheat farmers, and engagement and quota transfer facilitation with dairy farmers willing to exit the industry. Full elimination of price support would occur following successful transitional assistance programs. Although assistance will present a major cost to the Government of Canada (the Dairy Industry Adjustment Package cost Australia CAD$1.5 billion),[38] the long-term benefits of reform (no more price support) will more than offset initial these transition costs.

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[38] Montreal Economic Institute, "Reforming Dairy Supply Management in Canada," 4.

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